Open

Overview & Scrutiny Committee

Agenda

6pm
Thursday, 1st February 2018
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster

Wyre Forest District Council

Overview & Scrutiny Committee

Members of Committee:

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

Councillor J R Desmond	**Councillor P Dyke**
Councillor K Henderson	**Councillor D Little**
Councillor S J Walker	**Councillor H S Williams**
Councillor S J Williams	**Councillor R Wilson**

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, 1st February 2018

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 7th December 2017.	7
5.	**How Are We Doing? Performance Update** To consider a report from the Business Improvement Officer which updates Members on the performance of the Council for quarter 3 (from 1st October to 31st December 2017).	10
6.	**Annual Crime and Disorder Review 2017/18** To receive a report from the Community Safety & Partnerships Officer which provides an update on the progress of the North Worcestershire Community Safety Partnership (NWCSP) during 2017/18.	30
7.	**Community Led Housing – A Pledge by Wyre Forest District Council** To consider a report from the Community Led Housing Co-ordinator on the progress of the Community Led Housing (CLH) pledge and related policy.	45

8.	**Treasury Management Strategy 2018-19** To consider a report from the Chief Financial Officer which purpose is to provide Members with background information on the Chartered Institute of Public Finance (CIPFA) Prudential Code for Capital Finance in Local Authorities (Prudential Code), to restate the Prudential Indicators and Limits for the financial years 2018-19 to 2020-21 and set out the expected treasury operations for this period, and to seek approval for the Council's Treasury Management Strategy Statement for the period 1st April 2018 to 31st March 2019.	54
9.	**Feedback from Cabinet** To note the content of the Cabinet action list, following consideration of the recommendations from its meeting on 19th December 2017.	101
10.	**Work Programme** To review the work programme for the current municipal year with regard to the Corporate Plan Priority, Annual Priorities and the Forward Plan.	102
11.	**Press Involvement** To consider any future items for scrutiny that might require publicity.	
12.	**Establishing a Group Structure of Local Authority Trading Companies** To consider a report from the Corporate Director: Economic Prosperity and Place which sets out the Final Business Case (FBC) for setting up a Group Structure of companies. *Please note that the associated appendices to appendix 1 of the report have been circulated electronically.*	104
13.	**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.**	
14.	**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

15.	**Agenda Item No. 12 Establishing a Group Structure of Local Authority Trading Companies** Appendix 1 (Exempt) – Mazars & Anthony Collins - “Establishing a Wholly Owned Company” Appendix 2 (Exempt) – Mazars, Anthony Collins & FPM – “The business case for establishing a property and asset development Local Authority Trading Company” Appendix 3 (Exempt) – Market Analysis Appendix 8 (Exempt) – Initial pipeline of sites Appendix 9 (Exempt) – Proposed Company names *Please note that the associated appendices to appendix 1 of the report have been circulated electronically.*	-
16.	**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.**	

Agenda Item No. 4

WYRE FOREST DISTRICT COUNCIL

OVERVIEW & SCRUTINY COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER

THURSDAY, 7TH DECEMBER 2017 (6PM)

Present:

Councillors: H E Dyke (Chairman), J Baker, P Dyke, K Henderson, D Little, N Martin, S J Walker, H S Williams, S J Williams and R Wilson.

Observers

Councillors: M J Hart, N Knowles, J A Shaw, J D Smith and R J Vale.

OS.64 Apologies for Absence

Apologies for absence were received from Councillors: M Rayner (Vice-Chairman) and J R Desmond.

OS.64 Appointment of Substitutes

Councillor J Baker was appointed as a substitute for Councillor J Desmond. Councillor N Martin was appointed as a substitute for Councillor M Rayner.

OS.65 Declarations of Interests by Members

No declarations of interest were made.

OS.66 Minutes

Decision: The minutes of the meeting held on 2nd November 2017 be confirmed as a correct record and signed by the Chairman.

OS.67 How Are We Doing? Performance Update

The Committee received a report from the Business Improvement Officer which updated Members on the performance of the Council for quarter 2 (from 1st July to 30th September 2017).

The Business Improvement Officer presented the report and appendices which included an exception report for all of the Council's purposes, namely; People, Place, Housing, Planning, Business and Enabling and detailed reports on performance against the 'Business' and 'People' purposes. Members' attention was drawn to the key achievements / issues during the quarter which included an update on the success of Wyre Forest Leisure Centre which had been open for 12 months in July 2017, and during that period had received an average of over 39,000 visitors per month.

Agreed: The progress in performance for quarter 2 be noted.

OS.68 Depot 2020: Consideration of Call-In Request

The Committee received a report from the Revenues, Benefits & Customer Services Manager on the call in request for the Depot 2020 proposals.

On 2nd November 2017 the Overview and Scrutiny Committee considered a report on the proposals which included moving the customer services centre (Hub) from Kidderminster Town Hall to Green Street. The Committee supported the proposals and by way of a majority vote recommended to the Cabinet that "Option B be taken forward for investing in and improving the Green Street site".

A call in notice was received following the Cabinet's decision on 14th November 2017 to proceed with the scheme subject to capital funding. The Cabinet's decision was in line with the recommendations from the Overview and Scrutiny Committee. The reason for the call in was that "*Too little attention has been placed on the inaccessibility of Green St. compared to the Town Hall. There has been inadequate public consultation with those who will be worst affected*". A copy of the call in form was attached as appendix 1 of the report.

The Revenues, Benefits & Customer Services Manager presented the report which aimed to address the issues raised. She advised Members that a small survey of all customers who had attended the HUB over a two week period in November 2017 had been undertaken to ascertain how they travelled to the HUB. In response to a Member question regarding the number of visits a customer may have to make to the HUB to resolve issues with their financial situation (revenues, benefits and welfare), she confirmed that the data held did not capture that level of detail, however by bringing the teams who deal with those queries together in one location, the service provided to the customers would be greatly improved.

A discussion ensued and in response to a Members question regarding the number of disabled parking bays which would be available, the Corporate Director: Community Well-being and Environment advised that customer parking would be available right outside the new location with a minimum of 2 disabled parking bays, however the exact number would not be known until the planning application stage of the process.

The Chairman expressed concern that the accessibility issues had not been fully considered and proposed as per the options set out at 4.1 b) of the report that the decision be deferred for (i) more detail of the rational behind the decision of the re-location of the HUB be given to Members, and (ii) a full public consultation be held. The proposal was seconded by Councillor Walker.

Upon a show of hands 4 Members voted in favour of option 4.1 b), 6 Members voted in favour of reaffirming the decision made by the Committee on 2nd November 2017.

Agreed: The Overview and Scrutiny Committee reaffirm the decision it made on 2nd November to support the proposals.

OS.69 Feedback from Cabinet

Agreed: The content of the Cabinet decision list following consideration of the recommendations from its meeting on 14th November 2017.

OS.70 Work Programme

The Committee considered the work programme for the remainder of the municipal year. As there were no items on the work programme for Members to consider at the next scheduled meeting of the Committee on 4th January 2018, the Chairman proposed that the date be used for the first meeting of the review panel which would undertake an in-depth review of the effectiveness of Partners and Communities Together (PACT) schemes within the Wyre Forest district.

Members wishing to take part in the review were asked to notify the Principal Committee and Member Services Officer by Monday 18th December 2017. The Chairman advised that the first meeting of the Affordable Housing Review Panel would be held on 25th January 2018.

Agreed:

- **The work programme be noted.**
- **The first meeting of the PACT review panel be held on Thursday 4th January 2018 at 6pm, in the Stourport-on-Severn/Bewdley Room, Wyre Forest House, Finepoint Way, Kidderminster.**

OS.71 Press Involvement

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

OS.72 Exempt Information

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

OS.73 Asset Exchange, Kidderminster

The Committee considered a confidential report from the Corporate Director: Economic Prosperity and Place which proposed an asset transfer in Kidderminster.

Members discussed the report and were in full agreement that if the proposed exchange took place, it would have a positive impact on the area.

Agreed: Recommend to Cabinet:

The proposed exchange of land be agreed.

There being no further business, the meeting ended at 6.50pm.

Agenda Item No. 5

Overview & Scrutiny Committee

Briefing Paper

Report of: Rhiannon Foxall, Business Improvement Officer
Date: Thursday 1st February 2018
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 2017 to 31st December 2017).

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 an **overview** of the last 12 months from the Museum Manager.

4. Key Achievements/Issues

4.1 There is currently only one overdue action in the Wyre Forest Forward Programme of Projects. The details are:

HR Pages - COLIN
Meeting held on the 29th November to review various options for HR pages. Final option agreed. HR pages now built and ready for go live at the end of January/beginning of February 2018. Pages will continue to be reviewed and improved following go live.
Induction Process
Meeting with iLearn representative to be held on 22nd March with a specific focus on options for induction section of iLearn system.

4.2 There was a spike in the number of calls received by the customer services team for the depot in December, together with an increase in failure demand. This was due to the severe weather conditions where calls regarding waste and recycling collection increased dramatically. Information messages regarding the collection service were provided on the phone system, the website, Facebook and Twitter to keep residents informed. Refuse and recycling crews and other frontline staff were deployed to assist with clearing pathways wherever possible.

4.3 Bewdley Museum has had another successful season with visitor numbers reaching 191,096. A summary of the previous season at the museum can be found at Appendix 3.

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 – Overview from Museum Manager

13. Background Papers

Corporate Plan action information is available on the Council's Performance Management System, Pentana Performance. 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 17/18 55	We support our people and enable them to work well	85%

Due Date	Managed By	Latest Note	Latest Note Date
30-Sep-2017	Corporate Leadership Team; Ian Miller; Rachael Simpson	**HR Pages - COLIN** Meeting held on the 29th November to review various options for HR pages. Final option agreed. HR pages now built and ready for go live at the end of January/beginning of February 2018. Pages will continue to be reviewed and improved following go live. **Induction Process** Meeting with iLearn representative to be held on 22nd March with a specific focus on options for induction section of iLearn system.	18-Jan-2018

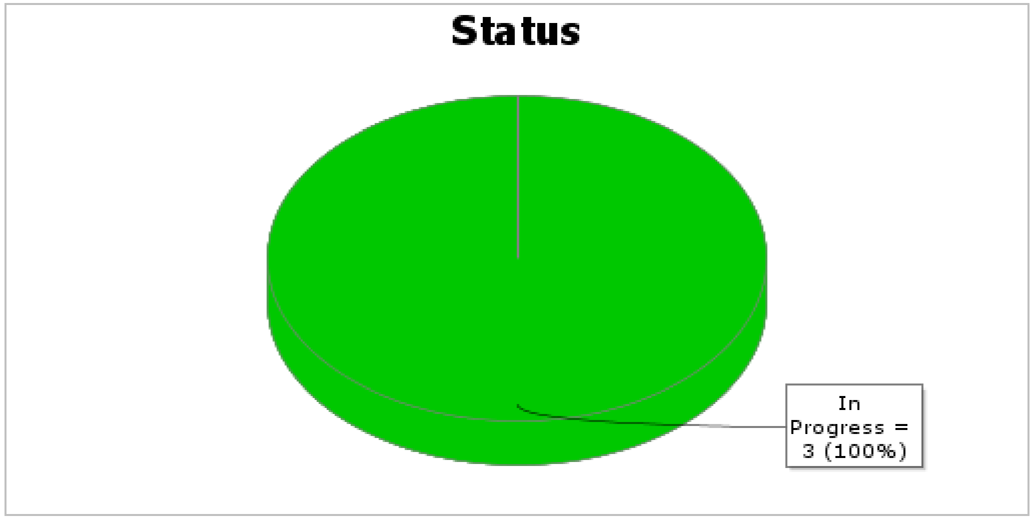
KEEP MY PLACE SAFE AND LOOKING GOOD

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

Wyre Forest District Council

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 17/18 66	Development of car parking spaces Load Street car park	60%	

Due Date	Managed By	Latest Note	Latest Note Date
13-Apr-2018	Steve Brant; Linda Draycott	Contractors progressing. Only one day lost to poor weather. Should be noted that the project was two weeks	17-Jan-2018

			late starting so this will impact the end date by two weeks. Due date amended accordingly.	

WFF 17/18 67	Brinton Park HLF Stage 2	20%	

Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2018	Linda Draycott	HLF second stage bid successful and funds awarded to develop the next stage taking it to detailed planning.	15-Jan-2018

WFF 17/18 68	Green street depot 2020 improvement and investment plan	35%	

Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2020	Steve Brant; Linda Draycott	Conditional planning approval given on 16th January and the tender documents are likely to be going out in March.	22-Jan-2018

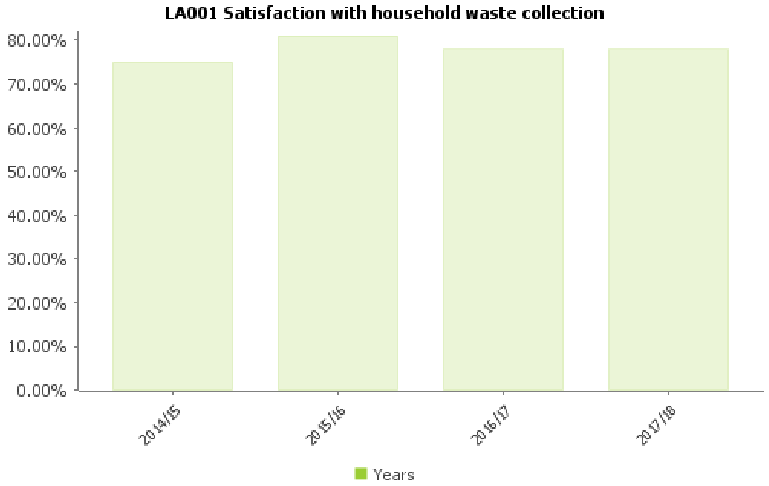
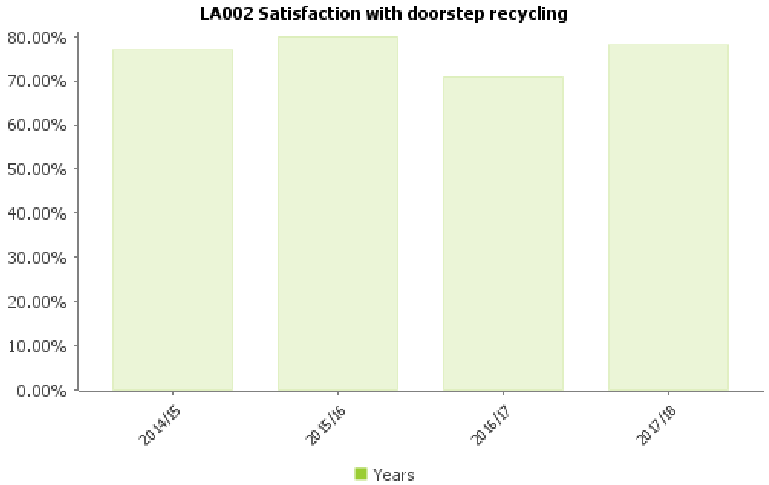
Cross cutting Actions

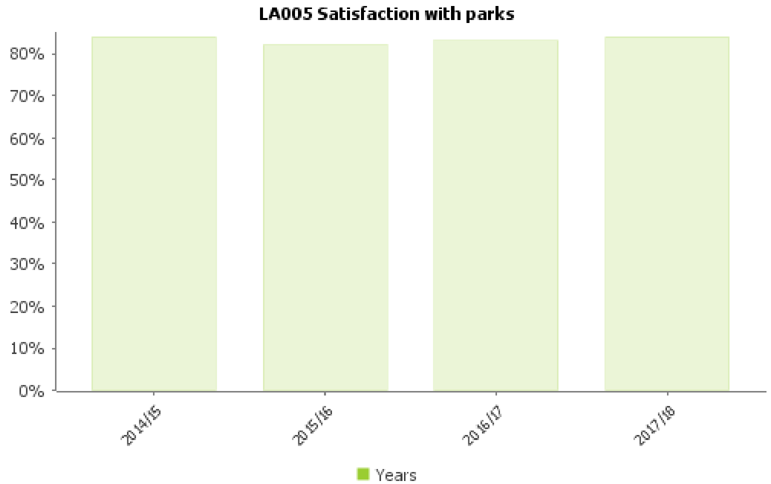
Listed below are primary actions for other purposes but also impact on this purpose:

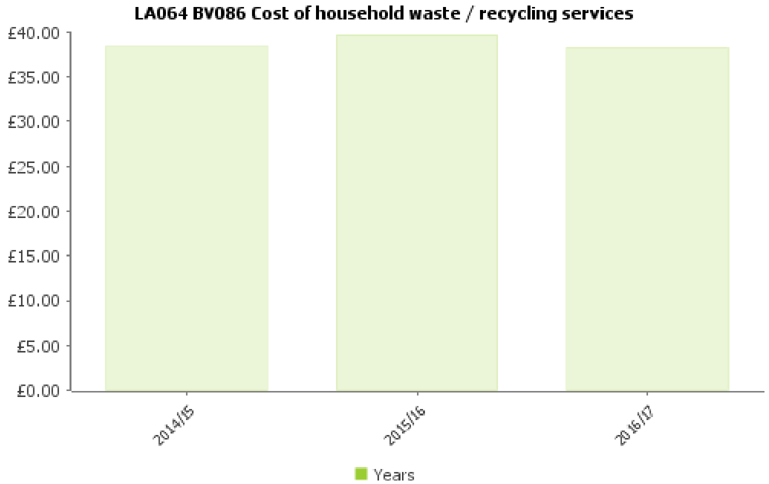
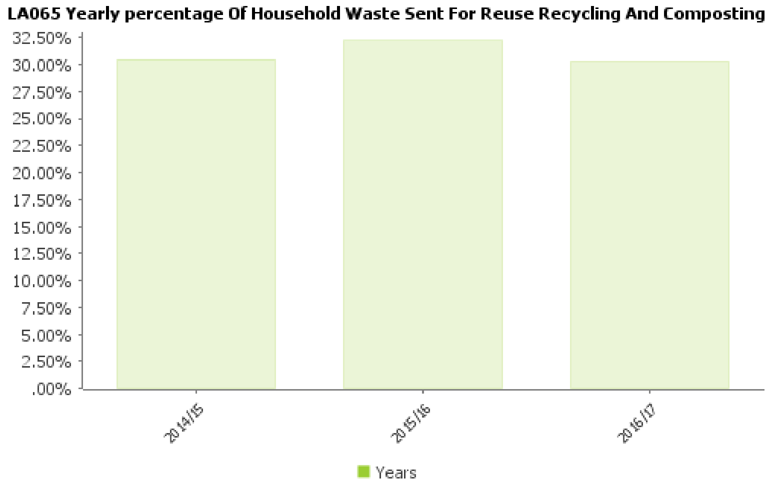
None

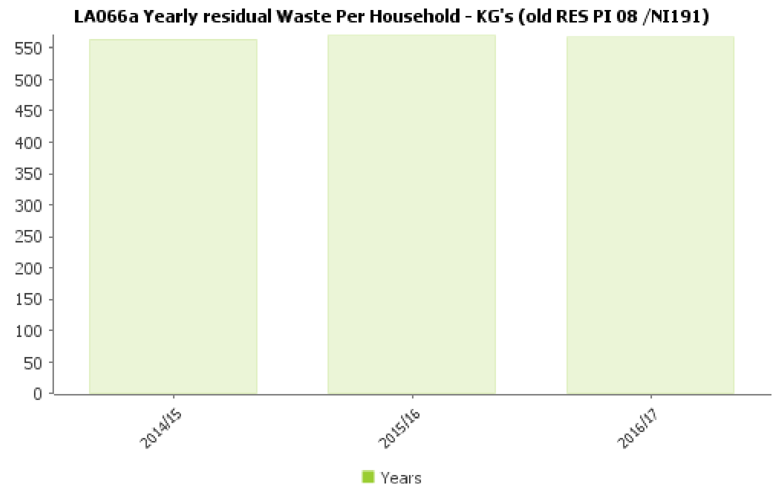
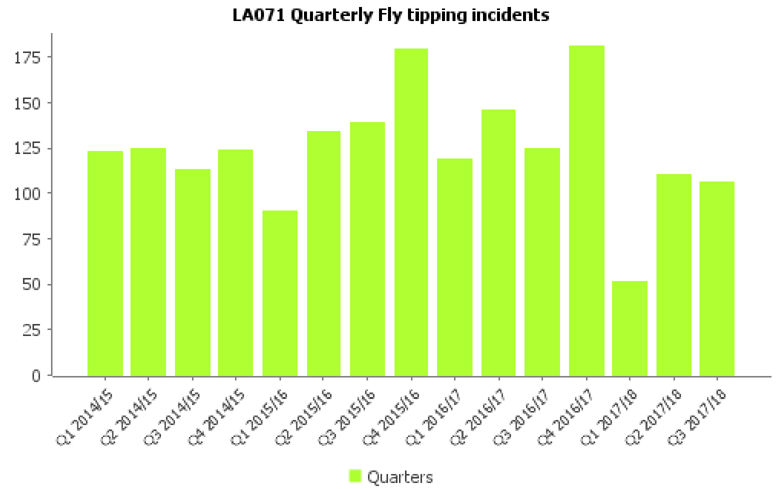
Measures

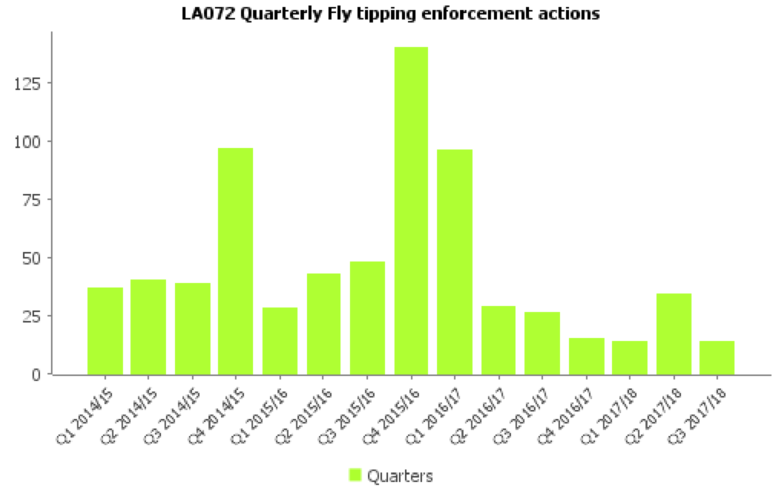
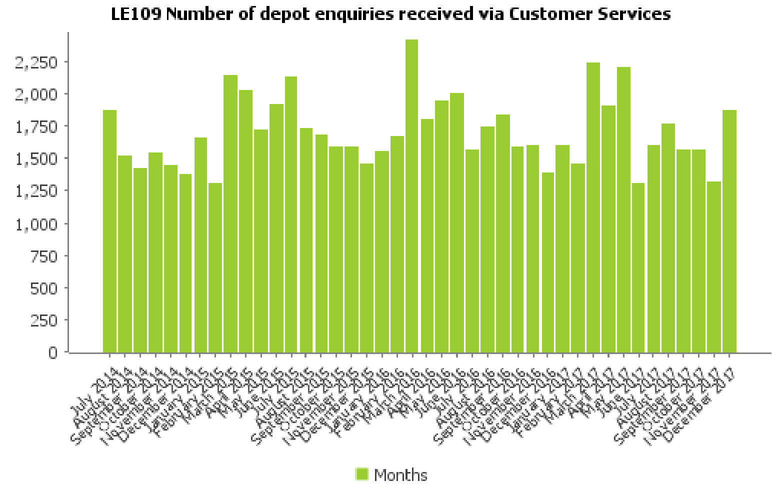
As a way of measuring the progress with our purpose, we collect key data to monitor trends and patterns. This data not only helps us to understand the impact of the work that we are doing but it also assists with decision making at a corporate level. The latest available data is detailed below:

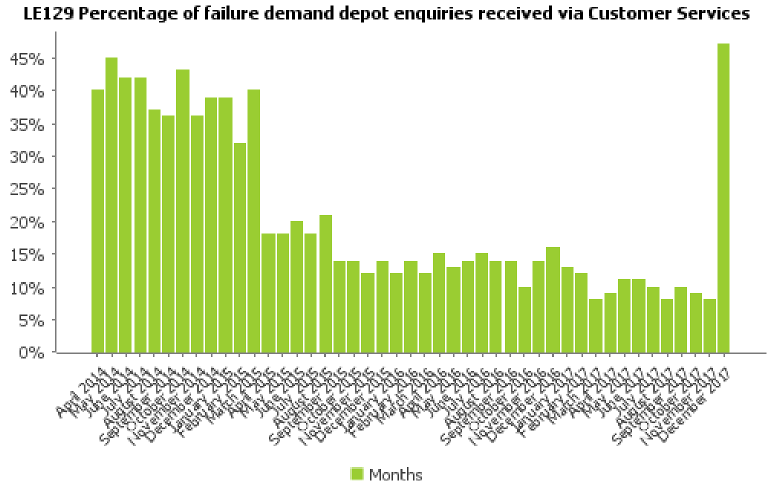
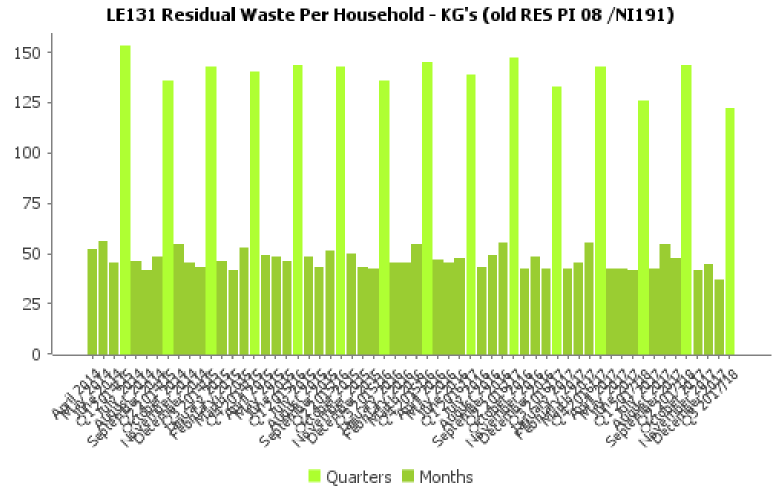
LA001	Satisfaction with household waste collection	Aim to Maximise		Current Value	78.00%		Managed By	Steve Brant
LA002	Satisfaction with doorstep recycling	Aim to Maximise		Current Value	78.00%		Managed By	Steve Brant

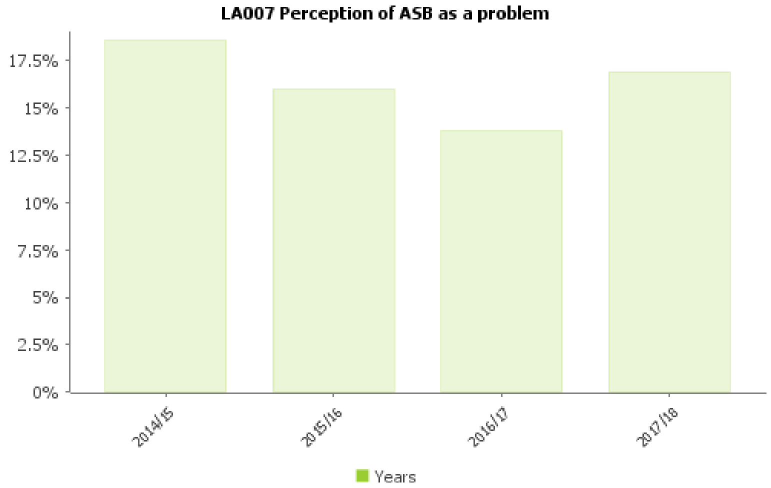
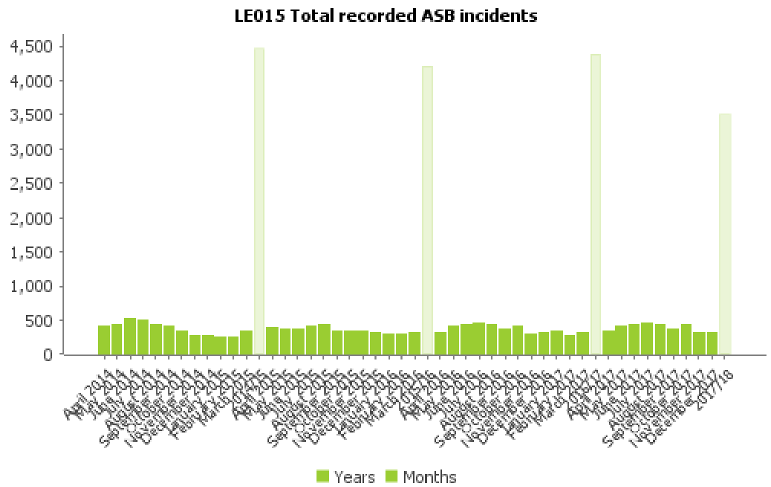
LA003	Satisfaction with street cleanliness	Aim to Maximise		Current Value	46%		Managed By	Steve Brant
LA005	Satisfaction with parks	Aim to Maximise		Current Value	84%		Managed By	Steve Brant

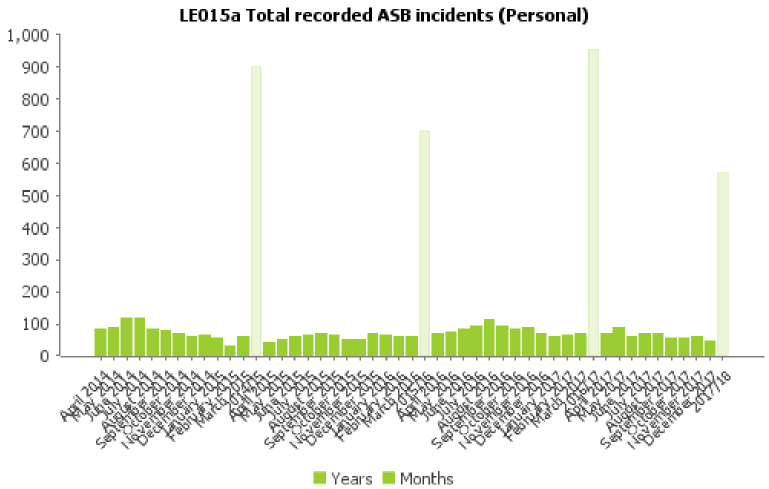
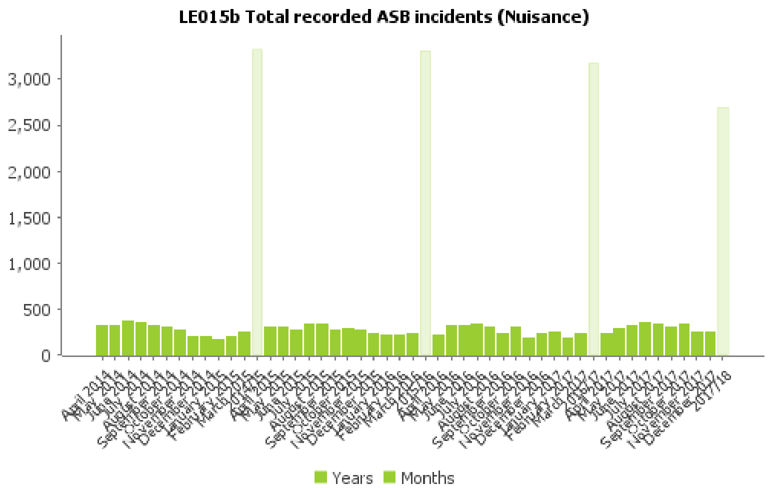
LA064 BV086	Cost of household waste / recycling services	Aim to Minimise		Current Value	£38.28		Managed By	Steve Brant
LA065	Yearly percentage Of Household Waste Sent For Reuse Recycling And Composting	Aim to Maximise		Current Value	30.32%		Managed By	Steve Brant

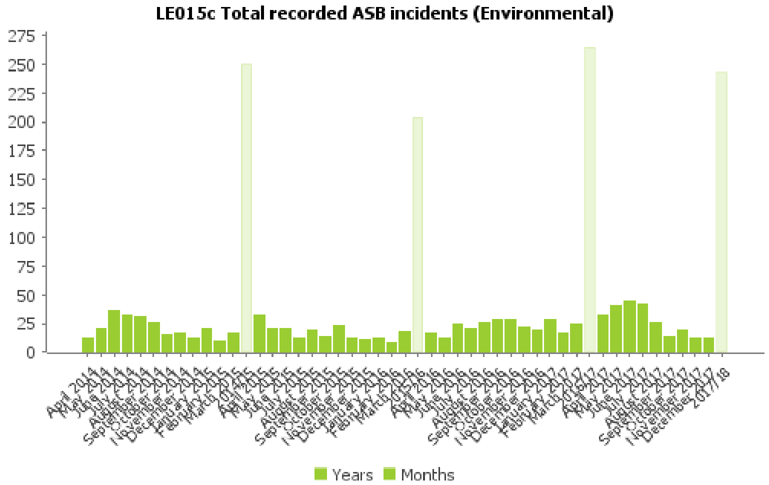
LA066a	Yearly residual Waste Per Household – KG's (old RES PI 08 /NI191)	Aim to Minimise		Current Value	567	Managed By	Steve Brant
LA071	Quarterly Fly tipping incidents	Aim to Minimise		Current Value	106	Managed By	Steve Brant

LA072	Quarterly Fly tipping enforcement actions	Aim to Minimise		Current Value	14		Managed By	Steve Brant
LE109	Number of depot enquiries received via Customer Services	Aim to Minimise		Current Value	1,868		Managed By	Steve Brant

LE129	Percentage of failure demand depot enquiries received via Customer Services	Aim to Minimise		Current Value	47%	Managed By	Steve Brant
LE131	Residual Waste Per Household – KG's (old RES PI 08 /NI191)	Aim to Minimise		Current Value	37	Managed By	Steve Brant

LA007	Perception of ASB as a problem	Aim to Minimise		Current Value	16.9%	Managed By	Kathryn Underhill
LE015	Total recorded ASB incidents	Aim to Minimise		Current Value	319	Managed By	Kathryn Underhill

LE015a	Total recorded ASB incidents (Personal)	Aim to Minimise		Current Value	43		Managed By	Kathryn Underhill
LE015b	Total recorded ASB incidents (Nuisance)	Aim to Minimise		Current Value	264		Managed By	Kathryn Underhill

LE015c	Total recorded ASB incidents (Environmental)	Aim to Minimise		Current Value	12	Managed By	Kathryn Underhill

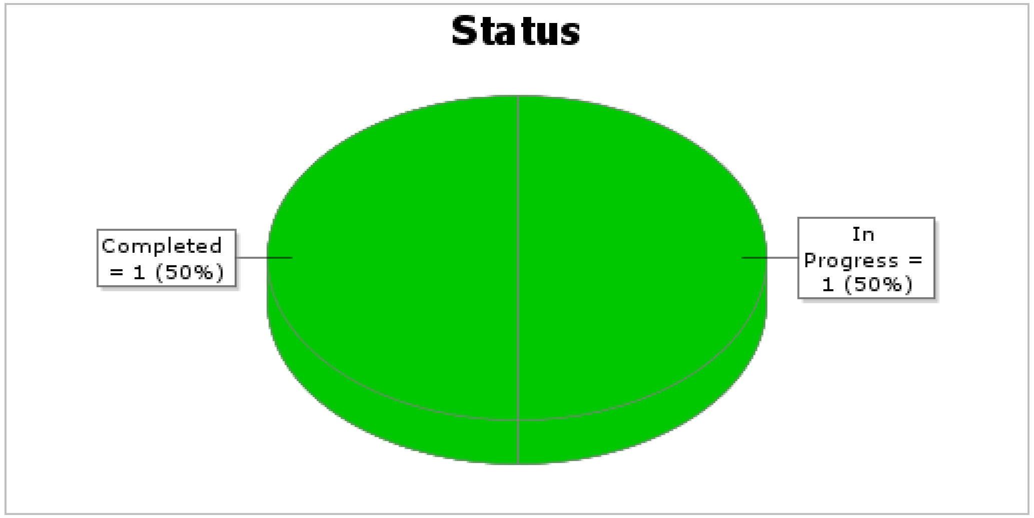
ENSURE THAT THERE ARE GOOD THINGS FOR ME TO DO, SEE AND VISIT

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'.

Wyre Forest District Council

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 17/18 44	Bewdley Museum Development	100%	

Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2017	Kay Higman	**Development of wedding package**	09-Jan-2017

Brochure and website nearly completed. Wedding licence application approved. Refurbishment of Guildhall almost complete.

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.

WFF 17/18 69	Stourport Riverside	20%	

Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2018	Alan Breen; Linda Draycott	Action plan is completed and will be delivered by Spring 2018	19-Jan-2018

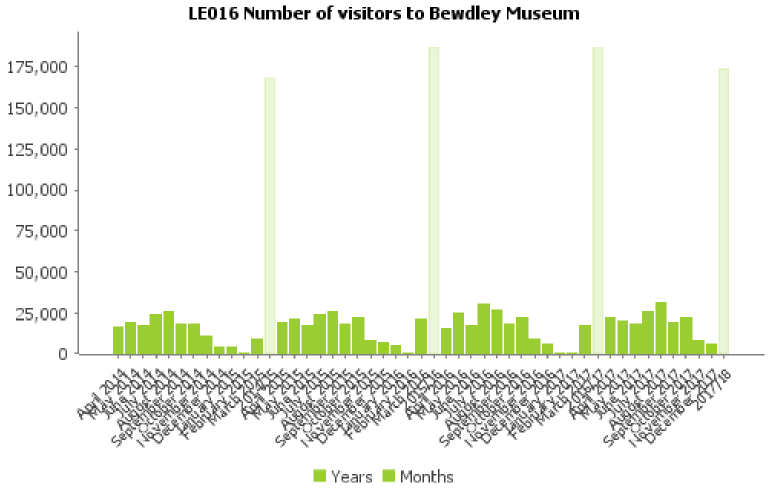
Cross cutting Actions

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

WFF 17/18 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		Current Value	6,508		Managed By	Kay Higman

Cross cutting measures

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

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 2017/8

Our 2017/18 season has seen another jump in visitor numbers to 191,096 which is slightly more than the previous year. This is really pleasing mainly because of the parking issue in town which has gone on far longer than originally anticipated.

The museum continues to be a 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 the results of the secret shopper survey by a national company with positive comments such as;

I would confidently recommend Bewdley Museum as best in class and would have no problem suggesting to West Midlands Development Team that they use the museum as a leading example of a modern run heritage site without having lost its main objective.

"We have worked with a lot of the leading museums and galleries in London and I can confidently say that your museum and the operation you run are definitely in the top 10% as an overall performance measure.

- 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. This year they introduced Sunday lunches and held a tapas evening both were really popular.

- We held several ticketed performances in the gardens; Billionaire Boy by David Walliams in June was very popular with 350 tickets sold and Great Expectations in July with 200 tickets sold and Tenuto in July with 150 tickets sold. The gardens are a beautiful venue for productions and for 18/19 we have also a booked a performing arts studio to perform songs from the musicals.

- This year we recruited three new education officers to deliver blitz and evacuation, river and rail plus bespoke combinations of workshops on site. We have also delivered dance, yoga and crochet workshops on site all contributing to a growth in our income streams.

- Our activities programme for children in the school holidays is still extremely popular, regularly attracting 60/80 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 revamped shop has proved to be very successful offering unique gift ideas. Seasonal Gifts have proved popular and Christmas generated excellent sales for us.

- Our heritage wedding brochure and package has now been launched. We held a series of open days on site and have a number of weddings booked for 18/19

- We applied for and gained 38K from the arts council to enable us to upgrade our Wyre Forest Gallery enabling us to borrow exhibits from national collections. We are hoping to bring a national exhibition to this space during our 2019 season.

- Our site and gardens continue to attract growing numbers of people our focus this year has been on the areas we know we can deliver well, are popular with our visitors and critically generate income growth year on year.

- Finally our team were recognised by the Service Science survey as offering an exceptional visitor experience. Every season it is amazing how a small team can rise to the challenge of Increased visitor numbers, increased hours with additional events and weddings and increased commercial targets. Members of the team regularly go above and beyond the remit of their roles and I would like to extend a heartfelt thank you for their commitment and support.

Alison Bakr
Museum Manager
January 2018

Agenda Item No. 6

Overview & Scrutiny Committee

Briefing Paper

Report of: Kathryn Underhill, Community Safety & Partnerships Officer

Date: Thursday, 1st February 2018
Open

Annual Crime and Disorder Review 2017/18

1. Summary

1.1 This report provides an update on the progress of the North Worcestershire Community Safety Partnership (NWCSP) during 2017/18.

2. Background

2.1 The NWCSP has been in existence since May 2013 and delivers the statutory community safety requirements for the three district areas of Bromsgrove, Redditch and Wyre Forest.

2.2 Local representation on the NWCSP is fulfilled through a number of positions. Wyre Forest District Council's Elected Member representative is the Cabinet Member for Culture, Leisure and Community Protection, Councillor Juliet Smith. Linda Draycott, Director of Community Wellbeing and Environment is the Council's Responsible Authority representative and is also the Vice Chair of the NWCSP. The Community Safety and Partnerships Officer manages the Council hosted Community Safety Team, provides officer support to the NWCSP and is also Chair of the Safer Wyre Forest Group.

2.3 Scrutiny arrangements for the CSP remain unchanged with local authorities having a statutory duty to scrutinise the work of its local CSP, under Section 19 of the Police and Justice Act 2006.

2.4 Alongside the relationship the Council has with the CSP, there is also a direct role in holding the West Mercia Police and Crime Commissioner (PCC) to account through the West Mercia Police and Crime Panel (PCP). Wyre Forest District Council's representative on the PCP is the Cabinet Member for Culture, Leisure and Community Protection, Councillor Juliet Smith.

3. Key Issues

3.1 Partnership Structure

Local operational activity is delivered via the Safer District Groups, known as Safer Bromsgrove, Safer Redditch and Safer Wyre Forest. There are also a number of other partnership sub groups as illustrated by below:

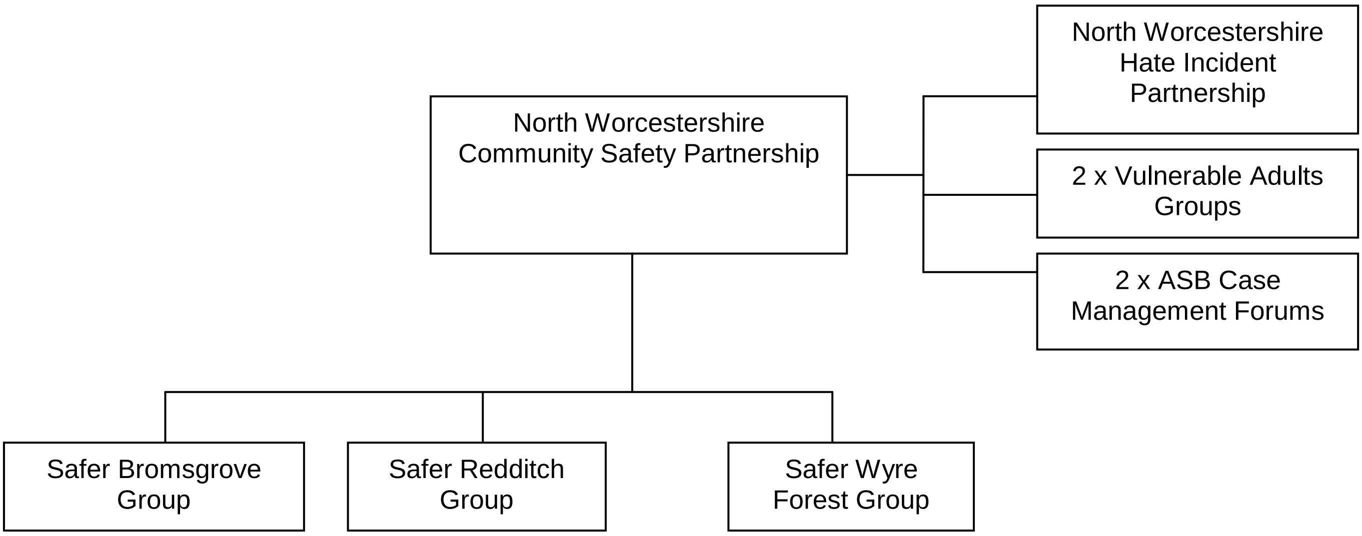


Diagram 1: Structure of the North Worcestershire Community Safety Partnership

3.2 Strategic Assessment and Partnership Plan

NWCSP has a statutory duty to produce a three year rolling plan outlining how the Partnership intends to address key crime and community safety priorities, as identified through its annual Strategic Assessment.

In December 2016, NWCSP agreed its strategic priorities for 2017-20 as:

I. Reducing Violence and abuse: including sexual offending and domestic abuse (to include Child Sexual Exploitation (CSE))

II. Reducing Theft and Acquisitive crime: including shoplifting, thefts and burglaries

III. Reducing Anti Social Behaviour, Damage and Nuisance: including criminal damage, environmental issues and deliberate fires/arson

Protecting vulnerable communities from being specifically targeted by crime and ASB (including hate crime, harassment and threatening behaviour) is a cross cutting theme, which impacts on all CSP priorities.

Reducing Offending and Drug and Alcohol Misuse are also cross cutting themes, which impact on all three CSP priorities.

3.3 John Campion, Police and Crime Commissioner, West Mercia

John Campion was elected as the Police and Crime Commissioner for West Mercia on 5th May 2016. The PCC has a duty to co-operate with CSPs to reduce crime and disorder and there is a reciprocal duty on CSPs to collaborate with the PCC. The PCC and the CSP must have regard to each other's priorities within their respective plans. The PCC's Safer West Mercia Plan was published in October 2016 and his vision is reflected within the NWCSP strategic priorities.

Tracey Onslow appointed as Deputy Police and Crime Commissioner in July 2016, has a brief to represent the PCC in communities across West Mercia. Her portfolio includes cyber, rural and business crime, victims' services and commissioning.

3.4 Grant Funding from the PCC 2017/18

The NWCSP was provided with £139,250 of grant funding from the PCC for 2017/18.

NWCSP Funding Allocation 2017/18

Project Name	**Allocated Amount**
NWCSP Research & Information Officer	£35,000
Bromsgrove Town Centre Management Group	£10,000
Bromsgrove Youth ASB Outreach Services	£8,000
Redditch Town Centre Night Time Economy Improvements	£10,000
Redditch Youth ASB Outreach Activities	£8,000
Team Wyre Forest	£10,000
Wyre Forest Youth ASB Outreach activities	£4,000
Wyre Forest Community Ambassadors and Citizenship Event	£4,000
North Worcestershire Young Citizens Challenge/Crucial Crew	£10,000
North Worcestershire Personal Safety Campaigns:	
Sexual Violence Campaign	£2,000
Protect Your Property Campaign	£1,250
No Rogue Trader Campaign	£4,000
CSE Awareness Campaign	£2,000
Cyber Crime Awareness Campaign	£1,000
North Worcestershire - Domestic Abuse/Sanctuary Schemes	£10,000
North Worcestershire Hate Crime Awareness	£9,000
North Worcestershire Street Pastors	£11,000
Total	**£139,250**

By invitation from the PCC and on behalf of the three District Councils, NWCSP also submitted an application to the PCC for funding towards CCTV improvements. This application was submitted in February 2017, for a capital contribution to modernise the CCTV infrastructure and would be separate funding to NWCSP's annual grant allocation. A decision on the application was put on hold whilst the PCC conducted a review of CCTV provision across West Mercia. In November 2017, the PCC advised CSPs of the following:

- £1 million fund is available to CSPs in the West Mercia Force area over a period of 3 years from 2017 to 2020.
- The fund has been split equally between the 5 Statutory CSPs in the West Mercia Area.
- This equates to a maximum of up to £65k funding per CSP area per year that can be requested via an application process. Grand total up to £195k.

At its meeting on 13th December 2017, the NWCSP agreed to apply to the PCC for the total 3 year allocated sum for a digital upgrade of the cameras and infrastructure owned and managed by the local authorities of Bromsgrove, Redditch and Wyre Forest. The application will be submitted once a strategic review of CCTV across North Worcestershire has been completed.

Progress of all grant funded projects is reported to the PCC and at the end of the financial year there is a requirement to provide a comprehensive report to the PCC reviewing all project activity, outputs and outcomes. The 2017/18 report has to be submitted to the PCC by 13 April 2018 and once tabled at the NWCSP it can be made available on request.

3.5 NWCSP Funding Allocation 2018/19

NWCSP is currently developing funding bids to the PCC for its 2018/19 allocation of £139,250. Once submitted, it is anticipated that we will be advised in early to mid March of the outcome.

3.6 PCC Grants to Voluntary Sector Organisations

Alongside providing funding to CSPs across West Mercia, the PCC also provided grants to a number of voluntary sector organisations via a separate application process. This funding was primarily directed towards larger voluntary sector organisations working across wider geographical areas. The table at **Appendix One** shows the list of PCC funded voluntary and community organisations that include North Worcestershire in their delivery area. The CSP is making links with these organisations, and vice versa, to ensure that duplication is minimised and all opportunities for closer working are explored.

3.7 District Delivery, Key Projects and Progress

The Safer Wyre Forest Group meets on a monthly basis to monitor district delivery and review local operational activity on behalf of the CSP. This group is the first point of contact for any local crime and community safety issues or concerns that may require a multi agency response.

Below is an update on a number of current community safety/crime reduction projects that have been delivered from April 2017.

Shoplifting Problem Profile
Crime and ASB data presented at a Safer Wyre Forest meeting identified that shoplifting in Kidderminster Town Centre was one of the most frequent offences recorded by the police. As the police data only provided a ‘snap shot’ of the offences, the Partnership’s Research and Information Officer has carried out further analysis to find out more information. The shoplifting work is at the Scanning and Analysis stage in the SARA problem solving model, utilised by the CSP, with responses and assessment being developed. The analysis so far has identified key premises and offenders. A strategy of responses to reduce the number of thefts will be progressed and PCC funding has been allocated to support crime reduction activities in the Town Centre.

Community Ambassadors
This is the fourth year of our ground-breaking local citizenship project led by the Community Safety team and the ContinU Trust. There are currently 63 Community Ambassadors in our high schools, which are broken down as below:

Bewdley High School - 8
Baxter College - 7
ContinU Plus Academy - 3
Haybridge High School - 16
King Charles 1 High School - 5
Stourport High School - 12
Wolverley CE Secondary School - 12

Safer Wyre Forest requires the Community Ambassadors to support specific community safety initiatives, throughout the academic year, such as national Personal Safety Day, the White Ribbon Campaign and seasonal crime prevention campaigns.

The project has received national recognition, winning the Young Persons Safety Award at the Suzy Lamplugh National Personal Safety Awards 2017. The current cohort of Ambassadors officially started the programme in September 2017, having received their training in June and inauguration at the Young Citizenship Celebration (YCC) Event in July. Following the YCC Event, the Community Ambassadors were invited to meet with the Mayor’s of Bewdley, Kidderminster and Stourport Town Councils. A snapshot of activities is below and further information can be found at their dedicated website www.communityambassadors.org.uk

- Anti Bullying Week 13th-17th November
  All schools participated in activities during Anti Bullying Week focused on this year’s theme ‘All Different, All Equal’. Community Ambassadors at Stourport High School organised each year group to take part in workshops, which culminated in 1200 young people coming together to create a large scale photograph forming the word equal. At the end of the campaign a survey was completed. Results showed that the work

gave young people a better understanding of the true impact and consequences of bullying.

- White Ribbon Campaign 25th-10th December
  All Community Ambassadors were involved in the White Ribbon campaign, raising awareness and understanding of domestic abuse and healthy relationships. They focussed on delivering assemblies, sharing information and encouraged students to get involved via artwork activities and pledges. From our experience this type of interaction encourages discussions amongst the students and staff on this difficult topic. The Community Ambassadors also distributed white ribbons to students and staff to wear to show their support, leadership and commitment to the campaign. Overall this campaign reached over 7000 students.

- As part of West Mercia Police's #Managing Harm initiative, a Safer Wyre Forest Project Officer helped to deliver 40 interactive awareness sessions on domestic abuse and healthy relationships to 355 year nine students at Baxter College and Stourport High School. 309 of those students completed a survey and as a result of the session, 306 young people reported that they had a better understanding of what a healthy relationship is. 287 of the young people said that they had a better understanding of where to go for help and support and 299 said that the session had given them the knowledge to know how to help a friend if they were in an unhealthy relationship.

Safe Place Scheme

The Safe Place Scheme is a CSP funded project, which was set up by Our Way Self Advocacy in Wyre Forest in 2014 and has now been rolled out across Worcestershire. It offers vulnerable people a safe place to go if they have a problem or concern when out and about. All Safe Places are identified by a Safe Place sticker and employees/volunteers receive training so that they are able to give reassurance and help people contact appropriate support, if needed.

A directory of the Safe Places in Wyre Forest and across the county is available at www.ourway.org.uk/our-way-projects/safe-place-scheme/ and there is a free Safe Place Scheme app available for mobile phones. Downloads of "My Town Worcestershire" from the App Store, will show you your nearest 'Safe Place' and can guide you to it through Google Maps.

Community Safety teams in Worcestershire are continuing to work in partnership with West Mercia Police and Our Way Self Advocacy to support, develop and maintain the scheme across North Worcestershire. A Safer Wyre Forest Project Officer assists in the promotion of the scheme via social media, events and working with the Community Ambassadors to promote the scheme in their high schools.

Hate Crime Awareness Week 16th-20th October

As in previous years, the Partnership allocated some of its PCC funding to host a number of events across Hate Crime Awareness Week (HCAW). North Worcestershire Hate Incident Partnership (NWHIP) organised a number of community engagement events across the three districts. On 18th October, an awareness stand was held outside Kidderminster Town Hall, with the aim to inform the public about what a Hate Crime is, how it can be reported and what support is available to victims and witnesses. This was coupled with thought provoking interactive street theatre performances. 200 free information bags containing information leaflets on hate crime reporting, the Safe Place Scheme and 'report hate crime' wristbands with reporting information was distributed. Overall, engagement was made with 300 people.

During HCAW, the NWHIP held a re-launch event, which introduced the new independent Chair, who has personal experience of hate crime. The event was attended by 70 professionals with keynote presentations from Sajid Javid MP, who spoke about his own experience of hate crime and Tracey Onslow, West Mercia Deputy PCC, who provided an overview of the PCC's role against hate crime. Revised protocols, terms of reference and an action plan have been developed by the NWHIP.

Across the week, Safer Wyre Forest and NWHIP scheduled Twitter messages each day, using the **#HCAW17,** these reached between 100-800 users. Each post on Facebook reached between 50-600 people.

A focus on Hate Crime was included as part of the #Managing Harm initiative. In Wyre Forest, work was undertaken with 350 year 9 students from Baxter College and Stourport High School. Educating and informing them about hate crime and giving them a 'report hate crime' wristband. Participants said that the workshops made them think about the effect and consequences of hate crime for both victims and perpetrators.

Domestic Abuse

Together with an officer from the District Council's Sanctuary Scheme, a Safer Wyre Forest Project Officer has helped to support six victims of domestic abuse by providing home security advice and security products. These actions help people to stay in their own homes, provide reassurance and increase feelings of safety and security for vulnerable residents at a traumatic time in their lives.

Media and Community Engagement

Safer Wyre Forest and the NWCSP invest time in developing its social media presence to support community engagement. It has a website, Facebook, Twitter and Instagram accounts, which are used regularly to raise awareness of campaigns, promote projects and provide information to residents. Twitter (@saferwyreforest) has 610 followers and is steadily increasing; Facebook (Safer Wyre Forest) has 262 followers, with some posts being shared 100s of times, increasing the reach. Due to the website www.nwcsp.org currently being refreshed the latest figures are unavailable. At the end of December, Safer Wyre Forest published its first digital residents' newsletter, which has 70 subscribers.

Over the year, Community Safety Project Officers have attended a number of events in order to speak to local residents, provide crime prevention advice and raise awareness of campaigns. It is estimated that over 1000 residents have been engaged with at various events, including the BIG Local DY10 Picnic, the Showcase of Services for Older People and Kidderminster Police Station Open Day.

3.8 Crime and Anti Social Behaviour Data

NWCSP will be assessed on its performance by how it achieves its desired outcomes. CSPs are moving away from the traditional method of considering police recorded crime and ASB data as performance indicators and are moving toward focusing on delivering agreed partnership outcomes and improving mainstream provision. This is partly being driven by the PCC and the outcomes-based funding framework that is currently in development. This is a different way of assessing the work of CSPs and the Research and Information Officer will be instrumental in assisting partners to ensure performance measurement and evaluation are carried out in the best way to evidence that partnership activities are making a difference.

Currently levels of crime and disorder are assessed using a limited range of data sources (police recorded crime, anti social behaviour incidents, deliberate fire data) and is used at a range of groups at varying geographical and decision-making levels.

Appendix Two shows year to date figures for total recorded crime, key crime types and anti social behaviour incidents from April 2017 to December 2017.

Year to date performance for total recorded crime in Wyre Forest currently illustrates a 3% increase or 200 more total recorded crime offences, compared to the same period in 2016/17. Across North Worcestershire, it is a 12% increase or 1,786 more total recorded crime offences; Bromsgrove has seen a 23% increase or 943 more total recorded crime offences and in Redditch it is a 12% increase or 559 more total recorded crime offences. The North Worcestershire CSP next meets on 21st March and these figures will be discussed in further detail.

4. Options

4.1 That progress made by the North Worcestershire CSP be noted.

5. Consultation

5.1 Cabinet Member for Culture, Leisure and Community Protection.

6. Related Decisions

6.1 None.

7. Relevant Council Policies/Strategies

7.1 Wyre Forest District Council Corporate Plan 2014/19

8. Implications

8.1 Resources: Staff time and funding from external budgets.

8.2 Equalities: There are no negative impacts on equality, which arise as a result of the NWCSP and its associated activities.

8.3 Partnership working: The NWCSP Strategic Group and its delivery groups involve a number of partners at a strategic and operational level.

8.4 Human rights: No direct implications from this report.

8.5 E Government: No direct implications from this report.

8.6 Transformation: No direct implications from this report.

9. Equality Impact Needs Assessment

9.1 As this is an update report, no equality impact needs assessment is required.

10. Wards affected

10.1 All wards and across the administrative boundaries of Bromsgrove, Redditch and Wyre Forest.

11. Appendices

Appendix One: West Mercia PCC Grants to Voluntary Organisations (North Worcestershire)

Appendix Two: North Worcestershire Crime and ASB Data (April 2017 – December 2017)

12. Background Papers

North Worcestershire Community Safety Partnership Plan 2017/20
West Mercia PCC's Safer West Mercia Plan 2017/21

Officer Contact Details:
Name: Kathryn Underhill
Title: Community Safety and Partnerships Officer
Telephone: 01562 732956
Email: kathryn.underhill@wyreforestdc.gov.uk

Applicant Organisation	Project Name	Project Start Date	Project End Date	Amount awarded	Description of project/initiative	South Worcestershire	North Worcestershire	Herefordshire	Shropshire	Telford & Wrekin
Magistrates Association Worcester Branch	**Magistrates Court Mock Trial Competition**	01/02/2017	01/07/2017	£250	To provide a contribution towards the running costs of the Magistrates' Court Mock Trial Competition. This competition teaches children about the criminal justice system in England and Wales by actually working on a specially-written case and presenting it in a real court of law.	X	X		X	
Harper Adams University	**Reducing farm crime: farmer behaviour and crime prevention decision making**	01/04/2016	31/08/2017	£5,000	Funding research into reducing rural property crime	X	X	X	X	X
Aspire Free School Academy Trust	**Aspire Plus**	11/04/2016	31/08/2017	£20,000	To target young vulnerable people in Worcestershire and involve them in a project(s) that will engage them in positive community based, social capital developing activities that develop leadership, teamwork, employability, independence, communication skills and lifelong learning habits skills.	X	X			
Bluestone CIC	**Referral and Mentoring Pathway for Young People**	01/12/2015	30/11/2017	£110,000	Referral and Mentoring Pathway for Accessing Educational and Leisure Activities to Promote Training, Employment and Personal Development of Young People	X	X	X	X	X
Bluestone CIC	**Transport to support funding for "Referral and Mentoring Pathway for Young People"**	01/04/2016	30/11/2017	£20,000	Transport to support Tier 2 Funding for "Referral and Mentoring Pathway for Accessing Educational and Leisure Activities to Promote Training, Employment and Personal Development of Young People". To lease a minibus in order to provide much needed transport service for cohorts of 8 to 16 year olds.	X	X	X	X	X
West Mercia Women's Aid	**West Mercia Domestic Abuse Point of Referral and Waiting List relief project**	01/02/2016	31/01/2018	£180,189	The initiative aims to increase capacity on the 24hr West Mercia Domestic Abuse Point of Referral (Helpline), in order to reduce waiting time for callers and increase the number of calls that are answered at the first attempt.	X	X	X	X	X

Worcestershire County Council	**Arrest referral service (DIP)**	01/04/2017	31/03/2018	£106,000	Swanswell workers delivering a service in a police custody setting. The Arrest Referral project aims to provide early intervention and prevention by educating, reducing alcohol and drug related harm and offending, improving wellbeing, re-engaging offenders with treatment services and facilitating new referrals into treatment.	X	X			
Barnardos	**West Mercia Child Sexual Exploitation (CSE)Team – Barnardo's Support Workers**	01/04/2017	31/03/2018	£86,093	Barnardo's CSE support workers will work alongside the statutory services (Police, Social Care and Health) dealing with CSE.	X	X	X		
WMRSASC	**17-18 WMRSASC Independent Sexual Violence Advisor (ISVA) Services and SELFIE Programme**	01/04/2017	31/03/2018	£444,000	This grant application is for funding to maintain the current key frontline ISVA, Male ISVA, Family ISVA and Children & Young Peoples (CHISVA) service provision within WMRSASC and to support continued delivery of the SELFIE and SELFIE Plus training and awareness raising programme.	X	X	X		
North Worcs CSP	**Core Funding**	01/04/2017	31/03/2018	£139,950	Several of the statutory requirements placed on CSPs are aligned to several of the key objectives set out in the Safer West Mercia Plan. In order to facilitate, enable and drive enhanced outcomes the PCC has decided to use funds from the Community Grant scheme to provide CSPs with funds designed to support the delivery of projects and activities to support.		X			
Mentor Link	**Protective Behaviours and Mentoring project**	01/04/2017	31/03/2018	£23,602	To run a series of 5 week Protective Behaviours training programmes offered for free to young people in schools and community venues across the West Mercia, which will teach them the right to feel safe at all times and how to recognise, understand and inform others about possible unsafe situations. To use training and resources received from the Protective Behaviours Consortium to deliver the programme, which includes the creation of a 'Helping Hand', depicting a network of trusted adults they can turn to should they feel unsafe.	X	X	X	X	X

Worcestershire Arts Partnership (WAP)	**Inspiring Futures through the Arts (13-16)**	01/04/2017	31/03/2018	£11,000	1. Provide programme of arts activity for young people 13-16 at risk of offending in areas where crime profile is high. Provide practical and personal development skills to - Provide diversionary activity - develop confidence - help young people into training/work 2. Develop artists working in this field, and deliver on WAP's 1000 days Arts Strategy. 3. Provide evidence that arts in preventing offending works and use this to raise the profile of the arts in Worcestershire	X	X			
Worcestershire Arts Partnership (WAP)	**Inspiring Futures through the Arts**	01/04/2017	31/03/2018	£20,000	To provide a co-ordinated programme of arts activity for Worcestershire offenders/those at risk of offending/those vulnerable to being a crime victim to provide practical and personal development skills to develop confidence, help people into work and reduce crime.	X	X			
YSS	**Employment Support Programme**	01/04/2017	31/03/2018	£24,780	ESP is a holistic approach offering practical and emotional support for those aged 18 plus who are in, or at risk of being in, the criminal justice system with mental health issues, in order to break down barriers towards employability (real or perceived) and move them closer towards sustainable employment.	X	X			X
Young Solutions Worcester	**CSE Awareness**	01/04/2017	31/03/2018	£42,320	Coordinate and implement CSE awareness raising in West Mercia	X	X	X	X	X
Kidderminster District Youth Trust (KDYT)	**Increasing Responsibility Promoting Opportunity (IRPO)**	01/04/2017	31/03/2018	£15,144	To deal with the causes of ASB & work with young people in a rehabilitative way, providing longer term diversionary solutions to benefit communities and the young people themselves. To reduce incidents of anti-social behaviour by young people in target areas through a project designed to address the causes of ASB, reassure communities and provide opportunities to young people.		X			
West Mercia Women's Aid	**Children and Young People's Project**	01/04/2017	31/03/2018	£35,234	The employment of a Children and Young People's Worker to engage with those between the ages of 5 – 19 who are identified as at risk of suffering significant negative outcomes as a result of domestic abuse within their family / home environment. Age-appropriate activities promote knowledge and understanding of domestic abuse and its impact on children and young people, and help them to understand how to avoid or conclude unhealthy relationships themselves. The Project Worker will also visit schools, raising awareness of domestic abuse with both staff and pupils.	X	X	X	X	X

West Mercia Youth Justice Service	**Diversion and Themed Programmes**	01/04/2017	31/03/2018	£70,000.00	To develop and deliver the range of interventions to support youth caution and conditional cautions and support the joint decision model for young people committing offences.	X	X	X	X	X
West Mercia Youth Justice Service	**Substance Misuse**	01/04/2017	31/03/2018	£110,293	To provide timely and effective specialist substance misuse assessments and interventions to young people in the criminal justice system or who are at risk of entering the youth justice system with the intention of reducing the harm caused by substance misuse, assist young people to recovery and reduce the likelihood of offending and re-offending.	X	X	X	X	X
Crimestoppers Trust	**Crimestoppers Anti-Crime Initiative For West Mercia.**	01/04/2017	31/03/2018	£19,602	To contribute towards funding a Regional Manager and a part-time Fearless Youth Worker to help to detect, reduce and prevent crime across West Mercia. This forms part of a combined grant request of £109,700 from West Mercia, Staffordshire, West Midlands, West Mercia and Warwickshire PCCs.	X	X	X	X	X
Energize STW	**West Mercia: Right On Track**	16/05/2016	15/05/2018	£60,000	To work in partnership with Sports Partnership Hereford and Worcester (SPHW) to use the power of sport to engage, inspire and support local ex-offenders and people at risk of offending into changing their behaviours, assisting them into a more positive way of life.	X	X	X	X	X
SPHW	**West Mercia: Right On Track**	16/05/2016	15/05/2018	£60,000	To work in partnership with Energize STW to use the power of sport to engage, inspire and support local ex-offenders and people at risk of offending into changing their behaviours, assisting them into a more positive way of life.	X	X	X	X	X
The Aspire Academy	**Aspire Plus**	31/08/2017	31/08/2018	£22,085	The project aims to engage vulnerable young people at risk of offending behaviours and anti-social behaviours in an out of school programme of activities to boost social skills, employability skills and acquiring accreditation. It aims to support children affected by imprisonment of significant family members by offering support and focus.	X	X			
YSS	**ARC (Accessing Resources in the Community)**	01/04/2016	31/03/2019	£342,240	To use workers/mentors to give 121 support to referred 17-24 year olds, in, or at risk of being involved in, the criminal justice system to access community based activities	X	X	X	X	X

West Mercia Search and Rescue	**Support of Operational Search and Rescue**	01/04/2017	31/03/2020	£51,000	To provide enough funding to support the costs of existence of the operational team, reduce the burden on members to fundraise so much and allow us to concentrate on growing the team to provide more support to the police and community.	X	X	X	X	X
Willowdene Rehabilitation & Training	**West Mercia Women's LINC (Local Initiatives Nurturing Change) project**	01/04/2017	31/03/2020	£130,000	To use a SPOC (Single Point of Contact) and LINC (Local Initiatives Nurturing Change) workers to facilitate multi-agency engagement and partnership working to underpin a rehabilitative and diversionary pathway to lead women in, or at risk of entering, the Criminal Justice System towards developing purposeful use of time and, ultimately, a purposeful, working lifestyle	X	X	X	X	X
YSS	**Divert**	01/04/2017	31/03/2020	£358,100	Divert will create a single point of contact referral system for statutory and non-statutory organisations working with 13-16 year olds in, or at risk of being involved in the criminal justice system across West Mercia. Divert will match keyworkers/ volunteer mentors to those referred in order to build a relationship, give 121 support ,motivate them to reach their potential and encourage them to engage with sustainable community based activities across West Mercia. The purpose of Divert is to build a more secure West Mercia, by diverting young people away from the Criminal Justice System, through enhanced intensive support in their local communities.	X	X	X	X	X
Energize Shropshire, Telford & Wrekin	**Youth ACTIVation**	01/04/2017	31/03/2020	£30,000	To offer mentoring alongside the additionality of developing a well-equipped sporting infrastructure. It is vital that young people are able to access sport in the community, in an environment and with personnel who meet their needs. The funding will invest in upskilling the workforce in areas such as managing challenging behaviour and mental health awareness, ensuring they are an appropriate environment to signpost young people to. The funding will be used alongside match funding from Sport England to deliver insight-led activities for young people aged 13-16 in WMPCC priority areas.	X	X	X	X	X
U17 Drivers Pathfinder Limited	**The Pathfinder Project**	01/04/2017	30/04/2020	£90,000	This volunteer run project is designed to reduce the number of road traffic collisions, casualties (KSIs) and convictions amongst vulnerable novice drivers, i.e. 17-24 year olds. Our experience shows that the best means of addressing this challenge is through effective pre-licence driver development. That means engaging young people before they are 17 and working with them AND their parent or appropriate adult in a partnership environment where they develop understanding of road risk, a positive attitude to road safety and technical driving skills.	X	X	X	X	X
Warwickshire & West Mercia Police	**West Mercia & Warwickshire Retired Police Dog fund**	01/04/2017	Ongoing	£1,000	To provide assistance to police dogs that retire from the alliance, with regards to veterinary treatments and medications of dog retiring from active service. Help and Advise also given to adoptees of the dogs.	X	X	X	X	X

	North Worcestershire				Bromsgrove District				Redditch Borough				Wyre Forest District				Notes	
	PREV YTD Apr-Dec 2016/17	YTD Apr-Dec 2017/18	Change	% Change	PREV YTD Apr-Dec 2016/17	YTD Apr-Dec 2017/18	Change	% Change	PREV YTD Apr-Dec 2016/17	YTD Apr-Dec 2017/18	Change	% Change	PREV YTD Apr-Dec 2016/17	YTD Apr-Dec 2017/18	Change	% Change	(a)	(b)
Total Recorded Crime	14,606	16,392	1,786	12%	4,097	5,040	943	23%	4,564	5,123	559	12%	5,943	6,143	200	3%		
All Other Theft Offences	1,491	1,757	266	18%	482	661	179	37%	411	464	53	13%	596	632	36	6%		
Bicycle Theft	125	190	65	52%	29	31	2	7%	43	72	29	67%	53	87	34	64%		
Criminal Damage & Arson	1,700	1,989	289	17%	462	585	123	27%	546	648	102	19%	692	756	64	9%		
Residential Dwelling Burglary (1)	682	768	86	13%	295	332	37	13%	170	163	-7	-4%	217	218	1	0%		
Other Crimes Against Society	1,516	1,662	146	10%	480	520	40	8%	479	583	104	22%	558	557	-1	0%		
Other Sexual Offences	331	316	-15	-5%	74	100	26	35%	132	145	13	10%	126	132	6	5%		19.3%
Business Robbery	24	17	-7	-29%	10	8	-2	-20%	9	1	-8	-89%	5	8	3	60%		
Personal Robbery	129	99	-30	-23%	34	36	2	6%	51	40	-11	-22%	44	23	-21	-48%		
Rape	188	203	15	8%	41	50	9	22%	74	75	1	1%	73	77	4	5%		
Shoplifting	1,256	1,429	173	14%	262	354	92	35%	439	431	-8	-2%	556	630	74	13%		
Theft from Person	135	157	22	16%	30	44	14	47%	56	64	8	14%	49	47	-2	-4%		
Vehicle Offences	1,385	1,694	309	22%	503	572	69	14%	253	493	240	95%	629	622	-7	-1%		
Violence With Injury	1,862	1,715	-147	-8%	453	452	-1	0%	763	624	-139	-18%	763	761	-2	0%	6.3%	7.1%
Violence Without Injury	2,822	3,117	295	10%	644	901	257	40%	1,050	1,165	115	11%	1,123	1,197	74	7%		4.7%
VWI - Alcohol Related	709	574	-135	-19%	150	120	-30	-20%	253	198	-55	-22%	307	256	-51	-17%		
VWI Drug Related	97	84	-13	-13%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA		
VWI Domestic Abuse Related	611	593	-18	-3%	138	135	-3	-2%	221	206	-15	-7%	252	251	-1	0%		
Rape- Domestic Abuse Related	48	66	18	38%	19	15	-4	-21%	19	29	10	53%	22	22	0	0%	25.0%	
Other Sexual Offences- DA Related	12	18	6	50%	3	4	1	33%	4	3	-1	-25%	5	10	5	100%		
Hate Offences & Crimed Incidents	258	308	50	19%	46	82	36	78%	137	141	4	3%	75	87	12	16%		
Business Crime	2,613	2,200	-413	-16%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA		
ASB Incidents	8,186	8,352	166	2%	1,950	1,926	-24	-1%	2,780	1,857	-923	-33%	3,447	3,506	59	1.7%		

Notes
(1) "Residential Dwelling Burglary" is a new crime category frm April 2017 and is assumed to be comparable to the pre-April 2017 crime category "Domestic Burglary".
(a) Indicates that sum of district crimes differs by 2% or more from the North Worcestershire total for the same period (for previous year-to-date)
(b) Indicates that sum of district crimes differs by 2% or more from the North Worcestershire total for the same period (year-to-date)
NA indicates that data is not available at district level

Prepared by: james.cooper@bromsgroveandredditch.gov.uk

% Change Assessment Coding
Red= an increase of 10% or more
Amber = an increase of between 1% and 9.9%
Green = no change or a decrease

Source: West Mercia Police
Information Provisions for Community Safety Partnerships

Agenda Item No. 7

Overview & Scrutiny Committee

Briefing Paper

Report of: Alex Powell, Community Led Housing Co-ordinator
Date: Thursday 1 February 2018
Open

Community Led Housing – A Pledge by Wyre Forest District Council

1. Summary

1.1 The purpose of this report is to share with Members progress on Community Led Housing (CLH) and to seek approval for the CLH Pledge and related policy.

1.2 The purpose of the CLH Pledge is to demonstrate commitment as a Council to support and enable local communities to undertake small scale community led housing schemes within the District. The Pledge will set out what we propose to do in order to make progress with CLH and enable interested individuals and communities to be equipped with the tools they need to progress schemes.

2. Background

2.1 The Council received a grant of £191,250 from the Department of Communities and Local Government (dCLG) in December 2016 and March 2017 called the Community Housing Fund, paid in two tranches. This fund was paid to148 local authorities where there were issues of affordability and/ or a high density of second homes. Within Worcestershire, Malvern Hills and Wychavon District Councils also received an allocation.

2.2 The Council developed a proposal of how to utilise the funding, which was agreed by the dCLG and recruited a Community Led Housing Co-ordinator in 2017 to develop a range of approaches to support the growth of CLH within the District. The resources are primarily aimed at promoting CLH, helping communities to undertake housing schemes and to provide them with any support they may need.

2.3 To date, the following work has been completed or is underway:

- Development of the WFDC ‘First Steps’ grant (guidance, application form and assessment criteria) to enable early stage financial support to check site viability and fund any surveys that may be required
- Development of a Wyre Forest District Resource that will support and enable groups to make contact with the niche social investment banks,

building societies, solicitors and architects who have expertise in the field of CLH.
- Communications: Website content has been developed to inform interested parties about the different models of community-led housing www.wyreforestdc.gov.uk/clh and an information leaflet has been designed. A communications plan is part of the Pledge we plan to make.
- Attending Parish Council meetings to present information on CLH and offer an opportunity to explore any potential small scale community-led schemes in the district.
- Meetings with members of the public / communities that have an interest in CLH
- Ongoing development of the custom and self-build register

2.4 In 2017, the Co-operative Council Innovation Network (CCIN) proposed that Local Authorities in receipt of the Community Housing Fund should demonstrate their support of CLH through the development of a Pledge. Guidance for the Pledge is that is should be specific and tailored to the local area.

3. Key Issues

3.1 Housing Growth

3.1.1 Delivery of increased housing numbers is a key priority for the Government with the current target of 250,000 likely to rise in the coming years. The Government are keen to see the CLH supply grow over future years and make a contribution towards the overall target.

3.1.2 Within Wyre Forest, the Local Plan Review and Worcestershire Housing Partnership Plan are both supporting a rise in housing numbers to meet housing need.

3.2 Future funding for Community Led Housing

3.2.1 Last month, the former Housing Minister, Alok Sharma, announced a new programme of Community Led Housing funding to help build more homes. Worth £60 million in the first year, it will provide both capital and revenue funding, with flexibility to meet demand. A prospectus setting out criteria for bids will be published in early 2018. Bids will be assessed by Homes England (formerly the Homes and Communities Agency) and they hope to announce the first allocations at Easter.

3.2.2 Crucially, for Local Authorities, there will not be any more grants directly allocated but officers understand that it will be possible for Councils to bid for funding alongside other organisations such as Registered Providers.

3.2.3 With this in mind, it is important that the Council can demonstrate our on-going commitment to CLH and take up opportunities to work collaboratively and so the Pledge is an appropriate mechanism for doing this.

3.3 The Community Led Housing Pledge

3.3.1 The full details of the pledge are included in Appendix One.

3.3.2 The guidance on the Pledge suggest having a CLH Policy which outlines how the Council will deliver CLH in Wyre Forest and this is shown in Appendix Two.

3.3.3 The key elements to the Pledge are around working in partnership with Town and Parish Councils, Registered Providers and the public to develop CLH and to provide advice, support and financial resources to facilitate housing delivery.

4. Options

Overview and Scrutiny Committee are asked to:

4.1 Recommend to Cabinet that the Council supports the principles of Community Led Housing; and

4.2 That the Community Led Housing Pledge and related policy are approved.

Or

4.3 Agree any other alternative recommendation or amendment to the proposed Pledge and/or policy that Committee wish to make.

5. Consultation

5.1 CLT.

6. Related Decisions

6.1 Not Applicable.

7. Relevant Council Policies/Strategies

7.1 Worcestershire Housing Partnership Plan.

8. Implications

8.1 Resources: Any implications as a result of the pledge and policy will be met from within the existing budget.
8.2 Equalities: Not applicable
8.3 Partnership working: The principles of CLH are to work in partnership with individuals and groups who want to bring forward CLH
8.4 Human Rights: Not applicable
8.5 E-Government: Not applicable
8.6 Transformation: Not applicable

9. Equality Impact Needs Assessment

9.1 An EIA screening exercise has been undertaken with regards to the CLH Policy and there are no adverse impacts.

10. Wards affected

10.1 All.

11. Appendices

11.1 Appendix 1 – Draft 'Wyre Forest District Council – Our Pledge'
11.2 Appendix 2 – Draft Wyre Forest District Council Community Led Housing Policy.

12. Background Papers

None.

Officer Contact Details:

Name: Alex Powell
Title: Community Led Housing Coordinator
Contact Number: 01562 732524

DRAFT PLEDGE

Community-led Housing

Wyre Forest District Council – Our Pledge

We, Wyre Forest District Council, commit to undertake the following:

Write and implement a Community Led Housing (CLH) policy ensuring CLH becomes part of our strategic housing responsibility.

Work with our local communities to introduce the concept of CLH. Support our Town and Parish Councils by working collaboratively with them and share information and practical advice about CLH and what it can offer.

Develop a grant application and assessment process to enable access to funds for feasibility studies to support the development of CLH at the earliest stage.

Develop a Wyre Forest district CLH resource that includes professionals who can offer services ranging from social investment banks and building societies, solicitors, architects and land survey companies.

Use our existing relations with Registered Providers to support the development of CLH initiatives.

Create relevant website content so that communities in our district can find out about CLH and be invited to get involved and register their interest locally.

Develop a communications plan to promote CLH.

Maintain our self-build / custom-build register and bring together some of the individuals and groups with a shared vision, including those who have expressed an interest in co-housing.

A commitment to fast-track advice and support from within the council's Strategic Housing, Development Control and Planning departments in order to support community-led proposals.

Community-led Housing Champions

We have identified the following Champions for CLH who have the power to implement across departments:

Councillor Ian Hardiman	**Deputy Leader of the Council and Cabinet Member for Planning and Economic Regeneration**
Kate Bailey	**Head of Strategic Growth, Wyre Forest District Council**

Wyre Forest District Council Community Led Housing Policy 2018

1. General

1.1 The content of this Community Led Housing (CLH) Policy will be effective from February 2018 (if approved) and revised as necessary to meet changing circumstances. The Policy will be formally reviewed by June 2019 with proposed amendments to be approved through the appropriate mechanism.

1.2 The CLH Policy is relevant to all officers of the Strategic Housing and Planning Policy teams within the Economic Prosperity and Place Directorate. Although the Policy is essentially focused on the provision of housing, it is equally relevant to the Planning Policy team who are responsible for ensuring future housing needs are met and incorporated into the emerging Local Plan.

1.3 The Council recognises that there are many situations where there is a shared or complementary role with other agencies. Relevant officers within the Housing Section will seek to work collaboratively with national organisations who are leading on the CLH agenda. Agencies including the Community Land Trust Network and UK Co-housing Network will be working collaboratively as they disseminate information and policy updates from central government as well as taking a lead on national 'good practice' training and events for local authorities who have received Community Housing Fund grants. We will also work with local organisations including community groups and Registered Providers.

1.4 The Council also recognises that it has to have a flexible policy that responds to government housing strategy. CLH is currently seen as a viable method of increasing the supply of housing and at the same time, making a real impact on the lives of the communities who are delivering it. As government priorities change in the future, CLH may not receive the same level of support, but the Council will endeavour to continue supporting any groups or individuals who have taken an interest in delivering their own housing.

1.5 The Council will also work closely with neighbouring Local Authorities to delivery housing numbers and will work particularly closely with those Local Authorities who have also received CLH grants from the Community Housing Fund within Worcestershire.

2. Links to Other Strategies

2.1 The Council recognises that the CLH Policy will primarily work to meet the relevant objectives with the Worcestershire Housing Partnership Plan and will complement the Wyre Forest Empty Homes Strategy.

2.2 The CLH Policy supports with t**he Worcestershire Housing Partnership Plan** to:

- Maximise delivery of good quality housing of the right type and tenure by co-coordinating the activities of housing providers and support agencies to meet existing and future housing need in a sustainable way.
- To build new homes
- To investigate alternative models of affordable housing delivery to meet the housing and support needs of specific groups and sectors of the housing market.

3. Purpose of the CLH Policy

The Policy has been developed to:

- Alleviate issues around housing affordability in the District by contributing to the overall delivery of housing
- Enable our communities to realise their potential and take forward their own small scale housing schemes
- Recognise the self-build and custom build community and put in place mechanisms to support the housing aspirations highlighted in the District's Custom and Self-build Register
- Raise awareness of CLH and encourage its delivery through putting a range of support structures in place to enable schemes to progress from the earliest opportunity.

4. Principles – The definitions of CLH

For the purpose of this policy, the Council recognises the following models of Community-led Housing:

a) Self-build and custom-build housing
Self-builders usually build their own homes or enlist somebody else to customise a build to meet their needs.

b) Self-help Housing
Bringing empty properties back into use. It usually involves people working together with a shared goal of solving a local housing issue. It may also involve a renovation project where a redundant building is transformed into homes.

c) Community Land Trusts (CLTs)
CLTs are set up by local people in areas with a shortage of affordable

housing. The local community takes a lead role developing homes and other community assets. The CLT will work to ensure that the homes are genuinely affordable, based on average local earnings in the area.

d) Co-housing
These are intentional communities designed live partially independently but with an element of shared resources/accommodation. By creating a more neighbourly community, the social benefits are thought to have an positive impact on the quality of life.

e) Housing Co-operatives
A Housing Co-op is a housing organisation where members (tenants) democratically control and manage their homes. Co-ops often have an impact on the sense of a community in the area and this can lead to reduced anti-social behaviour and higher levels of satisfaction.

5. Identifying and implementing solutions to increase Community Led Housing

The Council's main objective for CLH is to encourage learning about CLH and increase provision of small scale affordable housing in the district by:

- Designated officer to lead on CLH delivery, working in partnership with Registered Providers, Parish and Town Councils to offer advice and support and encourage small scale CLH schemes within the District

- Development of a Wyre Forest District Resource that will support and enable groups to make contact with the niche social investment banks, building societies, solicitors and architects who have expertise in the field of CLH.

- Provision of the WFDC 'First Steps' grant to enable early stage financial support to check site viability and fund any surveys that may be required

- Develop an effective communication strategy by;
    - ensuring the Council's website content is updated to inform interested parties about the different models of community-led housing and current / forthcoming funding opportunities
    - create an information leaflet as a brief reference guide for CLH and how to register interest
    - utilise social media to promote CLH

- Ongoing development of the custom and self-build register

- Working closely with the Strategic Housing team to identify long term Empty Properties and consider their viability as CLH sites.

6. Related Policy Documents

- The Worcestershire Housing Partnership Plan 2017
- Wyre Forest District Council Empty Properties Strategy 2017 – 2022

This Policy is available to the public on request and is also available on the council's website www.wyreforestdc.gov.uk. Any comments about the Community-led Housing Policy can be made to the Head of Strategic Growth via the CLH Co-ordinator.

Agenda Item No. 8

WYRE FOREST DISTRICT COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE
1ST FEBRUARY 2018

Treasury Management Strategy 2018-19

OPEN	
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICERS:	Tracey Southall - Ext. 2100 tracey.southall@wyreforestdc.gov.uk Helen Ogram – Ext, 2107 helen.ogram@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 2018-19 to 2020-21 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 2018 to 31st March 2019 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 2018 to 31st March 2019 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 (MRP) Policy Statement for the period 1st April 2018 to 31st March 2019 that sets out the Council's criteria for repayment of Prudential Borrowing. During 2017-18 the Council's approach to calculating a prudent Minimum Revenue Provision has been reviewed to take account of the need to evaluate commercial business cases for investment property acquisitions that generate a revenue income stream. Following the review an additional option for calculating MRP is recommended for inclusion within the policy statement (Appendix 1).

1.6 To reflect the changes in the CIPFA's revised Treasury Management Code of Practice and Prudential Codes including approval of a new policy statement in relation to non treasury investments (section 10.4)

1.7 This proposed strategy was endorsed by the Treasury Management Review Panel on 29th January 2018, 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.

1.8 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).
  Note – updates from the MHCLG are awaited for both the Investment and MRP Policy Statement.

2. <u>RECOMMENDATIONS</u>

Overview and Scrutiny Committee recommends to Council to:

2.1 Approve the restated Prudential Indicators and Limits for the financial years 2018-19 to 2020-21 included in Appendix 3. These will be revised for the February 2018 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 19th December 2017.

2.2 Approve the updated Treasury Management and Investment Policy and Strategy Statements for the period 1st April 2018 to 31st March 2019 (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 Indictor included in Appendix 3.

2.5 Approves the adoption of the policy statement at section 10.4 covering non-treasury investments.

3. BACKGROUND

3.1. **Recent Developments** - CIPFA issued a revised Treasury Management Code of Practice and revised Prudential Code in December 2017. The revised Treasury Management Code of Practice requires all local authorities to produce detailed Capital Strategies, intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. Due to the timing of the publication of the code, CIPFA does not expect this to be implemented before the start of the 2018-19 financial year. The Capital Strategy will be prepared for Council approval in 2018. The Prudential indicators in the revised Prudential Code 2017 are as before with a few exceptions detailed in paragraph 7.2 below removing certain indicators. These indicators will however be retained in TMSS 2018-19 as they are considered important local indicators.

3.2. The DCLG consultation on investment guidance and separate consultation on MRP both closed on 22nd December 2017 and so we are currently waiting for the revised guidance to be issued. This will focus particularly on non-financial asset investments. We anticipate that any changes will apply from 2018-19, although it is unclear if there will be a transitional period to allow time to implement them. Due to the timing of the publication the strategy has been based on existing requirements and will be amended if necessary during 2018-19.

3.3. **Treasury Management -** 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.

3.4. 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.

3.5. **CIPFA defines treasury management as:**

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

3.6. **Reporting Requirements**

The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. The updated Prudential Code guidance, issued in late December 2107, includes an additional requirement for a capital strategy.

- **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.

3.7. **Capital Strategy**

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

This introduces further layers of reporting of risk in relation to investments that are not part of treasury management; particularly where prudential borrowing funding is used to generate a commercial return.

Due to the lateness of these changes and uncertainty around interpretation CIPFA has acknowledged that full compliance with the new codes should be achieved at the earliest opportunity, accepting that full compliance may not be achieved before the start of the 2018-19 financial year. For this Council the Capital Strategy, including the strategies for the Capital Portfolio Funds and Development Loans fund will be updated for Council approval during 2018-19.

3.8. **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.

3.9. **Treasury Management Strategy for the period 1st April 2018 to 31st March 2019**

The strategy for 2018-19 covers two main areas:

i. Capital Issues

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

ii. 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 CIFPA Prudential Code, the DCLG MRP Guidance, the CIPFA Treasury Management Code and DCLG Investment Guidance.

3.10. During 2017-18 the Council's approach to calculating a prudent Minimum Revenue Provision has been reviewed to take account of the need to evaluate commercial business cases for investment property acquisitions that generate a revenue income stream. Following the review an additional option for calculating MRP is recommended for inclusion within the policy statement (Appendix 1). The revised approach is already in use by many other Councils and is considered a prudent option under the current DCLG guidance.

3.11. As previously reported, under the Markets in Financial Instruments Directive II (MIFID II) reforms, all local authorities were classified as retail counterparties from 3rd January 2018 unless they had opted up to professional status. MIFID is the framework of the European Union legislation for investment intermediaries that provide services to clients around financial instruments (shares, bonds, units in collective investment schemes and derivatives). To maintain access to current trading arrangements this Council has opted up to professional status where applicable, as have the vast majority of all councils.

4. TREASURY LIMITS FOR THE PERIOD 1st APRIL 2018 to 31st MARCH 2019

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 15th January 2018 comprised:

Investments Held With	As at 15th January 2018 £	Average Rate of Return	Duration
Lloyds Bank	705,000	0.40%	Instant Access
Santander	1,000,000	0.40%	Instant Access
Svenska Handelsbanken	115,000	0.20%	Instant Access
Standard Life Money Market Fund	3,430,000	Variable (0.32% on 08/01/18)	Instant Access
Black Rock Money Market Fund	3,430,000	Variable (0.33% on 08/01/18)	Instant Access
Federated Prime Money Market Fund	2,000,000	Variable (0.34% on 08/01/18)	Instant Access
Federated Prime Short Term Cash Fund	2,000,000	Variable (average 0.42% for the period April 2017 to December 2017)	Trade plus 1 day
Lloyds	1,000,000	0.70%	95 days notice
Lloyds	1,000,000	0.75%	175 days notice
Goldman Sachs	1,000,000	0.57%	180 days notice
RBS Bank Certificate of Deposit (CD)	1,000,000	0.67%	Fixed to 21/03/18 (1 year
Lloyds Bank	1,000,000	0.80%	Fixed to 27/04/18 (364 days)

RBS Bank Certificate of Deposit (CD)	1,000,000	0.63%	Fixed to 12/07/18 (1 year)
Santander	1,000,000	0.70%	Fixed to 19/01/18 (6 months)
Santander	1,000,000	0.70%	Fixed to 19/01/18 (6 months)
RBS Bank Certificate of Deposit (CD)	1,000,000	0.57%	Fixed to 03/09/18 (364 days)
Barclays Bank	1,000,000	0.33%	Fixed to 02/03/18 (5 months)
Barclays Bank	1,000,000	0.39%	Fixed to 03/04/18 (6 months)
Barclays Bank	2,000,000	0.399%	Fixed to 16/03/18 (3 months)
Nationwide Building Society	1,000,000	0.39%	Fixed to 16/03/18 (3 months)
Total £	**26,680,000**		

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. Sixteen dividends have been paid by KSF to date, reducing the principal investment to £725,000. 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**	**4,408,703**	**747,675**	**725,000**
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**	**5,419,191**	**768,297**	**745,357**

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 22nd February 2017; 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 19th December 2017. These changes include the impact of the £3.3m allocation for Depot 2020 redevelopment approved by Council 13th December 2017.

	2016-17 Actual £'000	2017-18 Estimate £'000	2018-19 Estimate £'000	2019-20 Estimate £'000	2020-21 Estimate £'000
Capital Financing Requirement as at 31st March	**17,545**	**31,480**	**49,208**	**58,264**	**57,170**

7. PRUDENTIAL AND TREASURY INDICATORS FOR THE PERIOD 1st APRIL 2018 to 31st MARCH 2019

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 In December 2017 CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focused on non-treasury investments and especially on the purchase of property funded by prudential borrowing with a view to generating income. The Prudential Indicators in the revised Prudential Code 2017 are as before with the exception of:

i. the Net Debt and the CFR prudential indicator have been updated to Gross Debt and the CFR;
ii. the Council is no longer required to indicate that it has adopted the CIPFA Code of Practice on Treasury Management and
iii. the incremental impact on the Council Tax indicator has been removed, this has been retained as a local indicator.

7.3 Within the Budget Report to Council in February 2018, revised Prudential Indicators 2018-19 to 2020-21 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 15th January 2018 totalled £17m, 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)

Lender	Principal	Date	Type	Interest Rate	Maturity
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)
PWLB	£1m	03/03/17	Fixed interest rate	2.42%	03/03/62 (45 years)
Derbyshire County Council	£1m	02/03/17	Fixed interest rate	0.80%	29/03/19 (2 years)
Total	**£17m**				

8.2 **Prospects for Interest Rates: View provided by Link Asset Services**

The Council's appointed external treasury advisor are Link Asset Services. Part of the service privided is to assist the Council to formulate a view on interest rates. The following table gives their central view.

	NOW	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate														
Link Asset Services	**0.50%**	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	**0.50%**	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
5yr PWLB Rate	NOW	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**1.72%**	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	**1.72%**	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
10yr PWLB Rate	NOW	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**2.21%**	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	**2.21%**	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
25yr PWLB Rate	NOW	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**2.72%**	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	**2.72%**	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
50yr PWLB Rate	NOW	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**2.41%**	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	**2.41%**	2.50%	2.70%	2.90%	2.90%	2.90%	3.05%	3.05%	3.15%	3.15%	3.40%	3.40%	3.65%	-

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

8.3 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018-19 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 Managment Panel and Overview and Scrutiny Committee 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
- ensure there is a clear link to the capital strategy (once developed and approved)
- be mindful of affordability requirements in latest code guidance.

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 establised and it is possible that it could be offering loans to local authorities in the near future. It is 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 yields our treasury strategy, set out in paragraph 10.4 and Appendix 5, provides 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.

8.8 **Money Market Fund Reform**

The Financial Crisis in 2008 prompted the European Commission to propose new rules for money market funds. These new rules have finally been agreed to by the various regulatory bodies, including the European Parliament and Council of EU Member States, with the final compromise published in November 2016. The new regulations mainly focus on the structure, composition, valuation, liquidity requirements, liquidity fees/redemption rates, understanding investor behavior and information reporting. As a result from 21st July 2018, there will be three structural options for money market funds (MMFs):

- **Public Debt Constant Net Asset Value** (CNAV) MMFs - must invest 99.5% of their assets into government debt instruments, reverse repurchase agreements (repos) collateralised with government debt, cash, and are permitted to maintain a constant dealing net asset value (NAV). This Fund is already in existence and there is no change proposed to the current structure; fund not currently used due to low yields.

- **Low Volatility Net Asset Value** (LVNAV) MMFs - permitted to maintain a constant dealing NAV provided that certain criteria are met, including that the market NAV of the Fund does not deviate from the dealing NAV by more than 20 basis points (bps). This is a more stringent approach, as currently on a CNAV Fund they have a 50bps collar. Funds will have amortised cost accounting for investments out to 75 days. This means that they can value such investments at par, thus these investments should not affect the underlying Fund's NAV; most existing CNAV MMFs are expected to convert to LVNAV as many providers already follow the guidelines that will be formalised to be consistent with a AAA rating.

- **Variable Net Asset Value** (**VNAV**) MMFs – Funds which price their assets using market pricing and therefore offer a fluctuating dealing NAV. No change to the current approach for Enhanced Money Market Funds.

  Note: all MMFs carry relatively low risk

These separate classes are reflected in the authority's investment criteria (see table at paragraph 10.4).

9. <u>DEBT RESCHEDULING</u>

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. <u>ANNUAL INVESTMENT STRATEGY</u>

10.1 Investment policy guidance

The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

10.1.1 The publication of the revised CIPFA Prudential Code and Treasury Management Code in late December 2017 introduces further layers of control around risk in relation to investments that are not part of treasury management activity particularly relevant to where prudential borrowing is used and a commercial return is sought.

10.1.2 The DCLG consultation on investment guidance (and separate consultation on MRP) closed on 22nd December 2017 and we are currently waiting for the revised guidance to be issued. This will focus particularly on non-financial asset investments. We anticipate that any changes will apply from 2018-19, although it is unclear if there will be a transitional period to allow time to implement them. Due to the timing of the publication the strategy has been based on existing requirements and will be amended if necessary during 2018-19. Whilst the latitude for local authorities to set the scope and size of their capital plans appears to remain unrestricted there is a risk that authorities may not be able to borrow more than or in advance of their needs for out of area investments purely for commercial gain. More information is required to provide clarity but such a restriction would be of concern and could cause significant problems across the local government sector. Developments will continue to be monitored and updates including associated risks covered in future reports.

10.2 Management Practices for Non-Treasury Investments

10.2.1 The revised CIPFA code introduces a requirement for the Council to adopt the following statements covering non-treasury investments:

- This Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

- This Council will ensure that all of its investments are covered in the Capital Strategy and the Strategy for the Capital Portfolio Fund and Loans to Third Parties (Development Loans fund) and will set out the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

- The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

10.3 **Investment Policy for Treasury Investments**

10.3.1 The Council's priorities for investment in financial assets will remain as security first, liquidity second and then return. The Council will 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.

10.3.2 In accordance with guidance from the DCLG 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.

10.3.3 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, Link, in producing its colour codings which show the varying degrees of suggested creditworthiness.

10.3.4 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.

10.3.5 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.

10.3.6 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.

10.4 Creditworthiness Policy

The Council continues to applies the creditworthiness service provided by Link Asset Services.

Link 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 flexibilty supplementary to the base Link 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 Link 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
	Fund Rating	% Limit	Time Limit
Money market funds CNAV[1]	AAA	25%	Liquid
Money market funds LVNAV[2]	AAA	25%	Liquid
Money market funds VNAV[3]	AAA	25%	Liquid
Ultra-Short Dated Bond funds with a credit score of 1.25	Dark pink / AAA	25%	Liquid
Ultra-Short Dated Bond funds with a credit score of 1.5	Light pink / AAA	25%	Liquid
Property Funds		25%	Up to 5 years and over

[1]CNAV – Constant Net Asset Value (see paragraph 8.8)
[2]LVNAV – Low Volatility Net Asset Value
[3]VNAV – Variable Net Asset Value

* 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 Link Asset Services' 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 Link Asset Services' 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 Link Asset Services. 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. Link Asset Services will supply this information to the Treasury team as part of their comprehensive service.

10.5 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.

10.6 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 0.5% until quarter 4 of 2018 and not to rise above 1.25% by quarter 1 of 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017-18 0.50%
- 2018-19 0.75%
- 2019-20 1.00%
- 2019-20 1.25%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

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.

10.7 **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.

10.8 **External Fund Managers**

The use of specialist investment managers will 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 Link Asset Services (Link) as its external treasury management advisers, with the current contract ending on 31st August 2020. The contract with Capita Asset Services was novated to Link Asset Services on 6th November 2017 following the sale of the business by Capita plc to the Link Group. We are pleased to report that there has been a smooth transition of services from Capita to Link.

11.2 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.

11.3 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. The revised Treasury Management Code of Practice has significantly extended the specific role of this officer to include a series of new roles in respect of the capital strategy and also a specific role in respect of investment in non-financial assets.

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 MHCLG

15. LOCAL ISSUES

15.1 The Financial Strategy for 2017-20 approved in February 2017 included significant proposals for two new Council Policies closely allied to the Treasury Management Service Strategy. The first of these new policies was in relation to Loans to Third Parties (now renamed Development Loans Fund) for which an initial allocation of £10m was allocated in the 2017-18 Capital Programme. The second was to create a £25m Capital Portfolio Fund; both policies support our corporate priority of regeneration and economic development. Expenditure is subject to specific approval and due diligence evidenced by each business case.

The phasing of expenditure against these policies has been amended in this strategy statement to better reflect anticipated cash flows. Actual spend will be dependent on opportunities that arise and the detail in each specific business case that supports future capital decisions. During 2017-18 the Council's approach to calculating a prudent minimum revenue provision (MRP) has been reviewed to take account of the need to evaluate commercial business cases for investment property acquisitions that generate a revenue income stream. Following the review an additional option for calculating MRP is recommended in this report for inclusion within the policy statement (see Appendix 1). Funding will be from external loans (almost certainly PWLB Debt) and this is reflected in the prudential indicators proposed in this report.

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, the borrowing requirement will continue to increase, as detailed in this report.

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 that overall recovery rates for the two remaining investments will be high. 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 excludes such rental income, thereby skewing the results. A local indicator is included within Appendix 3, 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 15th January 2018 total £17million, and this will increase in line with the CFR over the period of the Financial Strategy. As approved capital projects progress, including the two significant policies for Development Loans Fund and Capital Portfolio Fund, the borrowing requirement will continue to increase. Affordability will be one of the key factors 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 remain significantly lower than those achieved during years up to 2007-08. Interest rates are estimated to stay flat at 0.50% until quarter 4 2018.

Modest increases are anticipated to be implemented over a long period but not to rise above 1.25% by quarter 1 2021. Section 10 of this report identifies the on-going sensitivity that the Council faces in relation to investment returns.

16.3 The revised Treasury Management Code of Practice includes several changes to the Treasury Management Practices (TMPs), as outlined below. The Chief Financial Officer and treasury team keep the TMPs under review with the assistance of the Council's Treasury Consultants and are in the process of preparing updates to reflect the new code requirements.

- TMP1 Risk Management has been amended to include within the General Statement that "This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment." Elements of this wording was previously included in TMP1 (1) covering credit and counterparty risk management, but the final sentence covering due diligence has been added since the 2011 version.

- A new risk management consideration has been re-introduced under TMP1 (5) covering inflation risk management. The new consideration states that "The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures." Risk management considerations previously number (5) to (8) have subsequently been renumbered (6) to (9).

- What was previously TMP1 (8) market risk management has been renumbered to (9) as noted above and is now referred to as price risk management.

- TMP4 Approved Instruments, Methods and Techniques includes a new paragraph regarding MIFID II.

- TMP6 Reporting Requirements and Management Information Arrangements includes very minor changes to the wording in one paragraph.

- TMP8 Cash and Cash Flow Management makes a correction to a previous error, when referencing back to TMP1.

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 Budget, on 19th December 2017. The announcement confirmed that there would be no further changes to how New Homes Bonus works in 2018-19; indicated that the local share under Business Rates Retention would increase from 50% to 75% by 2020-21 and will include transfer of public health and other grants. It was further announced that the proposed 20% increase in planning fees could proceed and this has now been implemented from 17th January 2018. 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 Government sold its remaining stake in Lloyds banking group in May 2017. The Council is aware that there is an increased exposure to risk. However, Lloyds has successfully passed both the 2017 Prudential Regulation Authority (PRA) and European Banking Authority (EBA) Stress Tests. Both tests examined the bank's ability to maintain liquidity during a succession of simulated economic scenarios and defaults.

16.6 It is Link'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.

18.3 The publication of the revised CIPFA Prudential Code and Treasury Management Code in late December 2017 introduces further layers of control around risk in relation to investments that are not part of treasury management activity particularly relevant to where prudential borrowing is used and a commercial return is sought. Investment and MRP guidance from the MHCLG (which should be read in conjunction with codes already received) is however still awaited and this is most unhelpful to the planning process for 2018-19. Whilst the latitude for local authorities to set the scope and size of their capital plans appears to remain unrestricted there is a risk that authorities may not be able to borrow more than or in advance of their needs for out of area investments purely for commercial gain. More information is required to provide clarity but such a restriction would be of concern and could cause significant problems across the local government sector. Developments will continue to be monitored and updates including associated risks covered in future reports.

19. RISK MANAGEMENT

19.1 The Council is aware of the risks of passive management of the treasury portfolio. With the support of Link Asset Services, 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 with the Council's Capital Programme, allied to this TMSS, is that given the current economy and the uncertainty around the outcome of Brexit negotiations, 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 those already included in Finance Strategy. For major projects, reserves are held to mitigate this risk.

19.5 There is no significant change proposed to the Council's counterparty criteria. The Council will continue to aim to achieve the optimum return on its investments commensurate with its investment priorities of security and liquidity. The chancellor announced in November 2017 that the government will start selling its stake in Royal Bank of Scotland by March 2019. The Council has been advised that any withdrawal of Government support for the remaining part-nationalised bank (RBS) could take 12 months. The investment criteria for this class of investment will be kept under review and investments above 25% will only be placed on an exception basis and only with advance Chief Finance Officer (CFO) approval.

19.6 There continues to be the potential for a risk relating to the Council's own bank as the policy allows investments to be placed for periods over Link Asset Services' colour coded creditworthiness policy recommendation. This would however be on an exceptional basis only with advance Chief Finance Officer (CFO) approval.

19.7 Proposed expenditure in respect of the two 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 were 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. The due diligence arrangements being adopted by this council are currently being subject to external scrutiny to ensure that processes and protocols are robust.

19.8 The new requirement to produce a Capital Strategy will ensure that there is greater focus on risk and longer term affordability of capital plans and include emphasis on non treasury investments.

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 Link Asset Services (Treasury Advisors)

22.2 Cabinet

22.3 CLT

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 22-02-17: Treasury Management Strategy 2017-18.
http://www.wyreforest.gov.uk/council/docs/doc51663_20170222_council_agenda.pdf

23.6 Council 27-09-17: Annual Report on Treasury Management Service and Actual Prudential Indicators 2016-17.
http://www.wyreforest.gov.uk/council/docs/doc52268_20170927_council_agenda.pdf

23.7 Council 13-12-17: Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2017-18.
http://www.wyreforest.gov.uk/council/docs/doc52535_20171213_council_agenda.pdf

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

23.9 The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2017 Edition).

23.10 Overview and Scrutiny Committee 01-06-17: Strategies for the Capital Portfolio Fund and Loans to Third Parties (Development Loans Fund).
http://www.wyreforest.gov.uk/council/docs/doc51960_20170601_o_and_s_agenda.pdf

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.

During 2017-18 the Council's approach to calculating a prudent minimum revenue provision has been reviewed to take account of the need to evaluate commercial business cases for investment property acquisitions that generate a revenue income stream. Following the review an additional option for calculating MRP is recommended for inclusion within the policy statement. For capital expenditure financed by borrowing after 1 April 2008 the Chief Finance Officer (Section 151 Officer) should determine whether an annuity or equal instalment method is adopted for certain classes of investment to ensure that the most financially beneficial method is adopted.

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').

There are two ways of calculating MRP under the Asset Life Method:-

i. **the equal instalment method** allows the use of a simple formula to generate a series of equal annual amounts over the estimated life of the asset.

ii. **the annuity method** makes provision for an annual charge to the General Fund which takes account of the time value of money (e.g. whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The schedule of charges produced by the annuity method results in a consistent charge to revenue over an asset's life, taking into account the real value of the annual charges when they fall due. The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset's life and accelerate towards the latter years). This is commensurate with a prudent provision matching debt repayment to the period which the capital expenditure provides benefit. This method is most appropriate for use in circumstances where the initial investment is recouped from rental yields that are subject to cyclical, upwards only reviews. It is also appropriate in connection with projects promoting regeneration or administrative efficiencies or other schemes where revenues will increase over time.

The Chief Finance Officer (Section 151 Officer) will determine whether an annuity or equal instalment method is utilised to ensure that a prudent and financially beneficial method is adopted.

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 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.

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 Development Loans Fund, 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 Development Loans Fund 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. This has been modelled on a straight line basis.

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.

<u>APPENDIX 2 INTEREST RATE FORECASTS</u>

The data below shows a variety of forecasts published by Link 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.

	NOW	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate														
Link Asset Services	**0.50%**	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	**0.50%**	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
5yr PWLB Rate														
Link Asset Services	**1.72%**	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	**1.72%**	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
10yr PWLB Rate														
Link Asset Services	**2.21%**	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	**2.21%**	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
25yr PWLB Rate														
Link Asset Services	**2.72%**	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	**2.72%**	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
50yr PWLB Rate														
Link Asset Services	**2.41%**	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	**2.41%**	2.50%	2.70%	2.90%	2.90%	2.90%	3.05%	3.05%	3.15%	3.15%	3.40%	3.40%	3.65%	-

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 2017-18 TO 2020-21

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 indictors will be revised in February 2018 as part of the Council's approval of the Financial Strategy 2018 to 2021, as the indicators included within this report are based on current recommendations (including those proposed by Cabinet in December 2017).

1.1 Capital expenditure

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

Capital expenditure £'000	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Chief Executive and Solicitor to the Council	143	-	424	-	-
Community Well-being and Environment	3,922	912	3,288	100	-
Economic Prosperity and Place	1,454	16,116*	17,362*	10,000*	1,000
Resources	-	261	706	608	373
Vehicle, Equipment and Systems Renewals	302	974	885	878	382
Total	**5,821**	**18,263**	**22,665**	**11,586**	**1,755**

* Whilst it is highly unlikely that the full allocations will be spent as currently estimated, 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 Development Loans Fund and Capital Portfolio Funds schemes previously approved. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £'000	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Total	5,821	18,263	22,665	11,586	1,755
Financed by:					
Capital receipts	644	1,188	2,240	-	-
Capital grants	1,537	1,762	1,408	1,000	1,000
Revenue	42	796	170	-	-
Net financing need for the year	**3,598**	**14,517**	**18,847**	**10,586**	**755**

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 indebtedness and so its 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, and so charges the economic consumption of capital assets as they are used.

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	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Capital Financing Requirement					
Total CFR	**17,545**	**31,480**	**49,208**	**58,264**	**57,170**
Movement in CFR	**3,399**	**13,935**	**17,728**	**9,056**	**(1,094)**

Movement in CFR represented by:					
Net financing need for the year (above)	3,598	14,517	18,847	10,586	755
Less MRP/VRP and other financing movements	(199)	(582)	(1,119)	(1,530)	(1,849)
Movement in CFR	**3,399**	**13,935**	**17,728**	**9,056**	**(1,094)**

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

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.

%	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Ratio (Prudential Code)*	3.63	8.80	15.89	22.64	26.74
Ratio (Local Indicator)*	N/A	N/A	9.11	11.58	13.76

* A local indicator was introduced in 2017-18 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 is retained as a local indicator from 2018-19 following the revision to the prudential code in December 2017. The indicator identifies the revenue costs associated with the Cabinet proposals being the 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.

£	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Council tax - band D	0.21	3.94	6.79

1.6 Current portfolio position

The Council's treasury portfolio position at 31st March 2017, 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	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
External Debt					
Gross debt at 31st March	**17,004**	**31,000**	**49,000**	**58,000**	**57,000**
The Capital Financing Requirement	17,545	31,480	49,208	58,264	57,170
Under / (over) borrowing *	**541**	**480**	**208**	**264**	**170**

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 2018-19 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 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 is unachievable for many Councils given past decisions made in full accordance with the Prudential Code. Links' 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	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Debt	35,000	55,000	65,000	65,000
Other long term liabilities	-	-	-	-
Total	35,000	55,000	65,000	65,000

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	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Debt	65,000	70,000	75,000	75,000
Other long term liabilities	0	0	0	0
Total	65,000	70,000	75,000	75,000

1.8Treasury 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.

	2018-19	2019-20	2020-21
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 2018-19			
		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 2018-19			
		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 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 365 days			
£m	**2018-19**	**2019-20**	**2020-21**
Principal sums invested > 365 days	£2m	£2m	£2m

APPENDIX 4 ECONOMIC BACKGROUND (PROVIDED BY LINK ASSET SERVICES (TREASURY ADVISORS))

4.1 GLOBAL OUTLOOK

World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the International Monetary Fund (IMF) upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

4.2 KEY RISKS - central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

4.3 United Kingdom (UK) economy

After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

4.4 Economy outside UK

EZ. Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

4.5 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: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- 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 could also exit without any such agreements in the event of a breakdown of negotiations.
- 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 full 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.

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 Council's 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
Deposits – local authorities	-	In-house
Term deposits – banks and building societies *	Green	In-house
Money Market Funds (CNAV)	AAA	In-house
Money Market Funds (LVNAV)	AAA	In-house
Money Market Funds (VNAV)	AAA	In-house
Other 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 Link 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 Link 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 Link 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 Link 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. 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 Link 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.

This page is correct as at 15th January 2018

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
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term (20 year) timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following *(TM Code p54): -*
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

- *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

WYRE FOREST DISTRICT COUNCIL

FEEDBACK FROM CABINET MEETING HELD ON TUESDAY 19TH DECEMBER 2017

Agenda Item No.	DECISION
11.1	**Asset Disposal in Kidderminster** **Decision:** **In line with the recommendations from the Overview and Scrutiny Committee, 7th December 2017:** **The proposed asset transfer as set out in paragraphs 2.1 to 2.6 of the confidential report to Cabinet be agreed.**

Overview and Scrutiny Committee Work Programme 2017-2018

June 2017
“How are we doing?” Q4 update (Housing and Planning)
Churchill & Blakedown Neighbourhood Plan Adoption
Strategies for the Capital Portfolio Fund and Loads to Third Parties –
Review of Wyre Forest District Local Plan (2015) Consultation on Preferred Options
Tracking Recommendations 2016/2017
Scrutiny Proposal Form
EXEMPT Capital Portfolio Fund: Proposed Acquisition

July 2017
Kidderminster Town Centre Business Improvement District (BID)
Strategic Facilities & Asset Management Plan (including Wyre Forest House Tenancy Management & Marketing Strategy)
Establishing a Local Authority Trading Company (LATC)
Housing Enforcement Policy Update
Nominations for the Treasury Management Review Panel
EXEMPT Residential Unit Investment Business Case

September 2017
“How are we doing?” Q1 update (Enabling)
Annual Report on Treasury Management Service and Actual Prudential Indicators 2016/17
Wyre Forest Health and Wellbeing Plan Update
Climate Change Update
Open Space, Playing Fields and Sports Built Facilities Strategies
Compulsory Acquisition of Land & Properties & Empty Property Strategy
Public Space Protection Order (PSPO)

October 2017
Annual update from S106 Monitoring Group
‘Write-off’ Procedure
Potential additions to scrutiny work programme
Scrutiny of decisions on capital portfolio fund

November 2017
Treasury Management Mid Year Report
Depot 2020 Invest and Improve Project
Local Plan Project Plan
Hereford and Worcestershire Joint Municipal Waste Management Strategy Review (JMWMS)

December 2017
“How are we doing?” Q2 update (Business and People)
Depot 2020: Consideration of Call-In Request
EXEMPT Asset exchange in Kidderminster

February 2018
“How are we doing?” Q3 update (Place)
Annual review of the North Worcestershire Community Safety Partnership 2017/18
Community Led Housing Pledge
Treasury Management Strategy 2018/19

PART EXEMPT Establishment of a LATC

March 2018
Future use of the former Magistrates' Court, Worcester Street
Lionfields future phases development
EXEMPT Acquisition of Land in Areley Kings & Riverside Ward
EXEMPT Acquisition of Land in Broadwaters Ward
EXEMPT Acquisition of Property in Wyre Forest Rural

Review Panels

December 2017 – mid 2018: Availability of affordable and social rented housing

January – March 2018: Partners and Communities Together (PACT)

September – November 2018: Review of service standards for highways maintenance inc grass cutting / weed control

May – July 2018: Review of civil enforcement issues - PSPO
October – December 2018: Review of civil enforcement issues - Parking

Agenda Item No. 12

Overview & Scrutiny Committee

Briefing Paper

Report of: Mike Parker
Date: 1st February 2018
Report Open – Appendices in Open and Exempt

Please note that the associated appendices to appendix 1 of the report have been circulated electronically.

Establishing a Group Structure of Local Authority Trading Companies

1. Summary

1.1 This Committee and Cabinet have considered a number of reports over the last 18 months about establishing a Local Authority Trading Company (LATC) to enable the Council to fully realise its ambitions to invest in and develop revenue generating projects across the residential, industrial and commercial markets. This is the final report that sets out for agreement the Final Business Case (FBC) for setting up a Group Structure of companies.

2. Background/Information

2.1 On 14th June 2016 Cabinet considered a report from the Corporate Director: Economic Prosperity & Place that set out a number of alternative mechanisms and bodies to enable the Council to realise its aspirations to effectively deliver development opportunities of its assets and amongst the proposals was the proposed Limited Liability Partnership with Public Sector Plc, which has since been completed, as well as the proposal to establish a LATC.

2.2 Cabinet agreed to delegate to the Corporate Director: Economic Prosperity & Place, authority, in consultation with the Solicitor to the Council and Chief Financial Officer, to prepare the business case for setting up a LATC and to report back to Cabinet.

2.3 Since the June 2016 report to Cabinet the Council has also agreed the establishment of a Capital Portfolio Fund as part of the 2017/18 budget. Sourced from borrowing from Public Works Loan Board the Fund enables up to £25m to be invested in revenue generating assets, subject to the business case demonstrating the Council's financial viability interests are met. As part of the business case a determination will be made as to the most appropriate means to hold the asset and that could be through the LATC.

2.4 On 11th July 2017 Cabinet agreed a further report regarding the establishment of the LATC, agreeing to establish a LATC as a company limited by shares (CLS), agreeing to seek external health checks of the then draft Articles of Association and Shareholder Agreement, to prepare the financial modelling of the LATC and then to receive the FBC for establishing the LATC.

3. Key Issues

3.1 The FBC is attached as the principal appendix to this report (and has its own supporting appendices, of which some are exempt as they contain commercially sensitive information) and it follows the Treasury 'Green Book' approach to undertaking a business case and it addresses the key elements of the business case under the headings of:

- Strategic Case
- Economic Case
- Commercial Case
- Financial Case
- Management & Operational Case

3.2 In order to undertake the 'health check' of the Articles of Association and Shareholder Agreement and to support the financial modelling of the LATC, the Council undertook a procurement process in accordance with the Council's Contract Procedure Rules to commission that advice. A consortium of support was procured through Mazars including Anthony Collins solicitors and FPM (supported by Primus Property Group) to provide the financial modelling support. This information is set out in full at Appendices 1 & 2 of the FBC.

3.3 The Mazars report in summary confirms the legislative context for the Council to proceed with its plans to establish the LATC and sets out what the advantages and disadvantages are (including from a tax perspective) of different models of LATC, confirming that a Company Limited by Shares (CLS) is the most appropriate vehicle for the Council to use. Mazars recommend establishing a Group Structure with an overarching 'Holding Company' under which other companies could then also be established – the first being the Development & Investment company the FBC supports - but this also would enable future LATCs to be established if the Council so desired e.g. for commercial services, with the added tax advantages set out in the Mazars documentation.

3.4 The Mazars report in Appendix 2 to the FBC sets out the financial modelling for the LATC and concludes that in respect of the Council's aspirations to invest in new residential developments this will need to be based on a maximum of 50% borrowing from Public Works Loan Board (PWLB) as the model fails with a scenario based on 100% loan to value ratio. This will mean that the Council will have to adjust its consideration of the use of its assets to include some capital generation in order to support the delivery of new housing as there are currently no capital receipts available other than the relatively small amount currently in the Evergreen Investment Fund. The Council could consider using future Right to Buy receipts received from the

Community Housing Group to contribute towards residential projects.

3.5 The Mazars advice is that whilst the establishment of a LATC to hold any residential developments or acquisitions is sensible given the implications of the Housing Act 1985 on security of tenure and Right to Buy, the Council does not [currently] need to establish a LATC to hold its investments in non residential developments. However the Council is mindful of the proposed changes to the Prudential and Treasury Management Codes and also DCLG Investment Guidance and would wish to retain the possibility that some investments may need to be held and made through the LATC if the revised Code limits the Council's ability to undertake the investments it desires.

3.6 The financial modelling undertaken by FPM (Appendix 2 to the FBC) indicates that unless investments in residential property purchases (large scale) can be supported by a loan to value ratio of 50% or less the model is unviable. Investments in commercial developments based on 100% borrowing in medium sized investment tranches is commercially viable but marginality depends on overall gross yields that can be achieved.

3.7 FPM have also modelled a 'Develop to Invest' model. In this model the Council itself or through the company undertakes residential developments and invests the profits back into further developments. Over a period this would enable the Council to establish a portfolio of residential properties through the company to let as a private landlord as well as developing a pipeline of new development that generates capital for reinvestment. This is predicated on an adequate land supply within Council ownership to fulfil these development aspirations (Appendix 8). There is a possibility that the company could eventually become self funding this way and not rely on borrowing from the Council, which obviously improves the viability of further investments. It has to be understood though that this is a strategy with which the Council is currently unfamiliar and it will take time to build the necessary skills, expertise and confidence to make it a successful strategy; and it carries substantial risk with which the Council is also unfamiliar. It may be that in the early phases of the strategy the Council looks to spread this risk by working with a partner such as PSP through the Limited Liability Partnership that has already been established. The Council must view this approach as a medium to long term strategy to support the Medium Term Financial Strategy, rather than a short term 'quick fix'.

3.8 The FBC contains all of the detailed information regarding the establishment of the LATC such as governance arrangements, relationship with the Council and financial arrangements and modelling and will not be repeated in this covering report. The conclusion of the FBC is that the Council is now in a position to proceed to establish the new companies (Appendix 9) but Members should expect them to be dormant initially until the first proposals are developed.

4. Options

4.1 Overview and Scrutiny Committee is invited to consider the FBC and its associated appendices and either:

I. Agree and recommend to Cabinet the FBC and consequential establishment of a holding company and a development company; or
II. Agree any other alternative recommendation.

5. Appendices

5.1

Appendix 1 (Open) – Business Case for establishing a LATC and associated appendices; and appended thereto:

Appendix 1 (Exempt) – Mazars & Anthony Collins - “Establishing a Wholly Owned Company”

Appendix 2 (Exempt) – Mazars, Anthony Collins & FPM – “The business case for establishing a property and asset development Local Authority Trading Company”

Appendix 3 (Exempt) – Market Analysis

Appendix 4 (Open) – Articles of Association

Appendix 5 (Open) – Shareholder Agreement

Appendix 6 (Open) – Draft Corporate Risk Register entry

Appendix 7 (Open) – Decision Making Responsibilities
Appendix 8 (Exempt) – Initial pipeline of sites
Appendix 9 (Exempt) – Proposed Company names

6. Background Papers

14th June 2016 Cabinet report – Alternative Delivery Vehicles

14th June 2017 Cabinet report – Capital Portfolio Fund & Loans to Third Parties strategies.

11th July 2017 Cabinet report – Establishing a Local Authority Trading Company

Officer Contact Details:

Mike Parker
Corporate Director: Economic Prosperity & Place
Ext: 2500

1. Summary

1.1 Introduction to the Business Case

1.1.1 This Final Business Case (FBC) sets out the proposal for Wyre Forest District Council (WFDC) to establish a wholly owned Holding Company under a Group Structure approach, under which will be established a company to enable WFDC to progress its aspirations to generate revenue from development initiatives. At a future date the Council may also wish to develop a business case in support of establishing further companies under the Group Structure to undertake for example rental management of residential units or commercial services and the Group Structure approach will then enable other such companies to be established under the Holding Company to effect those activities.

1.1.2 This FBC concentrates only on the case for establishing the Development Company within the Group Structure, which will be a property and asset development trading company through which the Council intends to deliver its regeneration and economic development objectives through investment in revenue generating housing, industrial and more commercial development including:

a. the acquisition of land and property within the Council's area and/or more widely with the geography of the two Local Enterprise Partnerships (LEP) of which the Council is a member – Worcestershire and Greater Birmingham & Solihull;

b. acting on the Council's behalf to obtain regulatory permissions with a view to adding value to the land for disposal or to undertake development; and to dispose of such land or development;

c. Development, construction and/or refurbishment works with a view to market sale, shared ownership or rental of properties.

1.1.3 The company will help WFDC deliver its ambitions to continue to support economic growth in the district as well as contribute to overall housing need which in turn supports its Medium Term Financial Strategy (MTFS) by increasing the Council Tax Base and National Non Domestic Rates (NNDR). The company will enable the Council to intervene in the local market where the private sector is failing and will enable it to create new homes and both direct and indirect jobs. In turn it is expected that this will act as a catalyst for private sector investment.

1.1.4 The business case comprises the following:

a. The strategic case – setting out how the establishment of the company meets the strategic objectives of the Council, together with the objectives of the company.

b. The economic case – setting out the options that have been considered in establishing the company and how setting up the company is an economically justifiable decision.

c. The commercial case – setting out the commercial justification for establishing the company.

d. The financial case – setting out how the establishment of the company is justifiable in financial terms when considered both from the perspective of the Council and from the perspective of the company itself.

e. The management case – setting out how the company will be established operationally and what governance arrangements will be put in place.

1.1.5 This FBC builds on work undertaken over the past 24 months and takes forward decisions made by Cabinet in June 2016 (Alternative Delivery Vehicles), June 2017 (Capital Portfolio Fund and Loans to Third Parties Strategies) and July 2017 (Establishing a Local Authority Trading Company). The latter meeting agreed that there was a case for WFDC to establish a company limited by shares and delegated authority to procure external support to 'health check' the proposed Articles of Association & Shareholder Agreement, to develop a financial business plan for the company and then to receive this final business case.

1.1.6 The Council has procured external advice from Mazars (incorporating Anthony Collins Solicitors & FPM & Primus Property Group) in support of the development of this FBC, these are at Appendix 1 ("Establishing a Wholly Owned Company – Legal analysis and due diligence" and Appendix 2 "The Business Case for Establishing a Property and Asset Development Local Authority Trading Company").

1.2 Background

1.2.1 WFDC has a history of taking a proactive approach to supporting its local economy dating back to 2009 when it established its ReWyre concept which set out the vision for the physical regeneration of key sites across the district. In 2011 the Council began hosting a shared service for the three North Worcestershire Councils (including Redditch BC and Bromsgrove DC) – North Worcestershire Economic Development & Regeneration (NWEDR). In 2012 and 2013 WFDC held two 'State of the Area' (SoTA) debates with a focus on economic development & regeneration and backed that with an ambitious £1.5m of support and an ongoing £100,000 p.a. revenue stream. Through this SoTA initiative and using the ReWyre regeneration concept, the Council has been able to support a variety of initiatives with the Themes of 'People', 'Place' and 'Business' and that work is still continuing.

1.2.2 In 2014 the Council carried but a review of its assets (supported by E C Harris – now Arcadis) with a view to using them to support economic growth. Based on this the Council has supported business investment in the district (for example by selling the freehold of sites to business tenants wishing to invest long term in the district), new housing (through the sales of strategic sites with the benefit of permission for residential development) and by de-risking and bringing forward its own plans for development (such as demolishing the former Glades Leisure Centre in Kidderminster and procuring a new cinema led leisure and retail development in its place).

1.2.3 In 2017 as part of the Council's budget, two new initiatives have been created to further the Council's ambitions to grow the local economy and provide new homes – the Development Loans Fund, a £10million fund based on borrowing for the Public Works Loan Board (PWLB) to lend to appropriate bodies and individuals who have development proposals that further the regeneration ambitions of the Council; and a Capital Portfolio Fund of £25m backed by PWLB borrowing to invest in the district or across the combined area of the LEPs of which the Council is a member, to invest in development of its own assets or to acquire revenue generating assets or land and property that can be developed or refurbished to generate revenue.

1.2.4 Stimulated by the Council's desire to use its assets as a redevelopment catalyst and backed by the Council's more recent plans to invest for revenue generation has prompted the Council to become even more proactive in bringing about development. The Council has already agreed outline business cases for building new small and medium sized industrial units where the market is currently failing to meet demand, as well as to acquire a small number of residential units to enable the Council to act as private landlord. In order to be able to add capacity and expertise to its own resources, the Council has appointed a Property & Investment Manger to oversee the Capital Portfolio Fund and has entered into a Limited Liability Partnership (LLP) with Pubic Sector Plc (PSP) as a means to add value to its asset development.

1.3 Summary of the Proposal

1.3.1 Building on the above, the establishment of a suitable delivery vehicle to help the Council further its aims is the next logical step. The Council understands that it does not (yet) require a delivery vehicle to effect its ambitions to invest both within and outside the administrative area for revenue generating purposes (although there is a risk that proposed changes to the Prudential and Treasury Management Codes and also DCLG Investment Guidance and other related guidance will curtail investment in the light of recent high profile investment decisions of other Councils that are causing concern with the Treasury) nor to build new industrial units. However, as the Council transferred its housing stock in 2000 and no longer has a Housing Revenue Account (HRA) there are limitations to what it is able to do in residential terms and becoming a commercial landlord has some consequences in terms of the Housing Act 1984 and tenancy rights which the Council wishes to avoid.

1.3.2 The company will be established as a company limited by shares with the Council being the sole shareholder. The Council may lend money to the company through its Development Loans Fund but this has to be at a commercial rate in order to ensure State Aid compliance. The Council may sell land to the company for a capital receipt but must obtain best value for such land, again to comply with State Aid; or the Council may put land into the company as equity. The Council will receive a dividend from the company which it intends to invest in the continued delivery of its services.

1.3.3 The company's immediate activities will be to support the Council's aspiration to act as a private landlord by acquiring, refurbishing or developing housing opportunities (and may seek to enter into joint venture relationships with PSP or other partners to facilitate this). However, when it would be financially advantageous or where it may be necessary if limitations are brought into place, the Council may choose to hold its investments or other industrial or commercial developments within the company as well.

2. The Strategic Case

2.1 The WFDC Strategy

2.1.1 The Council's Corporate Plan 2014/19 sets out a vision for the district "where people have the opportunity to enjoy a good quality of life and want to live, work, visit and invest". The Council adopted two Corporate Priorities to deliver that vision: "Support you to contribute to a successful local company" and "Support you to live in clean, green & safe communities" and within the Strategic Actions the Council planned to "bring forward regeneration and development opportunities and the infrastructure to support them", "create new job opportunities and improving skills"; "help new businesses to start up and existing businesses to grow", "preventing and reducing homelessness" and "meeting current and future housing needs... that provides for growth in the number of houses".

2.1.2 The Council is in the process of adopting a new Local Plan for the period 2016-2034; in order to meet its Objectively Assessed Housing Need (OAHN) (as published at April 2017) the Council is planning to find land to accommodate 5,940 dwellings to meet its needs over the Plan period; 3,780 of these are expected to be market housing 1,620 affordable and 540 institutional or residential care home units. In addition and in order to meet its employment needs the Council expects to allocate 40ha of land for employment purposes in the Plan period. The Council is expecting a refresh of the OAHN in spring 2018 following publication of the governments standardised methodology and this may increase or reduce the figure agreed in 2017.

2.1.3 However, using the 2017 figures, in order to meets its OAHN the Council has to plan to deliver 300 new dwellings per year (excluding the institutional and care homes). Historically over the past 11 years housing completions in the district have averaged 256 but latterly numbers have fallen (in 2017 the figure was 114). Of the 300 units p.a. 90 of these are intended to be affordable units and the average number of affordable units delivered p.a. over the last 11 years has been 73. By establishing the company the Council intends to boost these numbers by developing new residential units on its own land for sale or rent. Units developed for sale will enable the capital receipts to be recycled into developing other sites to continue a pipeline of supply; units retained for rent will enable the company to act as a responsible landlord and add to the range of housing options available across the district. The Council's stock transfer company (The Community Housing Group) provides for the affordable needs of the district's residents (along with a handful of other Registered Providers).

2.1.4 As part of the evidence base in support of the Local Plan, an employment Land Review was undertaken for the Council by Nathaniel Lichfield and Partners and it found that over the period 2000 – 2012, there was a 25% fall in the amount of industrial floorspace in the district (thousands m^2). It also found that the gross amount of land developed for Class B employment uses fell from an average of 2.23ha per annum in the period 2005-2010 to 0.57ha per annum in 2010-14. The slowdown being attributed to the financial crisis nationally. The report also found that there was a strong demand for industrial units up to 2,500m^2 but that the stock of such units is absent in terms of good quality, flexible units suitable for the needs of modern industrial users. The report also noted a "severe lack of 'follow-on' or 'grow-on' spaces (200-400m^2). Commercial agents consulted as part of the study recognised the gap in the market for these units and attributed it to the difficulty of getting funding for these types of units and with shorter term more flexible lease arrangements required by tenants this created uncertainty for the private market which created a stasis in new investment. Agents encouraged the district council to take advantage of this gap in the market and to act to fill it. This is where the company may wish to act if it is financially advantageous over and above the actions already being undertaken by the Council.

2.1.5 In 2016 the Council adopted a Strategic Asset Management Plan (2016-2021) and a Strategy to Enable Business Growth & Enterprise in Wyre Forest, both of which support the Council taking a proactive stance in using assets to support business growth.

2.2 The Company's Aims & Objectives

2.2.1 The principal aim of the company will be to deliver the Council's aim for local regeneration and economic development where the private sector is failing. In so doing, the dividend return to the Council from the profits achieved in the company will be used to support the delivery of services to the residents and businesses of the district. In terms of housing delivery the aim of the company is to stimulate development of sites which ought to be brought forward for development but, for one reason or another, are not and to enable the Council to use its existing assets and acquire new land and property to deliver its own houses for sale or rent. The company will act as landlord for those properties that are held for rent and will act as a beacon landlord in terms of the standards it meets.

If required to function as such, the company will also enable the Council to fulfil its investment initiatives by both enabling the development of sites for industrial and/or commercial uses and by acquiring new investments for a revenue return.

3. The Economic Case

3. 1 The report considered by the Cabinet on 14th June 2016 set out options in respect of the alternative delivery vehicles that the Council might wish to utilise in the delivery of its objectives. The recommendations of that report were for the formal entering of a Limited Liability Partnership (LLP) with Public Sector Partnership (PSP) (which was completed in February 2017) and the establishment of a company wholly owned by the Council as sole stakeholder in a company limited by shares. Separate reference can be made to that report to see the consideration given to alternatives and why the company provided the best fit for the Council.

3. 2 Further consideration is given to 'Corporate Models and Formation' in the Mazars Legal Analysis and Due Diligence supporting information (Appendix 1 Annex 2). That concludes that the most appropriate vehicle to meet the Council's needs is the Company Limited by Shares (CLS). In the first instance, the CLS will utilise the existing support resources (financial, legal, property) where possible from within the Council through a Service Level Agreement (SLA) for which the Council will charge the time of the officers involved, rather than establish an officer core with the CLS. This is because it is envisaged for the first few years of the CLS transactions will only be low volume and not enough to necessitate the full time employment of officers; the CLS will be able to apply to borrow from the Council through its Development Loan Fund at a commercial rate.

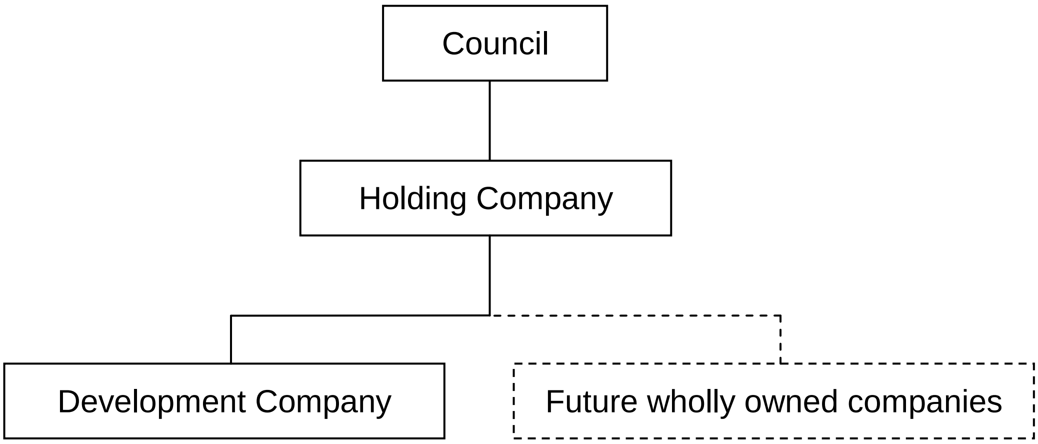
3. 3 There are sites currently identified as having potential for residential development that would involve the company either as developer or landlord and for reasons of commercial sensitivity these are set out in Appendix 8 of the FBC:

3. 4 The Council has also indicated its intention to use its powers of Compulsory Purchase more widely (Cabinet September 2017) and, in accordance with the government's encouragement to do so as set out in the 'Fixing our Broken Housing Market' White Paper of 2017. The Council intends to focus on brownfield land within the district in the first instance, especially land that has had the benefit of residential planning permission but that the owner has failed to bring forward for development. In parallel the Council intends to similarly acquire long term empty properties where it is economic to do so in order to bring back into active use.

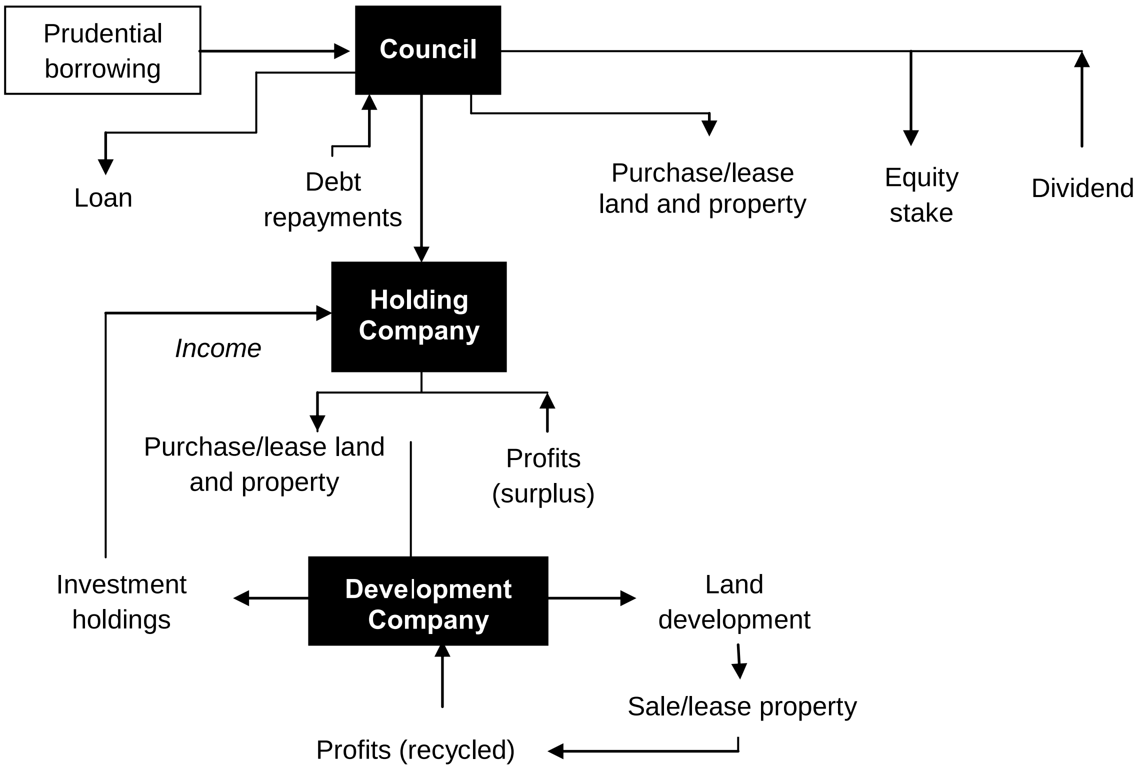
4. <u>The Commercial Case</u>

4.1 **Commercial Analysis of the Proposal**

4.1.1 The Council is cognisant of the powers it has to set up and participate in companies, the details of which are set out in the accompanying Mazars documentation (Appendix 1 Annex 1). This also sets out the power the Council has to undertake investments. The Council does not have any companies yet established and it recognises the advantages as set out in the Mazars report of taking the opportunity to set up a group structure from the outset. Creating such a group structure streamlines the governance arrangements for the Council and may also have additional tax efficiencies; further, there may be marketing and branding benefits to separating out different activities, for example the Council may wish to market its development activities in a different way than its commercial activities. Additional benefits such as no SDLT arising on land transfers between the Holding Company and the subsidiary companies also arise. The Council intends to use the group structure to establish a holding company with subsidiary companies beneath, initially the subsidiary company will be the Development Company but there is the potential to also establish a Rent Company if the volume of rental properties held in the Development Company became financially viable to hold separately.. From a governance perspective that offers the benefits of having a single overarching Board of Directors and one shareholder group with multiple companies whose Boards all report to the Board of the holding company. The structure would be thus:



4.1.2 The holding company will be the CLS with the Council as sole shareholder. Transactionally the Holding Company will be able to borrow from the Council and either purchase or lease land and property from the Council on a commercial basis. The Council may also choose to place land, property or capital into the company by way of an equity stake. The company, through its Development Company, will hold, develop, sell and let land and assets with the purpose of making a profit of which some may be re-invested into the company to extend its activities or else return the profit to the Council by way of a dividend. The company will need to meet its running costs, including servicing debt and meeting its tax obligations before returning the dividend to the Council.



4.1.3 A key commercial consideration in establishing the company will be the exit strategy if it needs to be dissolved. The advantage of the CLS approach with the single shareholder is that, if necessary, the company can withdraw from development, sell its assets, repay its debts and be wound up.

4.2 **Market Overview**

4.2.1 In April 2017 as part of a wider consulting commission to test the viability of some of the Council's investment proposals the Council commissioned PER Consulting to undertake a market analysis of the property market in the district (this is appended at Appendix 3). This provides the context for the industrial, commercial, retail and housing markets in the district and will be referenced in the detailed decisions regarding investment or development proposals as they come forward.

4.3 **Legal Considerations**

4.3.1 The Council has prepared the Articles of Association & Shareholder Agreement that will be put in place to facilitate the necessary arrangements between the Council and the Holding Company; similar documentation in respect of the Development Company will also need to be prepared. These have been externally scrutinised by Anthony Collins Solicitors to ensure that they are fit for purpose (Appendix 1 Annex 7 & 8) and are attached in full at Appendices 4 & 5)

4.3.2 Further analysis of the legal competencies the Council has to establish the Company has been provided in the Mazars report through Anthony Collins Solicitors. They recommend that the Council uses its General Power of Competence under the Localism Act 2011 to set up and participate in the Company and s12 of the Local Government Act 2003 and 'incidental' power given by s111 of the Local Government Act 1972 to undertake investments.

4.3.3 As the Council does not maintain any housing stock it does not have a live Housing Revenue Account (HRA) and it is intended that this remains the case and that any residential properties held for rent will be held by the Company, not the Council, either directly or by way of lease from the Council. The duty to keep a HRA under s74 of the Local Government & Housing Act 1989 arises regardless of whether or not the Council actually holds any relevant properties. However, as a 'stock transfer authority', the Mazars recommendation is that if the Council were to hold property for rent on the private market to generate an income stream this would constitute a 'commercial purpose' and as such under the General Power of Competence would need to be undertaken through the Company. Mazars take the view that this could be by way of the Council holding the freehold to such properties and granting a long leasehold to the Company without such an arrangement triggering the duty to hold a HRA.

4.4 **Risk Analysis & Exit Strategy**

4.4.1 The establishment of the Company and the relationship of the Council as shareholder will require a separate entry on the Council's Risk Register and, as such, will be kept under review. A draft of the proposed entry into the

Council's 'Pentana Performance' software system is appended at Appendix 6).

4.4.2 In addition it is expected that each individual transaction between the Council and the Company (such as lending through the Development Load Fund) will also be subject to a separate discrete risk assessment; further it is expected that each development carried out within the Company will be similarly subject to separate risk assessments, analysis and appropriate mitigation.

4.4.3 In the event that the Company needs to be wound up, as stated at 4.1.3 above this could be effected relatively quickly under the CLS structure.

5. <u>The Financial Case</u>

5.1 Financial Modelling

5.1.1 The financial modelling of the Company has been undertaken as part of the Mazars commission using FPM supported by Primus Property Group (Appendix 2) and in undertaking this modelling they have considered the financial implications from both the Council's and the Company's perspectives.

5.1.2 FPM have given a commentary on the current market for investment in residential development and report that there has been significant slowdown in growth in this market over the past few years with little prospect of a return to the heights previously seen. A particular cause of this slowdown is the differential between house price growth and wage growth supporting affordability. Property values in Wyre Forest only returned to 2006 (pre crash) levels in 2015 and the market cooling suggests price growth of under 15% over the next five years.

5.1.3 FPM have based their modelling on the Council's current principles of 100% borrowing from the PWLB, thus making funding of the company 100% loan finance; adding on the costs of purchase of residential developments at 6% makes it in reality a loan of 106% to value. This is a risky strategy given the commentary of the market slowdown and FPM's initial modelling suggests that at 106% loan to value this is not a viable business model for the private rented housing sector. However the model does become more feasible if the loan to value ratio can be reduced.

5.1.4 FPM have modelled three scenarios:

a. Investment in residential property

b. Investment in commercial property

c. Development (on land owned by the Council or to be acquired and undertaken by the Council or by the company)

All of the models have been undertaken based on a £10m investment for illustrative purposes and this can be scaled down accordingly with the principles remaining intact.

5.1.5 For the residential investment model FPM have assumed SDLT at an average of 4% (but this can fluctuate up or down depending on the number and value of the properties purchased – individual business cases for each investment will model this accurately). Based on the 100% loan to value principles this model fails and generates a negative net yield and net return on investment which is unviable. FPM have sensitivity tested some of the assumptions in the model and a rental yield improvement (4.5% to 7.5% and reduced voids 10% to 5%) or reducing the loan gearing ratio from 100% to 50% or costs of funds reducing (from assumed 4.7% to 3%) or a combination of all three does result in an operating profit, indicating that the model does become viable if these variables can be adjusted more favourably; the problem is that the only variable the Council has absolute control over is the loan gearing ratio which it can affect by adding capital receipts into the model to reduce the loan to 50% or lower, but currently the Council does not have capital receipts to make such a contribution (other than at small scale via the Evergreen Investment Fund).

5.1.6 The investment in commercial property modelling; based on the same principles as above, is much healthier; based on purchase of £2m-£10m (keeping above the market for private investors and below the market for institutional investors) generates a small surplus once gross yield exceeds 9% (this obviously improves further if the loan gearing can be reduced from 100%).Net yields on around 3% are possible and this is above the 2% minimum established in the Council's Asset Investment Strategy agreed in 2017. Care has to be taken though in the application of Minimum Revenue Provision (MRP) which can further reduce the return, depending on how it is calculated and on the assumed life of the asset. The FPM conclusion is that investment in commercial property may meet the Council's requirements, but at present, there is no need to set up a separate company to achieve this as the Council can make such investments in its current capacity.

5.1.7 The Council is already looking at ways of developing its own assets to generate revenue and in order to help effect this has for example established the Limited Liability Partnership with Public Sector Plc. FPM further explored options for residential property development by the company or by the Council on Council owned land or through a venture such as the LLP. In all scenarios there is a healthy positive return, but this needs to be balanced against the risk and experience the Council has in undertaking such developments and obviously the opportunity to spread risk through such ventures as the LLP ease that situation, but mean sharing the benefits.

5.1.8 FPM consider that the case for a 'develop to invest' strategy is strong and that the establishment of a company based on such a model appears a sensible course of action. Whilst it is more financially advantageous for the Council to carry out such development itself, FPM recognise the need for the company to protect any residential lettings from the security of tenure otherwise granted by the 1985 Housing Act if the properties were leased by the Council directly. Further, FPM advise that investment in 'distressed stock' (such as empty properties for instance) that the Council could refurbish has added tax benefits and could provide a reliable source of income for the Council.

5.1.9 The principles of the FPM develop to invest strategy assumes a rolling loan facility to invest in development on Council land (and therefore assumes a pipeline of available land) and shorter term borrowing from PWLB and repayments such that the MRP requirement is not triggered. In this model the profits from the development (from sales) are reinvested in either commercial or residential property through the Company. This would enable the company to develop a portfolio of rented properties which would continue to grow as the model grows. Based on a six year development cycle of borrowing, development and investment the Council could achieve yields in excess of 3.5%. In addition the Council will be receiving the margin made on the difference between PWLB and the commercial rate charged on loans to the company. The returns improve further if the company can eventually reach a debt free position.

5.2 Accounting & Tax Considerations

5.2.1 The Mazars report fully deals with the accounting and tax (particularly VAT, SDLT and Corporation Tax) implications of all of the models and there are different outcomes depending on the different scenarios and these are set out in full in the appendices.

5.2.2 The company will be subject to Corporation Tax (the Council isn't) which is currently at a rate of 19%; and land transactions (including between the Council and the company) will be subject to Stamp Duty Land tax (SDLT). In VAT terms councils are generally unique in enjoying full VAT recovery on costs in almost all circumstances, by using the company though it will be subject to normal VAT rules applying. The commentary on VAT implications of the various scenarios is found at Annex 9 of Appendix 1.

6. The Management & Operational Case

6.1 Company Structure & Management

6.1.1 The companies will be companies limited by shares (CLS) of which the Council will be the sole shareholder and will thus be a wholly owned subsidiary of the Council and the Council will have ultimate control of the company. The Company will be established under the Companies Act 2006 as a 'for profit' vehicle and governed by the principles of company law.

6.1.2 The CLS is managed on a day to day basis by a board of directors who report to the shareholders. The Directors have a number of statutory duties in addition to those owed elsewhere in statute and at common law and equity; Directors are generally not personally liable for debts unless they have given any personal guarantees.

6.1.3 The main constitutional documents are the Memorandum of Association (a standard form document), the Articles of Association (Appendix 4) and the Shareholder Agreement (Appendix 5). The formation of the CLS is a straightforward process of application to Companies House, the payment of a registration fee (£40 or £12 online) and submission of the Memorandum and Articles of Association.

6.1.4 Based on the advice provided by Mazars it is proposed to establish a group structure which allows the Council to have unified governance arrangements by establishing an overarching Board of Directors with subsidiary Boards reporting to that overarching holding company. This has potential future tax advantages to the company as well as offering the opportunity for rationalising the Council's approach to governance and the relationships between different vehicles. This offers the further opportunity, should the Council wish, to establish other trading companies, e.g. a rent company or a commercial services trading company under the holding company, at a later date. The proposed names of the companies are set out in Appendix 9 to the FBC.

6.2 **Council Governance Arrangements**

6.2.1 The company will be controlled by its Directors and for the Holding Company these will comprise appointments in accordance with the Articles of Association and the Shareholder Agreement with the appointment of an independent Chairperson; for the subsidiary companies these will be controlled by Directors appointed in accordance with the Articles of Association and the Shareholder Agreement. The company (ies) will have their own Business Plan(s) which will be agreed with the Council as Shareholder. The Council as the sole shareholder of the company (ies) and through the Shareholders Agreement will establish the parameters within which the Business Plan is set and by which the company (ies) can operate. The Council as shareholders will retain the ability to set the direction of the company (ies) and to scrutinise their activities through the Council's normal executive and scrutiny powers.

6.2.2 The Mazars advice provides helpful guidance on the governance arrangements in Appendix 1 Annex 4) and in particular confirms that shareholder decision making is an executive function which is delivered through the Cabinet with appropriate levels of delegation to officers (who are not involved in running the company (ies)); such delegation includes the appointment of a shareholder representative for general meetings of the company (ies).

6.2.3 Appendix 7 of this report sets out where responsibilities for decisions will rest between the Council (as shareholder) and the company (though the Board).

6.3 **Company Business Plan & Review**

6.3.1 The initial approval of the Business Plan is agreed by the company and then the Council as Shareholder; once the company is established the Company Directors will review the Business Plan at least at six monthly intervals, unless exceptional circumstances necessitate an earlier review, and update annually. The review will be reported back to the Council as Shareholder.

6.3.2 Any monies to be lent to the Company by the Council will have to undergo the decision making and approval process already established with the Council of consideration by Overview & Scrutiny Committee and the final agreement by Cabinet (and by Council if it is in addition to the agreed Capital Programme).

6.4 **Management & Resources**

6.4.1 Initially it is proposed that the Company will purchase its operational running resource from the Council and utilise the existing Council officers as it is anticipated that initial running will be dealing with low transactional volumes, indeed it is expected that after initial set up the companies will be dormant until the Council initiates development activity triggering their use. So for example the management and letting of any residential units will initially be undertaken by the Council's Housing team under a Service Level Agreement with the company, until such time as this is no longer feasible and at which point the Company may 'buy in' its own resources to meet its operating requirements and that might include secondment or transfer of Council staff into the Company. At all times the Company will pay a full commercial rate for the services it receives. Where required a Service Level Agreement will be entered into by the Company and the Council.

6.4.2 It is also intended that initially any rental management of properties will be managed through the Development Company but it is recognised that if successful this portfolio of properties may lead to the establishment of a Rent Company if there are financial advantages to establishing such a company in the Group Structure.

6.5 **State Aid, Transparency & Procurement**

6.5.1 The supporting advice from Mazars covers this element in more detail (Appendix 1 Annex 6); the arrangements between the Council and the Company, whether they be financial or otherwise, must he transparent and must comply with State Aid requirements which in essence requires the relationship between the two bodies to be on a wholly commercial basis.

6.5.2 Appendix 1 Annex 5 of the Mazars report considers the procurement arrangements in detail. That advice is that in situations where:

i. the Council establishes the Company to invest in a property portfolio or develop land for sale or rental;

ii. the Council transfers land to the Company for best consideration

iii. land is developed and then sold or rented to third parties; and

iv. profits are reinvested back into the work of the Company or distributed back to the Council

then this would not constitute procurement of contract for goods, services or works and, as such, the Public Contracts Regulations 2015 would not apply.

6.5.3 Mazars advise that, as long as the Company is established as a CLS trading for commercial purposes and has the purpose of meeting needs in the general interest that has a commercial or industrial character, the definition in the 2015 Regulations of a "body governed by public law" would not apply and the Company therefore would not be a contracting authority subject to public procurement law in any contracts that it lets (including for any support services).

6.6 **Implementation**

6.6.1 This Final Business Case brings together the principles of reports and decisions made over the past two years by the Council in relation to the establishment of a trading company. The Business Case demonstrates that the Council can now proceed with the establishment of the Company (ies) and that the viability of doing so is both financially and commercially sound.

The Council should now proceed to register the Company (ies) – (Three Towns Ltd and ReWyre Developments Ltd) with Companies House, progress the initial Company Business Plan and establish the Board of Directors and appoint an independent chairperson.