

Open

Cabinet

Agenda

6pm
Tuesday, 17th December 2019
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Cabinet

The Cabinet Members and their responsibilities:-

Councillor G Ballinger	Leader of the Council & Strategy & Finance
Councillor F Oborski MBE	Deputy Leader & Economic Regeneration, Planning & Capital Investments
Councillor N Martin	Housing, Health, Well-being & Democratic Services
Councillor H Dyke	Culture, Leisure & Community Protection
Councillor J Thomas	Operational Services

Scrutiny of Decisions of the Cabinet

The Council has one Scrutiny Committee that has power to investigate policy issues and question members of the Cabinet who have special responsibility for a particular area of the Council's activities. The Cabinet also considers recommendations from this Committee.

In accordance with Section 10 of the Council's Constitution, Overview and Scrutiny Procedure Rules, and Standing Order 2.4 of Section 7, any item on this agenda may be scrutinised by the Scrutiny Committee if it is "called in" by the Chairman or Vice-Chairman of the Overview & Scrutiny Committee and any other three non-Cabinet members.

The deadline for "calling in" Cabinet decisions is 5pm on Tuesday 7th January 2020.

Councillors wishing to "call in" a decision on this agenda should contact Louisa Bright, Principal Committee and Member Services Officer, Wyre Forest House, Finepoint Way, Kidderminster. Telephone: 01562 732763 or email louisa.bright@wyreforestdc.gov.uk

Urgent Key Decisions

If the Cabinet needs to take an urgent key decision, the consent of the Scrutiny Committee Chairman must be obtained. If the Scrutiny Committee Chairman is unable to act the Chairman of the Council or in his/her absence the Vice-Chairman of the Council, must give consent. Such decisions will not be the subject to the call in procedure.

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.

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

Documents referred to in this agenda may be viewed on the Council's website - www.wyreforestdc.gov.uk/council/meetings/main.htm

Wyre Forest District Council

Cabinet

Tuesday, 17th December 2019

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.	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.	
3.	Minutes To confirm as a correct record the Minutes of the meeting held on the 12th November 2019.	7
4.	CALL INS a verbal update will be given on any decisions which have been "called in" since the last meeting of the Cabinet.	
5.	Items Requiring Urgent Attention To consider any item which, in the opinion of the Chairman requires consideration at the meeting as a matter of urgency.	
6.	Public Participation In accordance with the Council's Scheme for Public Speaking at Meetings of Full Council/Cabinet, to allow members of the public to present petitions, ask questions, or make statements, details of which have been received by 12 noon on Monday 9 th December 2019. (See front cover for contact details).	

7.		
	Councillor G Ballinger	
7.1	Financial Strategy 2020-2023 To consider a report from the Corporate Director: Resources to provide the Cabinet with financial information in order to make proposals for the Budget Strategy for the period 2020-2023.	12
7.1.1	Recommendations form the Overview & Scrutiny Committee on Car Parking Charges To be considered alongside the Financial Strategy 2020-2023.	60
7.2	Capital Strategy To consider a report from the Corporate Director: Resources and the Corporate Director: Economic Prosperity and Place which provides Members with information to support the recommendations within the Medium Term Financial Strategy and to seek approval of a Capital Strategy for 2020-2023 including prudential indicators which set limits for non financial investments and to fulfil the key requirements of the MHCLG Investment Guidance.	61
7.2.1	Recommendations form the Overview & Scrutiny Committee on the Construction of a Temporary Car Park at Crown House – Allocation of Evergreen Investment Fund To be considered alongside the Capital Strategy.	96

8. Recommendations from Committees		
8.1	Overview & Scrutiny Committee – 5th December 2019 Councillor N Martin a) Health and Wellbeing Action Plan Update b) Climate Change Action Plan Update	97 98

9.	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
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10.	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”.	
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Part 2

Not open to the Press and Public

11.		
11.	To consider any other business, details of which have been communicated to the Solicitor to 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.	

WYRE FOREST DISTRICT COUNCIL

CABINET

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER

12TH NOVEMBER 2019 (6PM)

Present:

Councillors: G W Ballinger (Chairman), F M Oborski MBE (Vice-Chairman), H E Dyke, N Martin and J W R Thomas.

Observers:

Councillors: N J Desmond, I Hardiman, M J Hart and S Miah.

CAB.33 Apologies for Absence

There were no apologies for absence.

CAB.34 Declarations of Interests by Members

No declarations of interest were made.

CAB.35 Minutes

Decision: The minutes of the Cabinet meeting held on 18th September 2019 be confirmed as a correct record and signed by the Chairman.

CAB.36 Call Ins

No decisions had been called in since the last Cabinet meeting.

CAB.37 Items Requiring Urgent Attention

There were no items requiring urgent attention.

CAB.38 Public Participation

There was no public participation.

CAB.39 Write-off of Amounts Outstanding Report

A report was considered from the Corporate Director: Resources which enabled the Cabinet to give consideration to writing off the sum of £147,073.26 in respect of debts that cannot be collected.

The Leader of the Council presented the report and advised that, despite considerable efforts by the team, the authority has been unable to collect the amounts presented for write off. Three cases were in respect of Business

Rates and one for Council Tax debt.

The Leader explained that as billing authority the Council is responsible for the collection of Business Rates (National Non Domestic Rates or NNDR) c£30m per annum and Council Tax c£58m per annum and also for the recovery of any related debt in the event of non payment. He added that the 2018-19 Collection Rates for Business Rates were 98.82% and 97.15% for Council Tax: these rates are currently showing month on month improvement.

He said that Officers make provision in the annual accounts to cover the write-off of debts that cannot be recovered and all of the cases now proposed are covered by such provision. He explained that the Business Rates write-offs will go into the Worcestershire Business Rate Pool accounts for 2019-20 and the costs of non collection will be met by both the Government and the Pool. He further explained that the Council Tax write-off will be included in the 2019-20 Collection Fund accounts and costs shared in line with precept percentages so this Council's share is 12%.

In conclusion he said that appropriate resource is put in to try to recover these debts which relate to key income streams for the Council. Unfortunately sometimes write-off is necessary but this is only done after all avenues have been explored. Debts continue to be monitored even after write-off and will be pursued if possible if circumstances change.

The Cabinet Member for Economic Regeneration, Planning & Capital Investments moved the recommendations for approval which was seconded by the Cabinet Member for Culture, Leisure & Community Protection.

Decision: The total of £147,073.26 as detailed in the Appendix to the report, be written off, £136,055.33 for National Non-Domestic Rates and £11,017.93 for Council Tax.

CAB.40 Conversion of property in Stourport on Severn

A report was considered from the Corporate Director: Economic Prosperity & Place with outlines the high level business case for converting a property in Stourport on Severn into temporary accommodation that would be run by the Council as an alternative to using private sector Bed & Breakfast (B&B) facilities particularly for families.

The Cabinet Member for Economic Regeneration, Planning & Capital Investments presented the report. She advised that the property at Raven Street was in the ownership of the District Council and would require refurbishment to bring it up to current required standards. However the property has the potential to support the Council's need for emergency accommodation to fulfil the legal duties under the Housing Act 1996 (as amended by the Homelessness Reduction Act 2017).

The Cabinet Member for Economic Regeneration, Planning & Capital Investments said that in 2018/19 the authority accommodated 181 households in B&B accommodation and 66 into New Street. She added that an analysis of utilisation rates showed there was a requirement, on average, for a further 12

units of temporary accommodation in addition to New Street.

She further explained that in 2018/19 the Council saw a large number of households with 3 or more children approaching as homeless and requiring temporary accommodation. The rooms at New Street are not really suited to families of this size and this normally means they are placed in two rooms at a B&B.

The Cabinet Member for Economic Regeneration, Planning & Capital Investments said that the proposal was the right thing to do. She said not only would it save the Council money; it would also enable us to provide suitable facilities for families facing homelessness. She formally moved the recommendations for approval which were seconded by the Cabinet Member for Culture, Leisure & Community Protection.

The Chairman of the Overview and Scrutiny Committee, Councillor M Hart, said that there was unanimous support from the Committee for the proposal. He said that it was a win win situation; the investment in the asset would provide a revenue saving and the authority would be able to provide a good standard of temporary accommodation.

Decision: In line with the recommendations from the Overview and Scrutiny Committee from its meeting on 7th November 2019:

- 1.1 The proposal to refurbish 11b Raven Street, Stourport on Severn into temporary accommodation be approved.**
- 1.2 Authority be delegated to the Director of Economic Prosperity and Place, in consultation with the Corporate Director: Resources and Solicitor to the Council and the Cabinet Member for Economic Regeneration, Planning and Capital Investments to agree the process, timetable and evaluation model for the appointment of a contractor to deliver the refurbishment works and to award the contract to the successful provider.**

RECOMMEND to Council that:

- 1.3 The funding within the Capital Programme currently set aside for Comberton Place (as per the report of 11/07/17) is removed from the Capital Programme and that £60k is reallocated to the Raven Street refurbishment and the remainder returned to the Evergreen Investment Fund as unallocated.**

CAB.41 Wyre Forest District Local Lottery Proposal

A report was considered from the Corporate Director: Community, Well Being and Environment to consider whether to progress with establishing a local lottery for Wyre Forest.

The Cabinet Member for Culture, Leisure & Community Protection presented the report and thanked Members of the Overview and Scrutiny Committee for their detailed scrutiny of this item. She said she hoped that Members would

agree that the representative from Gatherwell was able to give detailed and helpful answers to their questions. She added Officers had confirmed that after speaking to other nearby local authorities they were pleased with the results of their lotteries so far.

The Chairman of the Overview and Scrutiny Committee thanked the Cabinet for giving Committee Members the opportunity to discuss the report.

Having considered the recommendations from the Overview and Scrutiny Committee, the Cabinet Member for Culture, Leisure & Community Protection said that as Members were aware, the issue of the Community Leadership Fund (CLF) is discussed as part of the budget process each year and was therefore not relevant to the decision being taken by Cabinet this evening. She added that there was no delegation on the face of the report. However linking with the second recommendation from the Committee, there was a need for an appropriate delegation to ensure that the Cabinet does not get tied up with detail. In relation to the cross party working group, she added that she had previously confirmed that there was no requirement for it to be politically balanced and proposed that it should be populated by one member from each political group to ensure that all groups are equally represented.

The Cabinet Member for Culture, Leisure & Community Protection formally moved the recommendation, as set out in the report, with an additional recommendation relating to the delegation and membership of the working group. The Cabinet Member for Economic Regeneration, Planning & Capital Investments seconded the proposals.

Decision: Having had regard to the recommendations from the Overview and Scrutiny Committee from its meeting on 7th November 2019, Cabinet decided that:

- 1.1 A local lottery utilising Gatherwell as the external lottery management company is established in Wyre Forest; and**
- 1.2 To delegate to the Corporate Director: Community Well-being and Environment in consultation with a cross-party member working group decisions on approving applications by charities to benefit from the local lottery, decisions on the allocation of the central fund and other related issues. The cross-party member group shall comprise one member from each political group, including the relevant Cabinet portfolio holder.**

Councillor N Desmond left the meeting at this point, (6.36pm).

CAB.42 Social Housing Delivery

A report was considered from the Corporate Director: Economic Prosperity & Place on the Motion agreed by Council in May regarding social housing.

The Cabinet Member for Housing, Health, Wellbeing & Democratic Services presented the report and thanked the Overview and Scrutiny for their consideration of the item. She formally moved the recommendation for

approval, which was seconded by the Cabinet Member for Culture, Leisure & Community Protection.

The Leader of the Council expressed his disappointment with the situation and hoped that the authority could come up with innovative ideas within the next 6 months on how certain sites within the District could be taken forward.

The Cabinet Member for Economic Regeneration, Planning & Capital Investments acknowledged the viability issues that constrains the Council, and hoped that the vision for Lion Fields Parcel 4 in Kidderminster which includes residential development could be delivered.

The Cabinet Member for Housing, Health, Wellbeing & Democratic Services said there was no simple solution open to the Council to meet the objective in the motion to enable the Council to build social housing on land already in public ownership.

She added that, whilst the Council can hold up to 199 units of housing without the need for an active Housing Revenue Account (HRA), it does not have the necessary capital receipts to be able to support the financial viability of a housing delivery model.

In conclusion she said that the Council will continue to identify funding sources and initiatives to enable it to enter the housing market and will report on these separately when a suitable initiative is identified.

Decision: In line with the recommendations from the Overview and Scrutiny Committee from its meeting on 7th November 2019, Cabinet agreed:

To continue to monitor the potential to deliver new affordable housing with a view to receiving further reports when a deliverable proposition is available.

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

WYRE FOREST DISTRICT COUNCIL

CABINET
17th DECEMBER 2019

Medium Term Financial Strategy 2020-23

OPEN	
CABINET MEMBER:	Councillor G Ballinger
RESPONSIBLE OFFICER:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall, Ext 2100 tracey.southall@wyreforestdc.gov.uk
Appendix 1 Appendix 2 Appendix 3 – Part 1 Appendix 3 – Part 2 Appendix 3 – Part 3 Appendix 4 Appendix 5/1 Appendix 5/2 Appendix 6	Base Budget Projections 2020-23 Variance Analysis Part 1 – Fees and Charges for Noting Part 2 – Fees and Charges - Cabinet Part 3 – Fees and Charges - Council Risk Management ICT Strategy Refresh Brinton Park HLF Bid Budget Consultation Results <i>The appendices to this report have been circulated electronically and a public inspection copy is available on request. (See front cover for details.)</i>

1. PURPOSE OF REPORT

- 1.1 In accordance with the Council's Budget and Policy Framework Procedure Rules and in line with the Wyre Forest Forward programme, to provide the Cabinet with financial information in order to make proposals for the Budget Strategy for the period 2020-23.

2. RECOMMENDATIONS Include

The Cabinet is asked to NOTE:

- 2.1 **The fees and charges as set out in Appendix 3 – Part 1.**
- 2.2 **The comments from the Strategic Review Panel at its meeting on the 28th October 2019 and the Overview and Scrutiny Committee on the 5th December 2019 on Car Parking fees and charges included in Appendix 3 – Part 2:**
- 2.3 **The results of the Budget Consultation survey included in Appendix 6 and summarised in paragraph 7 of this report;**
- 2.4 **A report will be brought to the Cabinet on 11th February 2020 on the proposed Brinton Park Heritage National Lottery Heritage Fund project to approve the evaluation criteria for the procurement of professional and building services contracts and to put in place an appropriate delegation to award the contracts.**

The Cabinet is asked to ENDORSE and RECOMMEND to the Strategic Review Panel for scrutiny:

2.5 The Council's updated Medium Term Financial Strategy taking into account the results of the earlier Budget Consultation;

2.4.1 Cabinet Proposals – taking into account the impact on the Council's Capital and Revenue Budgets for 2020-23 (paragraph 8.3) including;

- a. **Approval of the Community Leadership Fund for 2020-21 of £33k;**
- b. **Approval of a revised programme for the maintenance of highways verge to align more closely with funding received from Worcestershire County Council and with the recent Plant Life report. This will save £50k pa from 2020-21 onwards;**
- c. **Approval of a programme of phased savings from Localism partnership working with our Town and Parish Council colleagues as outlined in paragraph 5.13 of £135k in 2020-21, £245k in 2021-22, £350k in 2022-23, £525k in 2023-24 and £700k in 2024-25. The savings include assumptions of transfers of activities and staff posts which, if not realised will be ended or deleted as set out in paragraphs 8.2.4 and 8.2.5:**
- d. **Approval of additional capital resource to facilitate ongoing delivery of the ICT Strategy of a total of £653k phased over the MTFs as set out in paragraph 8.2.6 proposed to be funded by prudential borrowing. The associated revenue costs are £4k in 2020-21, £63k in 2021-22 and £126k in 2022-23;**
- e. **Approval of the removal of funding for Kidderminster Town Centre, Bewdley Development Trust and Stourport Forward saving a total of £30,520 in 2020-21 onwards;**
- f. **Approval of a schedule of improvements to Stourport Riverside in line with the Master Plan to be funded as set out in paragraph 8.2.8. The gross capital investment proposed is £150,000 of which £103,580 can be funded from S106 contributions so leaving £46,420 to be funded from prudential borrowing. The ongoing net revenue implications are £24,510 in 2020-21, £23,010 in 2021-22 and £23,010 in 2022-23;**
- g. **Approval of essential health and safety capital works to the Depot Block E for Operational Services of £70k in 2020-21 funded from prudential borrowing with revenue financing costs £1,510 in 2020-21, £6,510 in 2021-22 and £6,510 in 2022-23;**
- h. **Approval of the HLF Brinton Park Project gross capital expenditure of £2.4m subject to HLF approval of the substantive funding and the final business case. This includes approval of a commitment to meet a maximum shortfall of £100k in capital**

partnership funding for the project, to be funded from prudential borrowing.

2.4.2 The level of net expenditure and resultant Council Tax for 2020-23 as per paragraphs 8.1 and 8.4 including the revenue implications of the Capital Strategy report also on this agenda;

2.4.3 The fees and charges in line with this strategy and the impact on the Council's Revenue Budget for 2020-23, as shown in Part 3 of Appendix 3 (paragraph 8.1 also refers) that reflect the recommendations from Licensing Committee on 2nd December 2019;

The Cabinet is asked to APPROVE:-

2.6 The fees and charges as set out in Appendix 3 – Part 2;

2.7 That subsidy for the outsourced Pest control service administered by Worcestershire Regulatory Services (WRS) is withdrawn from April 2020;

2.8 To delegate authority to the Corporate Director: Economic Prosperity & Place to advertise the proposed amendments to the parking charges, shown at Appendix 3 Part 2 to this report, in the Wyre Forest (Off-Street Parking Places) Order 2019 ("the Parking Places Order"); and in consultation with the Corporate Director: Community, Well Being and Environment, Cabinet Member for Economic Regeneration, Planning and Capital Investments and Cabinet Member for Operational Services to consider any objections made as a result of the advertisement; and following such consideration to decide whether the proposed amendments to the Parking Places Order should be made;

2.9 The allocation of capital receipts from the Evergreen Investment Fund of £25k to fund works to lay out temporary car parking at the former Crown House site in Kidderminster, noting the comments from Overview and Scrutiny Committee on the 5th December and as set out in the separate Capital Strategy Report also on this agenda in paragraph 9.2.2.

3. THE ROLE OF THE STRATEGIC REVIEW PANEL

3.1 The Cabinet Financial Strategy Advisory Panel was replaced with a similar cross-party Strategic Review Panel to assist with this year's budget process and also to inform the new Corporate Plan 2019-23. The Panel's terms of reference included overseeing consultation arrangements about priorities and producing recommendations on the Corporate Plan for 2019-23. The Council formally adopted the Corporate Plan at its meeting in September 2019. The new Corporate Plan priorities can be viewed at <https://www.wyreforestdc.gov.uk/media/4734748/CorporatePlanJPEG.JPG>. The new Corporate Plan and further work of the panel have informed the Cabinet's consideration of this MTFS report.

3.2 The first meeting of the Panel was in June this year to commence the Corporate Plan consultation process for which a record circa 1700 responses were received.

The Panel also reviewed the challenging financial landscape and considered the forecast position of this Council and estimated Funding Gap. A subsequent meeting in October 2019 considered car parking fees and charges (which have also been considered by the Overview and Scrutiny Committee in early December this year) together with the results of earlier budget consultation that took place in October/November. The main focus of meetings to be held in January/February 2020 will be Cabinet Proposals and Alternative Budget Proposals together with the proposed Capital Strategy (this is a separate report on the agenda). The process feeds into key decisions about the shape of the strategy to be approved by full Council in February 2020, when the council tax will also be set.

4. WYRE FOREST DISTRICT COUNCIL – OUR JOURNEY AND WHERE WE ARE HEADING NEXT

4.1 This section of the Medium Term Financial Strategy provides a narrative about what the Council has been doing, why and what outcomes it has achieved looking backwards. But it also looks forward to the period covered by the medium term financial strategy and sets out what we expect to do in that period, why and what outcomes we hope to achieve.

4.2 Looking backwards

Austerity has required local government to reshape radically what it does: in the period since 2010 Government funding for the Council has fallen by circa 49% in absolute terms (more in real terms). In Wyre Forest, we have used three main tools as part of our Wyre Forest Forward transformation programme:

- Making ourselves as efficient as we can be internally, including use of “systems thinking” reviews;
- Growing our income;
- Using alternative delivery vehicles, including shared services with other councils and working with local organisations such as Parish and Town councils, to reduce costs.

4.3 Our net revenue budget will have reduced from £16.4m in 2009-10 to £11.9m in 2022-23 based upon current plans. This represents a reduction of around 27% in absolute terms, and more in real terms. The total savings target from the Wyre Forest Forward programme including all Cabinet Proposals has been increased to £3.18m in 2022-23, of which projections show we should achieve £2.96m (93%); forecast as at December 2019. The ongoing target unachieved remains challenging but work has already started to progress savings plans and we are optimistic this is achievable, especially when we consider the Council’s strong track record in reducing expenditure since 2009. The Community Well-Being and Environment management restructure approved by September Council and further proposals planned go a considerable way towards closing the gap between what we are spending and our income.

4.4 Successive medium term financial strategies, which are approved each February by full Council, have been transparent about the gap between income and expenditure and that this would ultimately have to be closed. The Council has been very successful in putting back the point at which unpalatable decisions might have to be

taken. Since 2009, the Council has rationalised its offices and leisure centres, investing significant capital sums to make them happen, but in a way that has produced revenue savings of well over £1m a year. The investment to improve the Green Street depot site will make a modest but nevertheless worthwhile revenue contribution to improving the position; more importantly, the site is fit for the future and supports our efforts to grow commercial income.

- 4.5 It is not just the Council's estate that has been transformed since 2009. Many other initiatives have been successfully implemented to save money, to make the Council more efficient or to grow income. They include a range of mature shared services; innovative and successful localism projects with community groups and parish councils to run or meet part of the cost of a range of local assets and services. We are also making strenuous efforts to grow commercial income both by selling services to residents and businesses and by buying assets to produce a revenue contribution through the capital portfolio fund whilst also making economic and regeneration contributions to the Wyre Forest area.
- 4.6 Whilst there is an adequate level of general reserves available towards balancing the budget of £4.987m (including the £1.2m Working Balance) following the 2018-19 Final Accounts savings, it is clear that the future financial position for the Council will continue to be extremely challenging. Given the uncertainty and inherent economic risks this Council, along with the Public Sector generally, faces, a number of key earmarked risk reserves were replenished out of final accounts savings and the overall total increased from £6.293m to £7.868m as at 31st March 2019.
- 4.7 It is just over seven years since we moved into Wyre Forest House. This marked a turning point in the history of the Council. A £10m investment in modern, fit for purpose office facilities achieved from the outset, annual savings of £500k and this has risen to over £720k subsequently as a result of letting about 38% of the building to a mixture of tenants. This will increase further following completion of the rationalisation of building occupancy as a result of the Green Street capital scheme. Some of our key achievements have included:
- Rationalising leisure centres and opening the very successful Wyre Forest Leisure Centre in July 2016, saving over £500k annually;
 - Securing the creation of Kidderminster Town Council in December 2015, following a community governance review. The transfer of full operational responsibility for the Town Hall to the Town Council from April 2019. This has allowed the Council to build on its strong record of working with parish councils and other local bodies to transfer services and assets to local control, reducing the cost to the District Council;
 - Implementing a wide-ranging set of measures to increase the Council's income, particularly from various forms of waste collection and cultural services, and culminating in the creation of the £25m Capital Portfolio Fund and £10m Development Loan Fund in 2017. These provide the Council with opportunities to generate revenue returns from property assets and loans to developers, while also supporting the regeneration of the district. A number of acquisitions have been completed from the £25m pot with six purchases being completed with multiple objectives, the main one being economic regeneration whilst also making a modest net return of £345k in 2019-20 to

the revenue account. Gross income has grown from £3.936m in 2012-13 by 82% to £7.170m in 2019-20 (revised estimate);

Good progress continues to be made with **regeneration of the district**. To highlight only a few examples: the investment in a new railway station for Kidderminster is expected to be complete by early 2020; a Development Agreement has been completed with Cordwell for the first phase of the important Lion Fields development to the east of Kidderminster town centre; the work has been completed to open Worcester Street up to traffic; the extension of the Load Street car park in Bewdley was successfully completed in 2018 and has proved very popular; work is underway on the £6m highway works to enable the development of the urban village at Churchfields, for which planning permission has been granted and planning applications have been approved for major housing-led developments at Lea Castle and Stourbridge Road. The former British Sugar site (Silverwoods) is still being developed with more new housing, employment, care and food and beverage facilities either completed, under construction or planned. The Council has commenced the construction of nine new industrial units on the former Frenco site which are due for completion in January. The importance of the Stourport Road and Worcester Road employment corridors to the district's economy has been reinforced with a further extension of the Local Development Order to 2021. This continues to prove attractive for new development such as the new Fire and Rescue centre which is currently being built. We were the first district in Worcestershire with an up-to-date local development plan, and consultation on the pre-submission version was undertaken in September/October 2019 with the aim of submitting to the Secretary of State in spring 2020 with adoption in late 2020 or early 2021. The revised Local Plan will make appropriate provision for housing growth and employment land up to 2036

- Demonstrating a positive attitude to working with businesses underpinned by the award-winning shared service, North Worcestershire Economic Development and Regeneration. Annual business engagement conferences have been held since 2016 and hosted in the district; the Council celebrated the 10th anniversary of its successful ReWyre regeneration flagship in September and set out plans for the next five years of continuing to support the local economy;
- The Council was successful in being one of the first 50 towns to be granted Future High Streets Fund approval for its proposals for Kidderminster including regeneration plans for the former Crown House site, former Magistrates' Court site and phase 4 of Lion Fields on Bromsgrove Street. The Council has to submit its full business case by the end of April 2020 and will find out whether it has been successful later in 2020. Proposals anticipate town centre transformational works continuing through the period to 2024.
- Kidderminster successfully held a ballot for establishing a Business Improvement District (BID) in the heart of the town; the Council is supporting set up in readiness for the first levy to be collected in 2020. The BID will be in place for five years before it will be required to hold another ballot if it intends to continue.

Agenda Item No. 7.1

- Successfully implementing new arrangements for welfare support, including the local council tax reduction scheme that was introduced in 2013 and changed significantly in 2016. A further revision of the scheme was effective from April 2019 to take account of the implementation of Universal Credit from November 2018;
- Transferring provision of housing advice including the homelessness service back in-house from June 2018 whilst also working with the requirements of the Homelessness Reduction Act 2017 (effective from April 2018). Successful completion of New Street Homelessness facility which has had over 90% occupancy since opening. Plans are underway to construct a new facility to continue to ensure the Council is best placed to support homeless households.
- Securing a review of the number of councillors which was reduced to 33. The Council moved to a pattern of all out elections in May 2019.
- Moving towards a more commercial Council with work overseen by the Commercial Activity Programme Board that has delegation to allocate from an initial generic £250k Capital Budget and £100k Revenue pot. The Board's work will allow income targets to be reviewed for future years. To assist with pace, decisions in relation to the setting of new fees and charges arising in-year were delegated to the Corporate Director: Community Well-Being and Environment in consultation with the Commercial Activity Programme Board and the Corporate Director: Resources by Council in February 2019.
- Depot 2020 – Capital redevelopment project has been completed successfully. This was our last significant operational base that had not benefited from investment. The project means we have a site that is fit for the future and supports growth of commercial income whilst making a welcome, if modest, revenue positive contribution towards the funding gap.

4.8 These highlights of what has been achieved demonstrate how the Council has been delivering its priorities and strategic actions as set out in the corporate plan 2014-2019 and also looks forward to the new corporate plan 2019-23. The outcomes we have achieved in the last 12 months or so also feature in the following table:

Priority: Supporting a successful local economy

	What we've done
Working with partners to create the conditions and certainty to foster a growing and sustainable local economy	Renewal of the South Kidderminster Enterprise Park Local Development Order for a further 3 years. Undertaken Local Plan Pre Submission consultation. Continued working with both Local Enterprise Partnerships and particularly supporting the representations that the Council should be able to remain a member of both LEPs. Celebrated the 10 year anniversary of ReWyre setting out priorities for the next five years. Continued to support the delivery

	What we've done
	of new apprenticeships for the seventh consecutive year.
Bringing forward regeneration and development opportunities and the infrastructure to support them	<p>Adopted the Delivery Framework for Lion Fields, June 2016.</p> <p>Site clearance of Parcel 1 (The Glades site) completed early 2017. Development Agreement completed with Cordwell to deliver a cinema led leisure development of the site. Successful Expression of Interest submitted to the National Lottery Architectural Heritage Fund for gap funding to bring the former Magistrate's Court and indoor market building back into a positive use.</p> <p>Successfully negotiated the demolition of Crown house and surrender of lease – works due to be complete in early 2020.</p> <p>Completion of new Railway Station Ticket Office and forecourt works due for completion in early 2020.</p> <p>Contract completed with Homes England for £2.7m Housing Infrastructure Fund contribution towards Churchfields highways works which commenced in October 2019.</p> <p>Successful bid to Future High Streets Fund for Kidderminster town centre; full business case to be submitted by April 2020; includes proposals for Crown House site, former Magistrates' Court building and Bromsgrove Street car park.</p>
Creating new job opportunities and improving skills	<p>Continuing to run the successful 'Opening Doors to Business' event for local schools.</p> <p>Monthly updates of District at Worcestershire Business Leaders.</p> <p>Consultation with business leaders on the Local Industrial Strategy. Seventh year of support for new apprenticeships to enable employers to cover the costs of employing them.</p>
Helping new businesses to start up and existing businesses to grow	<p>In 2018/19:</p> <p>78 entrepreneurs receiving business start-up advice, which resulted in 16 new business start-ups.</p> <p>7 businesses access grants totalling £6,372.</p> <p>EU funds:</p> <p>26 businesses accessed £194,916 worth of grant funding to support their growth.</p>

	What we've done
	<p>In 2019/20 to date:</p> <p>23 entrepreneurs received business start-up advice which has resulted in 4 new business start-ups</p> <p>9 businesses have accessed grants totalling £11,487</p> <p>EU funds:</p> <p>20 businesses accessed £526,988 worth of grant funding including 2 businesses being awarded grants of £100,000 – Beakbane Ltd and D-Zine Furnishing Solutions Ltd.</p>
Promoting the District as a great place to invest in, live in and visit	<p>Continue to develop a Business Ambassador Scheme;</p> <p>North Worcestershire Annual Business Awards gala evening held in November 2019.</p> <p>Work in partnership with Worcestershire LEP Inward Investment team to facilitate relevant enquiries from internal and external businesses.</p> <p>Working with GBSLEP Growth Hub to facilitate a dedicated North Worcestershire Business Growth officer to work alongside NWEDR.</p> <p>Adoption of the North Worcestershire Economic Growth Strategy.</p>

	What outcomes we've achieved
A community with lower unemployment and improved skills	Claimant count 2.5% in September 2019, which is slightly above the Worcestershire average (2.2%) but below the regional average (3.7%) and national average (2.8%)
A diverse and well connected economy with vibrant and successful town centres	<p>Successful completion of phase 1 of £2.3m Kidderminster Town Centre public realm improvements. Completion of phase 2 £1m opening up of Worcester Street to traffic with on street parking.</p> <p>Successful bid to Future High Streets Fund to bring about transformation of Crown House, Magistrates' Court and Bromsgrove Streets sites.</p> <p>Nearing completion of new Rail Station and forecourt area.</p>
Increased visitor opportunities	Bewdley Museum has been awarded a Certificate of excellence for the 2019-20 season which will make it the fourth year running. Visitor numbers in 2018-19 season closed at 204,186 which was 13,090 ahead of the previous year. This year to November 20 th we are at 206,108 which means we

	What outcomes we've achieved
	exceeded our numbers for the total visitors last season and are currently 11,922 ahead at the same time last year.
Redevelopment of redundant and under-used land and buildings	<p>Development Agreement completed with Cordwell to facilitate cinema led leisure development on former Glades leisure centre site.</p> <p>Demolition of Crown house expected to be completed in early 2020.</p> <p>Construction of new industrial units on former Frenco site due for completion in January 2020.</p> <p>National Lottery Architectural Heritage Fund bid accepted in principle for former Magistrates' site, full business case to be submitted by May 2020.</p>
Improved infrastructure	<p>Silverwoods Way (Hoobrook link road) opened September 2016. All vacant plots now have proposed residential, food and beverage, employment and car use proposals.</p> <p>Attracted £2.7m Housing Infrastructure Fund monies to support c£6m highway infrastructure scheme to open up brownfield land at Churchfields for residential development.</p> <p>New Rail Station building and forecourt due for completion in early 2020.</p>

Priority: A clean and green living environment

	What we've done
Creating a greener and cleaner local environment	<ul style="list-style-type: none"> • Increased environmental penalty charges to the government maximum guidelines • Worked in partnership with key fast food providers on street clean up initiatives and subway improvements. • Maintain 400 acres of nature reserves and 600 acres of Parks and Open Green Spaces. • Burlish Top nature reserve project to convert the whole area into a community wide open bio-diversity site • Stourport master plan project continues to implement improved public open space, inclusive of biodiversity and a circular network

	What we've done
	<p>and to improve existing play equipment</p> <ul style="list-style-type: none"> • Briton Park HLF project continues with a potential c£2.41m investment to restore original park heritage • Riverside North collaborative project to restore pedestrian access around the wild-life pond • Continue to run £50k localism fund allocated to parishes and community groups on environmental improvement, projects and activity. • Stourgate Project – Special project to improve the river and introduce salmon in the river Stour • Invested in deployable CCTV equipment to tackle Enviro-- crimes such as fly-tipping and litter • Undertaken the SCRAP Campaign which highlights issues surround fly tipping • Introduced a PSPO to tackle dog related issues • Undertaken duty of care inspections to ensure businesses are complying with waste regulations • Undertaken litter campaigns to highlight issues and sanctions • Undertaken dog control campaigns to tackle dog fouling – handed out over 5000 dog bags to support public in complying with the PSPO • Supported local litter picking groups • Increased enforcement activity against people committing Enviro--crimes yearly since 2014 • FPN's Issued: 2018/19: 171 • FPN's Issued 2019/20: 101 (to date) • Increased dedicated enforcement patrols to tackle Enviro- crimes • Employed a third Community & Environmental Protection Officer in 2019 • Adopted Community Protection Notice powers to tackle a variety of environmental/ASB issues which in turn has shown a high compliance rate

	What we've done
Supporting the provision and maintenance of high quality public spaces	<p>Bid for £2.41m Heritage Lottery Fund grant to improve Brinton Park submitted August 2017</p> <p>Round 1 pass in December 2018 Round 2 final application to be submitted in February 2020. Announcement in July 2020 if we have been successful.</p> <p>Continue to work to improve the parks & engaging with the community.</p>
Working with partners to reduce crime and the fear of crime	<p>Secured £48,125 of community safety external funding for delivering projects in 2019/20.</p> <p>Worked with 50 young people across all our high schools to become community ambassadors to promote safety amongst their peers. The 6th year of the project.</p> <p>Held the Young Citizenship Celebration Event 2019.</p> <p>Delivered community safety projects including the Community Ambassadors scheme, 16 days of Action and White Ribbon against Domestic Abuse, Hate Crime Awareness campaign and seasonal crime prevention initiatives.</p> <p>Co-ordinated the Safer Wyre Forest Tasking group, the district operational arm of the North Worcestershire Community Safety Partnership</p>

	What outcomes we've achieved
Clean streets and quality open, green public spaces that are enjoyed by all	<ul style="list-style-type: none"> • 2 Green flag parks and 1 Green Pennant Park • An area that is an outstanding example of quality open space with a wide diversity of plant and animal life
An environment that is respected and cared for, and where local people take pride in their surroundings	Delivered community safety projects including the Community Ambassadors scheme, 16 days of Action and White Ribbon against Domestic Abuse, Hate Crime Awareness campaign and seasonal crime prevention initiatives.

	What outcomes we've achieved
	<p>Continued to work with partners to tackle Serious and Organised Crime covering CSE, drug related crime, county lines and modern day slavery</p> <p>Working with partners to establish a new North Worcestershire ASB Complex Case Group and to review the Community Trigger process</p> <p>Continued to co-ordinate the North Worcestershire Community Safety Partnership</p> <p>Commenced a review of the PSPOs for Stourport and Bewdley ahead of October 2020</p> <p>Implementing the externally funded CCTV digital upgrade in partnership across North Worcestershire</p>
Low levels of crime and anti social behaviour	<p>Working with partners to improve perceptions of crime ratings</p> <p>Working with partners to reduce crime and anti social behaviour</p> <p>Finalising and implementing the North Worcestershire Complete Community Safety Partnership Plan by April 2020</p> <p>Reductions in Crime and ASB: Total recorded crime WF April 2019 – November 2019 = 5601 4 fewer offences compared to same period 2018-19</p> <p>Incidents of ASB April 2019 – November 2019 = 2448 530 fewer incidents compared to same period 2018-19</p> <p>Number of people the Community Safety Team engages with on a face to face basis via events and activities throughout the year. April 2017 – March 2018 1,250 April 2018 – November 2018 1,160 April 2019 – November 2019 - 1300</p>

Priority: Good quality and affordable homes for all

	What we've done
Working towards meeting current and future housing needs, with an up-to-date local development plan that provides for growth in the number of houses	Consultation on Pre-submission for Local Plan, September/October 2019 as part of adoption of new Local Plan.
Preventing and reducing homelessness	<p>Ongoing implementation of the Homelessness Reduction Act 2017 and provision of services to prevent homelessness. The Council is currently consulting on the Homelessness and Rough Sleeping Strategy 2019 – 2022 with a planned adoption by 31st December 2019</p> <p>Approval of delegated authority for the final decision to provide additional council-owned homelessness accommodation in July 2019 requiring capital investment of c £1.78m</p>

	What we've achieved
An increased supply of good quality and decent homes that are affordable to individuals and families	275 units of housing were approved in 2018 and of these 101 were for affordable housing.

4.9 Looking forward

- 4.10 The most significant issue facing the Council remains its financial position. Since the budget was approved by Council in February significant planned reductions have been made together with a review and reduction where possible of some budget areas. This coupled with a bolder approach to proposals for fees and charges and commercial income generation that have increased revised projections of income has reduced the funding gap in this MTFS. As a result, the financial gap to close in the third year of this strategy (2022-23) is estimated to have decreased to circa £1.68m. The Council will need to continue to draw on its general reserves over the next three years but cannot continue on this footing indefinitely: activity and resources will have to be brought into alignment during that period as it seems unlikely that the fair funding formula and other changes to the local government finance system are going to improve the Council's position dramatically from 2021 onwards. Indeed, the prospect is that district councils generally might suffer if resources are diverted away to fund the spiralling cost of social care and children's services. The Council thus continues to face difficult decisions ahead, despite the significant changes and major efficiency savings and increases in income achieved in the period since 2009. We will continue to reduce costs through internal efficiency, grow income by selling services and generate income from the Council's assets and seek out alternative service delivery vehicles where appropriate.
- 4.11 The Council's managed available reserves mean there is sufficient time to implement changes to align income with expenditure. However we cannot be complacent. Within the next couple of years, further significant changes will be

required. The Corporate Leadership Team is devoting considerable effort to identifying the opportunities that exist as well as assessing the impact of potential changes. A significant management restructure for Community Well-Being and Environment was approved by September Council and further management reviews will follow. We will continue to focus on driving down cost through efficiency savings, growing income and seeking alternative delivery mechanisms, with Localism being a key work stream. However, it is probable that the gap will not be closed entirely by such measures and that, in future medium term financial strategies, the Council will have to reduce spending on or even end some services. The Council is highly likely to become a smaller organisation as a consequence.

- 4.12 Because the district council collects council tax for the county council, police, fire and parish councils, the public is often misled into thinking that the total average bill at Band D of £1,812 in 2019 is the responsibility of Wyre Forest District Council, when its element is only £214 or 11.8% of the total bill, the equivalent of £4.11 a week.
- 4.13 Total council tax bills have increased ahead of the rate of inflation in recent years. One of the main reasons has been the introduction of the adult social care precept to help fund social services provided by Worcestershire County Council. It was first payable in 2017 at £21.60 for a Band D property and has since grown to £90.83 in 2019. The county council's element of council tax increased by £48.37 in 2019, inclusive of the increase in the adult social care precept. There was also a significant increase in the precept issued by the Police and Crime Commissioner for West Mercia in 2019, which added £19.59 at Band D: as a result, the police element of council tax at £216.66 exceeded the district council element for the first time.
- 4.14 In contrast, for five of the eight years between 2011 and 2019, the district council's element of council tax was frozen. At Band D, the district council's element of council tax increased from £197.62 in 2010-11 to £214.34 in 2019-20, an increase of £16.72 or 8.5%, significantly lower than inflation across that period. As can be seen, the district's increase over 9 years is significantly lower than the cash increases decided by the County Council and Police and Crime Commissioner for 2019-20 alone.
- 4.15 This Strategy proposes increasing the district element of council tax at the rate permissible without triggering a referendum on an "excessive" council tax increase. Based on previous years' criteria, this would involve increases of 3% a year for the district council's element instead of £5 assumed in the current and now proposed medium term financial strategy. At Band D it would involve increases of £6.41, £6.60 and £6.80 or in the range of 12p to 13p a week at Band D (the average dwelling in Wyre Forest is Band B). However this approach has now been jeopardised by the Government's proposal for a criterion of 2% or £5, whichever is the higher. A decision on what maximum increase will be allowed has been delayed by the General Election. For now, therefore, the MTFs assumes an increase of £5 in 2020 and subsequent years. If the Government formed after the General Election decides to allow a higher increase the Administration is minded to increase council tax by that higher amount and this would be included in its final proposals in February. An increase of 3% for the District Council element would be modest when compared with past and likely future increases from the county council and police and crime commissioner. If the Council was able to increase the district element of council tax by 3% instead of the current assumption of £5, it would generate extra funds

estimated at £48k/£104k/£167k over the life of the next strategy. It will be noted that, in year 3, this would address circa 10% of the projected financial gap, demonstrating the scale of other changes that will be required.

- 4.16 While the Cabinet's proposal is that all residents would be asked to pay a little more than now for the District Council's services, it does not consider it appropriate to add further to the burden of the poorest working age residents. They have to pay a minimum contribution of 20% of council tax. The Cabinet has reviewed data on collection rates, recovery activity and use of the hardship fund and concluded that increasing the minimum contribution (to, say, 25% or 30%) would generate limited additional funds for the District Council but would increase recovery activity and hardship payments to the extent that any financial gain might be negated. It therefore has decided not to change the minimum contribution; a formal decision not to undertake a review of the scheme for 2020 has been published in accordance with the legislation.
- 4.17 In addition to the modest change in the contribution that households will be asked to pay for district council services, the Council will also benefit from growth in the number of houses. The strategy projects that 33,751 rising to 34,545 dwellings will be paying council tax in the period from 2019 to 2022. The Local Plan has been the subject of a second pre-submission consultation recently prior to expected adoption in late 2020/early 2021 and will provide for growth of over 5,500 dwellings in the period to 2036. This growth in population is essential, not only to address the district's housing needs and to support economic growth but also to help in closing the Council's financial gap.

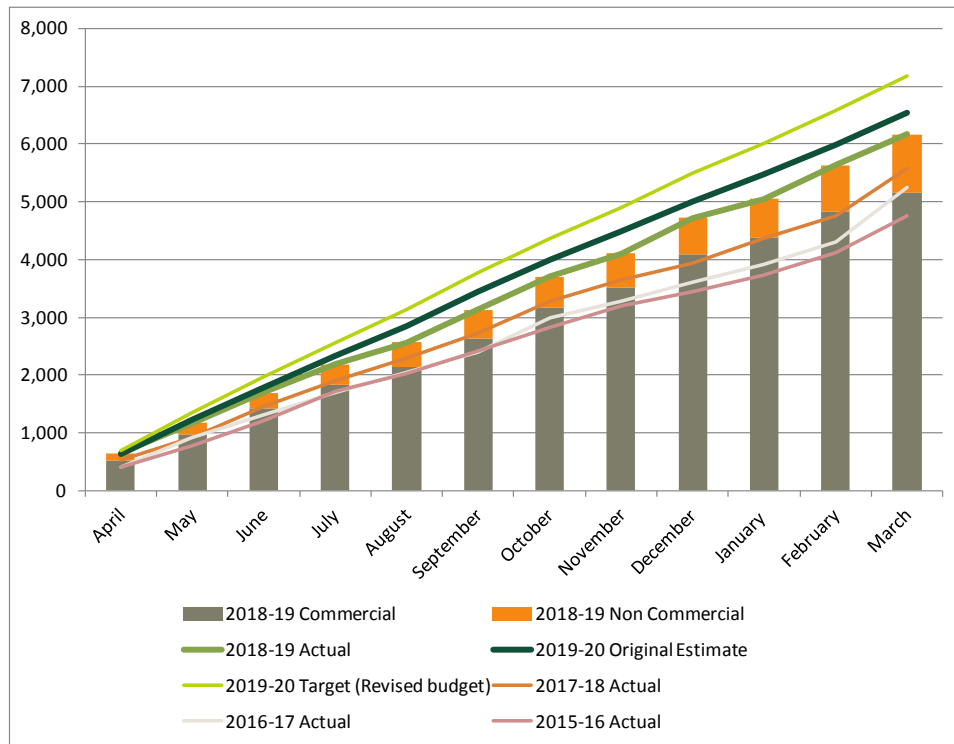
External Income including Fees and Charges

- 4.18 The Council has an excellent track record in generating income; the total income (excluding shared services, rental income etc) projected for 2019-20 is £7.170m. The Council will continue to increase income from fees and charges, so that users of particular services contribute to the cost of providing them rather than being subsidised by council tax payers.
- 4.19 The Strategy identifies and takes advantage of opportunities to grow commercial income beyond existing plans, with business cases for new or expanded services being considered by the Commercial Programme Activity Board. Further work is being done to establish whether any proposals can be included in the medium term financial strategy. The Development Loan Fund of £10m is now fully operational and open for applications. As loans are issued to developers and companies, this should generate a return for the Council and supplement the returns already being generated from the Capital Portfolio Fund. £19.031m of the £25m in the Capital Portfolio Fund has now been spent or committed. The increase in PWLB rates by a whole percentage point notified and implemented with immediate effect on the 9th October may impact on the viability of future business cases for both the Capital Portfolio and the Development Loans Funds. In the short-term, for the balance of the Capital Portfolio Fund, it should be possible to manage this risk by a combination of internal and short-term borrowing. However it may make the Development Loans less attractive and may mean future capital schemes fail to be financially viable taking into account the increased costs of borrowing.

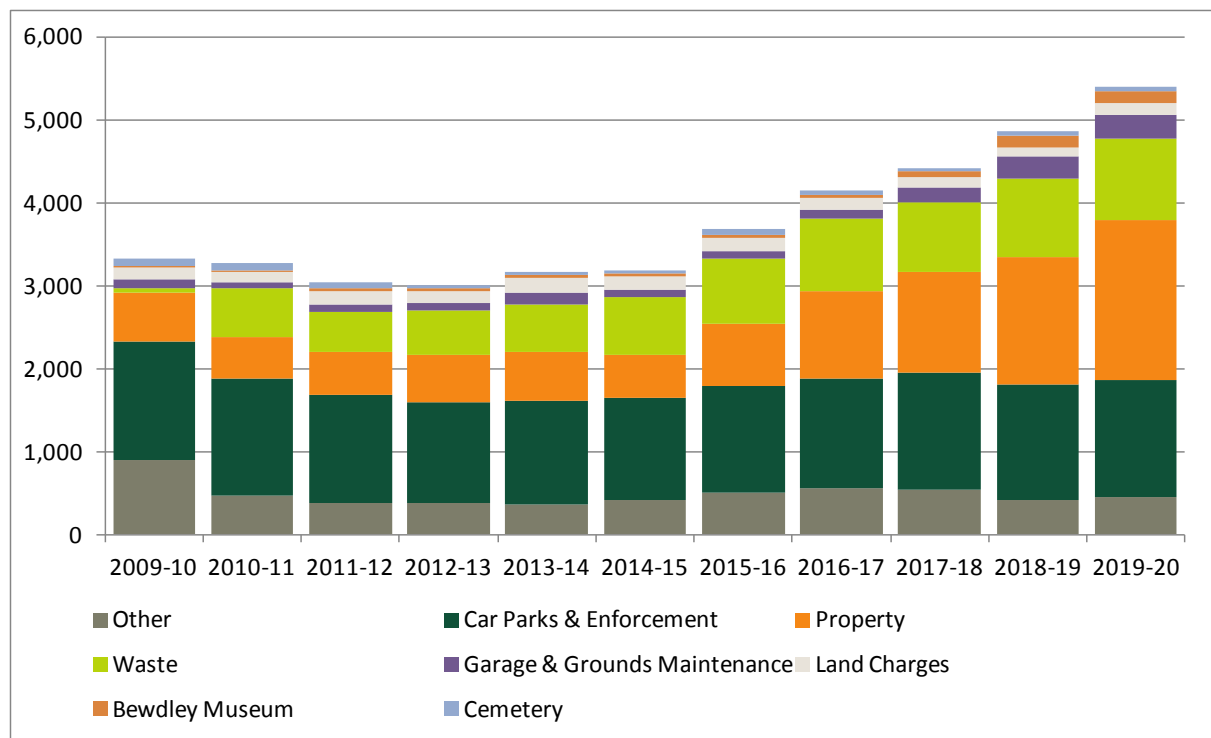
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- 4.20 Fees and charges have also been reviewed as usual. A new initiative this year has ensured that the Overview and Scrutiny Committee had a formal opportunity to consider the Cabinet's proposals on car parking charges (the setting of which is an executive function) before the Cabinet takes its decisions as part of this report. Proposals were considered by the Strategic Review Panel in October prior to consideration by the Overview and Scrutiny committee on 5th December.

The improvement in income generation over the past 5 years is shown in the following graph:



The success of the income generation work can be further evidenced through the following graph that analyses growth over key income streams:



- 4.21 This illustrates the excellent progress the Council continues to make in this key cornerstone of our strategy. However given the scale of the funding gap we face, we continue to develop our thinking on innovative ideas for external income generation. We continue to refine estimates of additional commercial income that might be achievable to align with the work by the Commercial Activity Programme Board and of projected net income from the capital property portfolio.

Staffing costs and pay

- 4.22 The Council's workforce is both its greatest asset but also the largest single controllable area of expenditure. Thus it will be necessary to continue to reshape and redeploy staffing resources of the Council as part of the range of measures to close the financial gap. It is expected that overall staffing levels will fall, except to the extent that additional posts may be created in areas where commercial income can more than meet the cost and depending on whether the District Council hosts any newly created shared services. A significant management restructure in one directorate that will save circa £200k pa going forward, is in the process of implementation following Council's agreement to certain aspects at its meeting in September. All parts of the Council will need to review their staffing costs. This will include any proposals for creation of further shared services that might emerge from the programme of work agreed with Redditch Borough Council and Bromsgrove District Council before the elections – a range of factors including the change of political control at Wyre Forest and the change of leadership at Bromsgrove, and pressure of other work in all three councils, has meant that the first review of planning services has not been able to make progress as previously intended.
- 4.23 While staffing numbers are expected to fall, the Cabinet is clear nevertheless that staff should be suitably rewarded and therefore believes that a shift in approach to

arrangements for deciding pay increases is appropriate. A report was approved by Council on 25th September 2019 about reverting to applying national pay increases, which will mean that higher assumptions about future pay increases are now built into the medium term financial strategy. Ultimately, the Council has no control over the outcome of the national pay increases, although evidence shows that they have been higher than local arrangements since 2014. In addition, there will have to be a pay and grading review because of the impact of the national living wage which will soon overtake the lowest points on the Council's pay scale. While the details of the changes to be made over the period to 2021 continue to emerge, it is expected that there will be significant reshaping of the Council which will see staffing levels reduced and/or additional income, whether from commercial activity or through cost sharing arrangements under the localism agenda.

The Challenges ahead

- 4.24 Virtually every aspect of the Council's services depends on information and communication technology in terms of ensuring efficient delivery, including digital services. The Council approved a phased capital allocation for the ICT strategy in 2018 onwards and this is being used at a faster rate than originally envisaged, reflecting the scale and depth of services' need for investment to support an efficient, digital model. Additional funding for the ICT strategy is therefore one of the Cabinet's proposals.
- 4.25 The core functions of the Council will remain the things that it is required to do by law, such as collecting waste, removing litter, producing a local plan and processing planning applications and administering local taxes and benefits. These activities cost about £4.2m (37%) a year. The remainder of the Council's work is discretionary. While the Council is not obliged to undertake them, they are often services that are highly valued by local communities and businesses. They include such things as parks and toilets, economic development and regeneration and cultural and leisure services. The Council spends about £3.7m (32%) a year on discretionary activities with a further £3.6m (31%) on corporate costs including the costs of the democratic core and pensions deficit funding.
- 4.26 The programme of change described in this strategy will continue to apply to all services to ensure that the Council is organised to meet the priorities of the Council elected in May 2019 and future changes and challenges. This is expected to lead to further proposals to reduce management costs. The Council has a strong track record of achieving cost reductions. All services and their staff have contributed to what has been achieved: this is acknowledged and welcomed. However the Council needs to go further.
- 4.27 In addition to tackling the Council's financial gap, as outlined above and explored in more detail in the strategy, the strategic issues facing the Council include:
- Further consultation is awaited from the Government on plans for reform of local government finance that has now been delayed until 2021. The Council is currently taking part in a pan Worcestershire pilot of 75% business rates retention in 2019-20. The timetable for introducing 75% business rates retention across England and the fair funding review has been deferred until 2021-22. The Council continues to remain vulnerable to

other changes in respect of local government finance, such as the rules for distributing new homes bonus;

- The impact of Brexit on local government. The Government has yet to provide clarity on such issues as the replacement arrangements for EU funding streams that benefit Wyre Forest, the procurement regime after Brexit and many other aspects of EU law that impact on local government activities;
- Adoption of a new Local Plan in late 2020/early 2021. This is critical to the future development and growth of the district, to protect Wyre Forest from unscrupulous developers and “planning by appeal”;
- Securing further positive progress at the major development site at Lionfields, Kidderminster. A development partner has been selected for Parcel 1, a 1.13 hectare site, on the basis of delivering a cinema led leisure development including food and beverage outlets. The redevelopment of Parcels 2 (former Magistrates’ Court and Indoor Market) and Parcel 4 (Bromsgrove Street car park) is being pursued as part of the Future High Street funding bid.

The tables below set out the main activities – based on the priorities in the new corporate plan - that are planned across the period of the strategy, how they contribute to the Council’s priorities and the outcomes that are expected.

Priority: Supporting a successful local economy

	What we’re planning to do
Working with partners to create the conditions and certainty to foster a growing and sustainable local economy	Complete new Rail Station work in early 2020. Deliver completed works to Worcester Street by end of December 2019. Complete new highways works to Churchfields by summer 2020. Supporting businesses to utilise the Local Development Order for South Kidderminster Enterprise Park, which was extended for further three years. Support the Kidderminster BID.
Bringing forward regeneration and development opportunities and the infrastructure to support them	Complete Future High Streets Fund business case submission by April 2020 Complete works to provide new industrial units on former Frencos site, Silverwoods Way by end of January 2020. Complete purchase new industrial units on Silverwoods Way by end of 2020. Complete demolition of Crown House in early 2020 and implement temporary use as car park.
Creating new job opportunities and improving skills	Continue to work with the new Chairman of the North Worcestershire Employment & Skills Board to bring

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	What we're planning to do
	forward opportunities in the district. Continue to work with LEP Growth Hubs to attract inward investment and to work with existing businesses to foster their growth ambitions.
Helping new businesses to start up and existing businesses to grow	Continue to support business growth through European Regional Development Fund programme and sector interventions through Worcestershire Business Central and the GBSLEP Growth Hub work. Support the delivery of the Local industrial Strategies for the two LEP areas, positioning the North Worcestershire priorities accordingly.
Attracting inward investment and accessing alternative funding sources	Working with GBSLEP and WLEP Growth Hubs to target new inward investment. Continue to promote the area as "The Natural Place To Invest". Contribute to the early engagement on the Shared Prosperity Fund to ensure maximum funding opportunities achieved,

	What outcomes we're planning to achieve
A community with lower unemployment and improved skills	Keep claimant count in line with or below county average.
A diverse and well connected economy with vibrant and successful town centres	Deliver a successful Future High Streets Fund project by 2024
Redevelopment of redundant and under-used land and buildings	Redevelopment of former Magistrates Court site.
Improved infrastructure	Opening of new rail station buildings in early 2020. Completion of new highways works to Horsefair/Churchfields by summer 2020.

Priority: A clean and green living environment

	What we're planning to do
Creating a greener and cleaner local environment	To maintain quality standards in terms of presentation and diversity of space

	What we're planning to do
Supporting the provision and maintenance of high quality public spaces	Implement improvements at Brinton Park if Heritage Lottery Fund bid is successful
Working with partners to reduce crime and the fear of crime	<p>Continuing to work with partners to deliver community safety projects.</p> <p>Continuing to work with partners to tackle Serious and Organised Crime covering CSE, drug related crime, county lines and modern day slavery</p> <p>Working with partners to establish a new North Worcestershire ASB Complex Case Group and to review the Community Trigger process</p> <p>Commence a review of the PSPOs for Stourport and Bewdley ahead of October 2020</p> <p>Implement the externally funded CCTV digital upgrade in partnership across North Worcestershire</p>

	What outcomes we're planning to achieve
Clean streets and quality open, green public spaces that are enjoyed by all	<ul style="list-style-type: none"> Continued high satisfaction ratings Diverse quality open spaces
An environment that is respected and cared for, and where local people take pride in their surroundings	<ul style="list-style-type: none"> Continue to educate, promote and enforce so that the environment can be enhanced, protected and enjoyed by everyone
Low levels of crime and anti social behaviour	<p>Working with partners to improve perceptions of crime ratings</p> <p>Working with partners to reduce crime and anti social behaviour</p> <p>Strategic Assessment has been completed and is being used to develop the Partnership Plan</p>

Good quality and affordable homes for all

	What we're planning to do
Working towards meeting current and future housing needs, with an up-to-date local development plan that provides for growth in the number of houses	Consultation on pre-submission version of Local Plan closed on 14 th October and plan should be approved for submission to the Inspector by Council in February 2020.
Preventing and reducing homelessness	Ongoing implementation of the Homelessness Reduction Act 2017 and provision of services to prevent homelessness. The Council is currently consulting on the Homelessness and Rough Sleeping Strategy 2019 – 2022 with a planned adoption by 31 st December 2019.

	What we're planning to achieve
An increased supply of good quality and decent homes that are affordable to individuals and families	275 units of housing were approved in 2018 and of these 101 were for affordable housing.
A reduction in the number of people becoming homeless	The Homelessness Reduction Act 2017 has placed new burdens on the Council and households are encouraged to approach for assistance so numbers are increasing. The 2017 Act has increased the number of cases supported by the Council. We have invested in temporary accommodation to minimise use of bed and breakfast and have managed to cope with the increased service demand.

Government funding and controls over council expenditure

- 4.28 The national position remains uncertain at the time of writing. The Government failed in its efforts to leave the European Union on 31st October, and the General Election on the 12th December increases uncertainty around future funding and when the announcements will be made to inform this year's process.
- 4.29 Against this backdrop, the Government has sought to provide some certainty in financial planning by organising a very rapid one year spending round for 2020-21 that was unveiled on 4th September. 75% business rate retention and the fair funding formula have been delayed to 2021.
- 4.30 The one-year Spending Round should be confirmed in the 2020-21 Provisional Local Government Finance Settlement that was due to be announced by 5th December. However the General Election on the 12th December means it is uncertain if this will be issued before or after Christmas. As a consequence an updated note will be issued to Cabinet once the Provisional Settlement is received updating any text or tables that change. The Final Settlement is expected in the New Year and further updates to this report will be provided once this is available:

The main points of interest for local government from the one Year Spending Round and included in the recent consultation paper were as follows:

- The reset and fair funding review to be put back to 2021-22
- No reductions to specific grants
- Inflation increases to Baselines
- Negative Revenue Support Grant (RSG) to be removed for 2020-21
- RSG payments to be paid in line with 2019-20 amounts (now with an increase for inflation)
- New Homes Bonus legacy payments to be paid
- All 75% pilots to end in 2019-20 (the assumption is the 100% pilots from 2017-18 will continue)
- An additional £54m in 2020-21 to help homelessness and rough sleeping to the funding already provided in 2019-20
- Confirmation that a total of £241m will be made available through the Towns Fund in 2020-21 to support the regeneration of high streets and town centres
- 2% or £5, whichever is the higher as the criteria for reference for “excessive” council tax increases

Business rates

- 4.31 This Council is currently participating in a pan-Worcestershire Business Rates Pool (WBRP) pilot for the 75% Business Rate Retention for 2019-20 financial year. This one year arrangement is at no detriment to our financial position based on our former membership of the Worcestershire Business Rates Pool. Given the confirmation that the current arrangement will end on the 31st March 2020, an application has been made for membership of a Worcestershire Pool for 2020-21 that also includes the Fire Authority; this will be confirmed as part of the Provisional Finance Settlement and a final decision then made within 28 days. The position in relation to further appeals and resultant uncertainty due to the impact on performance of the Pool remain a concern; this is being managed by the Corporate Director: Resources in conjunction with the other treasurers within the Pool. Business rates projections included within this report will be reviewed and revised if necessary before budget recommendations are finalised. It is unknown if Business Rate Pools will cease when the new funding system is introduced.

5. KEY ISSUES - BASE POSITION, PRESSURES AND ASSUMPTIONS

- 5.1 Attached at Appendix 1 is the forecast base budget position for the period 2019-20 to 2022-23. The Capital Programme together with the details to support the related recommendations in this report is contained in the separate Capital Strategy report; the revenue implications are included within the MTFS projections.
- 5.2 The Base Budget shown at Appendix 1 includes the financial implications of all previous decisions which reduced costs in areas such as the Wyre Forest Forward Programme. New Cabinet Proposals are considered within this report at paragraphs 8.2 and 8.3.

- 5.3 Inflation has been included in the Base Budget for 2020-23 onwards as follows:

Table 5.3 Inflation Assumptions- including Local Pay Arrangements

The assumptions in the first two years reflect the Local Pay Arrangement covering 2018-19 to 2020-21 agreed at December 2017 Council. After this date the national pay increases have been forecast at 3%. This has resulted in a budget pressure included within these MTFS projections of £110k in 2020-21 and £220k in 2021-22 to reflect this. However no extra cost is to be assumed as a result of the pay and grading review as this would add to the funding gap. This therefore assumes that the reshaping of the Council will result in staffing levels reducing or that, for example, other savings/efficiencies or additional income will outstrip current budget assumptions to fund this:

	2019-20	2020-21	2021-22	2022-23
Consolidated increase	1.25%	1.25%	3.00%	3.00%
Non-consolidated award	Zero	0.25%	Zero	Zero
Total	1.25%	1.50%	3.00%	3.00%

Other Inflation Assumptions	2019-20 %	2020-21 %	2021-22 %	2022-23 %
Business rates – forecast CPI (to be confirmed in due course)	2.2	2.1	2.0	2.0
Other contractual commitments	included at actual	included at actual	included at actual	included at actual

- 5.4 No other inflation will be included in the estimates for the financial strategy.
- 5.5 The Base Budget takes account of the current position in relation to the forecast level of interest that the Council can expect to receive. The current assumptions that have been used within the Base Budget are as follows:
- h. Expected returns in 2020-21 based on investment returns of 1.00%;
 - i. Expected returns in 2021-22 based on investment returns of 1.25%;
 - j. Expected returns in 2022-23 based on investment returns of 1.50%.
- 5.6 To create capacity to support the pace and scale of change the Corporate Leadership Team has made various allocations from the **Innovation Fund** to meet the cost of additional resource required to meet the ambitious innovation agenda. The Innovation Fund balance is forecast to stand at £393k as at 30th November 2019 taking into account commitments including those as a result of the proposed management restructure approved by Council on the 26th September). A top-up of £100k in 2020-21 is part of this approval, from resultant savings. The reserve is also being replenished as part of this budget process to cover severance costs of future reductions in staffing costs by £200k in 2019-20 and a further £100k in 2020-21. The General Risk Reserve is forecast to stand at £305k as at the end of September taking into account commitments. This is being replenished by £150k as part of the budget process. Both of these key reserves will be reviewed and potentially replenished as part of the final accounts process.

- 5.7 The current projection is that the **annual savings target that needs to be achieved for both Wyre Forest Forward and Cabinet Proposals** over the next three years to close the funding gap and to avoid drawing on reserves is around £1.68m. The signal in the one year Spending Review that negative RSG will be deferred for another year is very welcome but unfortunately is offset by other new funding pressures; it does though lessen the funding gap forecast in 2020-21.
- 5.8 The administration of the **local council tax reduction scheme** continues to be generally smooth with no change to the 20% maximum reduction from April 2016 applied to council tax for people of working age assumed for this year. A number of technical changes to the scheme became effective from April 2019 to take into account the introduction of Universal Credit (UC) from November 2018. These changes better align the local scheme with UC to avoid additional administration costs. Collection rates continue to show modest improvements so far this year assisted by additional recovery work partly funded for the third year by Worcestershire County Council. The demographics of the district, including rising pensioners who are protected and the number of working age unemployed, albeit that this is on a downward trend, represent pressures on our Local Scheme.
- 5.9 The roll-out of **Universal Credit** from November 2018 to new applicants has gone relatively smoothly so far and some reductions in staffing numbers have been possible, achieved by natural wastage, due to ongoing reductions in team workloads. This will continue to be monitored.
- 5.10 This Council continues to **work jointly** with other Worcestershire colleagues to find ways to maximise council tax income. While it has not proved possible to achieve introduction of a standard council tax reduction scheme due to political inconsistencies, best practice has been adopted wherever possible. Close links are also maintained with Worcestershire County Council and we have benefited from funding for additional recovery work for the last three years to help improve collection rates. It is hoped this funding and other collaborative work will continue. However, the funding pressures on Worcestershire County Council means that it is highly likely that some cost pressures will be passed onto districts. A future collaborative work stream that may emerge is a reduction in the size of our general waste bins. This does not feature in the MTFS and will be subject to future reports and approvals.
- 5.11 The Government's waste strategy includes proposals to require weekly food waste collection. The Government is also proposing further consultation on whether councils should offer free garden waste collection. These initiatives are considered a significant retrograde step, as the surplus that the Council generates from charging for garden waste collections helps to sustain other services. The Government has promised to meet all the costs of change but it is impossible to rely on such a "guarantee" at this stage when legislation has not been passed and detailed estimates of costs and the regime for funding them are not known. This area thus represents a potentially significant funding risk for the council in future.
- 5.12 Work on alternative service delivery models including shared services will continue including shared services with our Northern Alliance colleagues in particular. No savings are assumed in this report but will be reported in the future when more detail emerges.

5.13 Localism

Working with our Town and Parish Council Partners to protect services and amenities that our communities value by the transfer or sharing of ongoing costs is a key aspiration of this MTFS. Local Councils can use headroom available to them as a result of them not being subject to the excessive council tax rise cap.

Discussions are ongoing covering a wide range of services and assets with a flexible approach being taken to how arrangements can work for the mutual benefit of both parties. Whilst evidence shows that the scope for our Town and Parish Councils to increase their precept levels to the English average for 2019-20 would generate circa £1.06m it would be overly optimistic to include this figure as a saving in the MTFS without evidence to support it.

The table below shows the potential contribution to our funding gap from the ongoing Localism work that is included in paragraph 8.2.3 as a Cabinet Proposal. These savings are phased over a number of years to allow the Town and Parish Councils to raise their precepts incrementally. Work is well in progress to further analyse these costs and agree arrangements with our Town and Parish Council partners on services that could be transferred/shared subject to detailed negotiations.

Total Generic Further Annual Savings to be assumed from Localism in the MTFS until firmer proposals are agreed	
Year	£
2020-21 - Est based on timeframe	135,000
2021-22	245,000
2022-23	350,000
2023-24	525,000
2024-25	700,000

5.14 Summary of other main assumptions to be used and relevant factors:

- Government funding – **negative RSG** deferred for 2020-21 then previous level assumed.
- New Homes Bonus** – no new, New Homes Bonus in 2020-21 due to current low number of new homes and position on long term empty homes. Legacy payments only assumed as per the current MTFS.
- Increases in Council tax** of £5 pa from 2020-21 onwards. If as part of the Final Settlement flexibility up to a 3% increase is allowed then the proposed increase will be revised to reflect this.
- The approach to be taken to **fees and charges** this year will continue to have regard to demand and other market conditions. As a result some fees and charges may be frozen or increased by less than the average of 5%. For background information the proposals for 2019-20 showed that 46% of Fees and Charges will be frozen whilst a further 23% were increased but below the general 5%. Car parking charging policy has been reviewed. The MTFS has been prepared on the assumption of £150k net increase in 2020-21 as a result of various policy changes. Some customers will pay less whilst other visitors to our towns will be required to pay more. The Administration's proposals are

summarised in paragraph 8.1 below.

- e. **3% pay increase** assumed from 2021-22 together with an assumption that the introduction of a Job Family approach to pay grading will be cost neutral overall taking into account workforce changes.
- f. The results of the **Pension Fund's triennial revaluation** in 2016 were more favourable in the final event than initially anticipated resulting in savings in the annual step-up increases of £87,100 in 2017-18, £119,000 in 2018-19 and £126,900 in 2019-20. The Council has also benefited from a saving of £426,600 for the three years from 2017-18 as a result of payment in advance of the Pension Fund Deficit for 3 years in respect of last actuarial evaluation. **So far the forecasts from the Pension Fund actuaries for the 2019 triennial revaluation to be effective from 2020-21 look cautiously optimistic.** There is likely to be an increase in the future service rate from the current 15.3% to circa 18.8% that could cost in excess of an extra £200kpa. Indications are that this can be offset by a reduction in the annual deficit contributions. An increase is also yet to be factored in for the McCloud age discrimination ruling but this should be offset by a discount to be offered if we pay our deficit funding upfront for the 3 year period. **A modest potential saving of c £100k pa after taking into account increased pension risk reserves for future economic volatility is currently forecast.** This position is however subject to change particularly given the volatile economic outlook and will not be confirmed by the actuary until January 2020. A proposal for a move to a quadrennial revaluation across the sector to include LGPS funds was considered but strongly resisted across Worcestershire. It is likely that there will be interim valuations during this 3 year period that may change contributions and also move us to a four yearly cycle.
- g. **Council Tax Base** – Despite a comparatively low increase between 2019-20 and 2020-21 of 194, based on data from planning applications an increase of **300 Band D equivalent properties** or circa 0.9% compared to the 2020-21 Council Tax Base will be assumed for each year. The increase will be made up of new homes constructed and coming into occupation and also changes in exemptions, discounts and benefit claimants that all contribute to a higher chargeable Council Tax Base for the district. These relatively modest forecasts reflect the slowdown in the completion of new properties experienced over the last few years. This is lower than assumed in the government's figures for Settlement purposes but more realistic for this Council.
- h. No **Collection Fund surplus** has been assumed across all years.
- i. **No provision** has been made in respect of the claim from **Worcestershire Acute Hospitals NHS Trust for charitable exemption business rates** for the Kidderminster Hospital and Treatment Centre as this claim has been strongly refuted. The Council will continue to work closely with the LGA on this issue and awaits the decision of the test court case heard on 4th November 2019.
- j. **Homelessness Reduction Act** –new burdens funding has failed to cover the additional costs of the homelessness service and following approval of a £70k supplementary estimate by September 2019 Cabinet, additional costs have been reflected in this MTFS. Information on the Council's share of the £54m announced in the Spending Round is awaited.
- k. The revised **capital and revenue implications** of the current Capital Programme have been included in projections including the **allocation of funding from the Evergreen Investment Fund to lay out the former Crown**

House site in Kidderminster as a temporary car park at an estimated cost of £25k. It also includes the impact of the recommendation to Council from Cabinet on the 17th November in relation to the conversion of a property in Stourport. This report recommended that the funding within the Capital Programme previously set aside for Comberton Place (as per the report of 11/07/17) is removed from the Capital Programme and that £60k is **reallocated to the Raven Street refurbishment** and the remainder returned to the Evergreen Investment Fund as unallocated. This recommendation will be made as part of the suite of MTFS papers to Council in February 2020 and the Capital Programme included in the Appendix of this report reflects this reallocation

- l. **Increased contributions of £150k pa across all years for our share of funding of the GBSLEP**, to reflect the fact that this Council is not a member of the GBS Business Rates Pool, will continue to be included within this MTFS until the position regarding two-LEP membership is confirmed.
- m. Progression of the **Capital Portfolio Fund** has provided additional net income compared to the original assumption and is currently forecast to achieve £344,740 in 2019-20, £340,140 in 2020-21, and £281,000 in 2021-22 (lower amount in 2021-22 due to the full impact of MRP). This is after allowance has been made for a generic Planned Property Maintenance Reserve of 20% of the total net income to supplement the service charge sinking fund to help mitigate future risk.
- n. Funding from the **Police and Crime Commissioner (PCC)** for the current level of **Community Safety Partnership staffing** was confirmed for 2018-19 and 2019-20 but is not assumed for future years. Resultant savings if this service is continued in partnership in the future will be part of the generic Localism savings targets; see paragraph 8.2.5.

- 5.15 In terms of external Prudential Borrowing, the Council may enter into further external borrowing in 2019-20 and beyond. This will continue over the medium and longer term and an average interest rate of 3% for 2019-20, increasing to 4% for 2020-21, 4.5% for 2021-22 and 5% for 2022-23 are our assumptions within the base budget to fund the cost of this. The increase in PWLB rates by a whole percentage point notified and implemented with immediate effect on the 9th October may impact on the viability of future business cases for both the Capital Portfolio and the Development Loans Fund. Alternative sources of borrowing will continue to be explored and sourced.
- 5.16 Progress continues to be made to meet the generic Wyre Forest Forward (WFF) savings targets. The WFF savings in the current budget compared to the revised budget are shown in the table below. This table has been updated for savings achieved including those from the approved management restructure.
- 5.17 Table 5.17 shows the breakdown of unachieved generic savings targets and proposed use of reserves after Cabinet Proposals in the revised budget to illustrate the scale of the financial gap the Council needs to address. The Table shows that £300k of the generic Wyre Forest Forward savings have been rescheduled from 2020-21 into 2021-22. The rationale for making such a change at this point is that it is reasonable to await the outcome of the General Election, the new Government's budget in early/spring 2020 and the Spending Review that has to happen in 2020, to understand better what the probable future funding arrangements for this Council will be. This Council has a good track record of achieving target savings and

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continues to make steady progress towards achieving the latest generic targets. However the significant use of reserves in 2021-22 and beyond means that further significant change is inevitable. Use of reserves across the MTFS is predicated on achievement of significant generic savings/increased income. Work is underway to agree plans to meet these targets and these are expected to be progressing well by the start of 2020-21.

Table 5.17 How the Strategy addresses the Financial Gap

	2019-20	2020-21	2021-22	2022-23
	£	£	£	£
Financial Gap				
Depot 2020 - additional rental income WFH	0	50,000	50,000	50,000
Generic Localism Savings to be confirmed	0	135,000	245,000	350,000
Efficiency Savings (2%, 1%, 1%,1%)	21,240	57,660	161,310	161,310
Wyre Forest Forward Savings not yet achieved	0	198,370	554,750	231,130
Income Generation Target not yet achieved		25,000	75,000	100,000
SUB- Total	21,240	466,030	1,086,060	892,440
Use of reserves from Proposed 2020-23 Strategy	41,430	453,540	370,760	790,790
TOTAL	62,670	919,570	1,456,820	1,683,230

The Development Plan

- 5.18 The Council is now well-advanced with its review of the Local Plan for the period 2016-2036. If the Council does not plan for further significant growth in population in the medium to long-term, there is a significant risk of losing resources over time as Wyre Forest's population declines relative to the population of England. Significant growth could be delivered only through the current review of the local development framework which is planned for adoption in late 2020, so it is unlikely to contribute anything significant in the 2020-23 period.
- 5.19 Latest population mid-year estimates (2018 MYE) show that growth was much lower in 2017-18 compared with the previous 3 years with only an additional 347 people recorded. Wyre Forest has seen 2.1% growth over the last 4 years, with almost 40% of this growth occurring in 2016-17. This is much greater than that seen over the 10 years 2001-2011 (1.1% growth). Worcestershire as a whole has seen a 2.9% growth 2014-18 compared with 4.4% 2001-11. However, population growth in Wyre Forest is lagging behind the rest of Worcestershire and the country as a whole. A breakdown of the figures shows that migration, especially internal, accounted for almost all the growth. There was actually a loss of 214 people as a result of deaths exceeding births over the 12 month period. In comparison, 2017-18 had 62 more deaths than births.

	2014 MYE	2015 MYE	2016 MYE	2017 MYE	2018 MYE	% change
England	54,316,618	54,786,327	55,268,067	55,619,430	55,977,178	3.1%
West Midlands	5,713,284	5,751,000	5,800,734	5,860,706	5,900,757	3.3%
Worcestershire	575,421	578,593	583,053	588,370	592,057	2.9%
Wyre Forest	98,960	99,503	99,902	100,715	101,062	2.1%

Latest projections (2016) show a projected increase in population to 106,134 by 2041. This equates to an increase in population of 6.1% over 25 years. This is much higher than the 3.2% growth predicted for 2012-2031 based on the 2012 projections

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and the 5.9% growth predicted for 2014-39 based on the 2014 projections. However the projected growth is significantly lower than the county, regional and national projections.

	2016	2041	% change
England	55,268,100	61,952,100	12.1
West Midlands	5,810,800	6,494,000	11.8
Worcestershire	583,500	641,000	9.9
Wyre Forest	100,007	106,134	6.1

The 2018-based population projections have recently been released for England. This shows a much lower projected increase in population over the 25 years 2018-43 of 9.6%. This can be attributed to much higher death rates and lower levels of international migration. These latest projections are not yet available below the national level.

- 5.20 Significant growth can continue to help with our income and tax base in the long-term. The Council will have to provide some additional services (e.g. refuse collection) but many others are not elastic in response to population (e.g. museum, economic development, town centre, street cleaning). More people living locally would mean greater competition and demand for some services and provide greater opportunities for external income generation than might otherwise have been the case.

6. FUNDING: LOCAL AUTHORITY REVENUE FINANCE SETTLEMENT FOR 2020-21, BUSINESS RATES AND NEW HOMES BONUS

- 6.1 The one year spending round for 2020-21 was unveiled on 4th September confirming that 75% business rate retention and the fair funding formula have been delayed to 2021. The key points from the Spending Round are set out in paragraph 4.30.
- 6.2 Depending on the outcome of the General Election, Public sector funding reductions look to continue until the middle of the next decade, with increasing reliance on locally raised income including Council Tax. The funding outlook for local government, districts in particular, could become significantly more challenging.
- 6.3 Table 6.3 below identifies the overall position in relation to the Government Grant, Business Rates, New Homes Bonus and Council Tax income. Negative RSG has been removed for a second year in 2020-21 but is assumed to continue thereafter. All figures are subject to confirmation when the Final Settlement figures are issued. There is a risk that we will not achieve the growth in business rates towards offsetting funding reductions. This would reduce balances significantly and will be kept under review. The table in 6.5 shows the value of the retained business rates separately for further information.

Table 6.3 Total Funding including RSG, New Homes Bonus, Business Rates and Council Tax

Year	Revenue Support Grant £	Business Rates £	New Homes Bonus £	Council Tax £	Total £
2016-17	1,222,290	2,802,660	2,356,450	6,720,820	13,102,220
2017-18	553,300	2,920,240	1,910,300	6,783,860	12,167,700
2018-19	100,680	3,282,070	1,272,700	7,004,100	11,659,550
2019-20	0	3,395,610	906,100	7,234,190	11,535,900
2020-21	0	3,354,320	232,690	7,445,500	11,032,510
2021-22	(356,790)	3,136,410	201,960	7,682,520	10,664,100
2022-23	(356,790)	3,194,640	63,390	7,922,550	10,823,790
Total	1,162,690	22,085,950	6,943,590	50,793,540	80,985,770

6.4 New Homes Bonus

New Homes Bonus grant in 2019-20 was paid on the basis of 4 years award; there was no grant paid for baseline growth below 0.4% for the annual grant award for 2018-19 and 2019-20. However the probability is that New Homes Bonus funding will not continue in its current form in future years; more detail is awaited. Current assumptions are that only legacy payments will continue past 2020-21 so this funding stream reduces significantly over the MTFS as shown below.

NHB Forecast for new MTFS	2019/20 Total Budget	2020/21 Total Budget	2021/22 Total Budget	2022/23 Total Budget
NHB YEAR 6 2016/17 PAID UNTIL 2019/20 (4 yrs)	673,410			
NHB YEAR 7 2017/18 PAID UNTIL 2020/21 (4 yrs 80%)	30,730	30,730		
NHB YEAR 8 2018/19 PAID UNTIL 2021/22 (4 yrs 50%)	138,570	138,570	138,570	
NHB YEAR 9 2019/20 PAID UNTIL 2021/22 (4 yrs 50%)	63,390	63,390	63,390	63,390
	906,100	232,690	201,960	63,390

The arrangements for allocation of New Homes Bonus (NHB) Funding pose a serious challenge to future financial sustainability for this and many other councils as the Council uses the bonus to fund its revenue activities, including important work on economic regeneration and development. This is even more significant given the transition to the new funding model where business rates growth is of increased importance. The impact of the introduction of the national baseline of 0.4%, below which funding allocations will not be made, has had a severely detrimental impact on this Council's funding. This has been exacerbated by a slowdown in the housing growth within the district.

Since introduction of the scheme housing growth has been within a range of 194 to 599 of the council tax base. This has given rise to NHB as shown in Table 6.4.1:

Table 6.4.1 Year NHB Paid	2016-17	2017-18	2018-19	2019-20	2020-21
Additional Properties	464	192	227	227	186
Change in Long term Empties	135	2	21	21	14
Net New Properties for NHB	599	194	248	248	200
Change for 2017/18					
Number of Band D Equivalents		176	244	209	159
Deduct Baseline 0.40%		163	165	166	167
Net New Properties for NHB		13	79	43	-8
NHB funding Year £000	673	31	139	63	0
Cumulative NHB Grant £000	2,358	1,910	1,273	906	233

*For 2017/18 NHB the 0.4% baseline meant that out of total growth of 176 properties only 13 qualified for NHB grant funding

** Payments of NHB grant are based on additional properties in the prior 12 months so additional properties refer to performance in prior year

The estimation of additional properties giving rise to NHB has been undertaken by the forward planning and council tax teams in liaison with finance officers. The results are shown in Table 6.4.2.

Table 6.4.2	2017-18	2018-19	2019-20	2020-21
Estimated Completions	176	244	209	159
Estimated Baseline	163	165	166	167
Estimated No attracting NHB	13	79	43	0

The amount of NHB (and also council tax) that the Council receives is sensitive to the timing of housing completions and a significant proportion of future income is therefore dependent on receipt of large scale residential applications and the pace at which developers build-out their sites. Housing completions in the district have slowed down in recent years as existing major sites are developed; it could also be due to uncertainty created by Brexit. The assumed, optimistic and pessimistic projections presented in Table 6.4.3 illustrate the potential volatility inherent with this funding stream.

Table 6.4.3 – Assumed Growth in Housing and Sensitivity of NHB Receivable				
£'000	2019-20	2020-21	2021-22	2022-23
Net additional no of properties	209	159	165	165
NHB Grant Payable (£'000)	166	0	0	0
Cumulative NHB (ASSUMED)	906	233	202	63
Cumulative NHB (optimistic) + 5%	951	245	212	66
Cumulative NHB (Pessimistic) -5%	861	221	192	60

- 6.5 Business Rate projections based on the 75% Business Rates 1 year Pooling Pilot in 2019-20 and a 50% revised Worcestershire pooling agreement for 2020-21 are shown in table 6.5 below. These take into account the Council's share of forecast growth from major redevelopments, appeals, reliefs, economic regeneration work; forecast increases in the multiplier for inflation and other Business Rates market intelligence. These estimates may require updating following the final confirmation/decision regarding Pool membership and also completion of the statutory 2020-21 estimates for the MHCLG in January 2020. The Table below shows the revised assumptions and growth assumed in this budget report.

Table 6.5- Revised Value of Retained Business Rates

Year	Value of Retained Business Rates (including future forecasts)	Growth	Average Annual Growth
	£	£	%
2013-14	2,435,300		-
2014-15	2,300,280	(135,020)	-5.5%
2015-16	2,547,610	247,330	10.8%
2016-17	2,802,660	255,050	10.0%
2017-18	2,920,240	117,580	4.2%
2018-19	3,282,070	361,830	12.4%
2019-20	3,395,610	113,540	3.5%
2020-21	3,354,320	(41,290)	-1.2%
2021-22	3,136,410	(217,910)	-6.5%
2022-23	3,194,640	58,230	1.9%
Total	29,369,140	759,340	2.6%

- 6.6 The government continues to grapple with the Fair Funding Review and the introduction of the 75% retention of locally collected rates in 2021-22. This additional revenue should replace reductions in RSG and New Homes Bonus but is likely to come with additional responsibilities that give rise to additional costs. At this point in time it is not possible to calculate the effects of this change as not enough details are known. This will be covered in a future MTFS.

The optimistic view in Table 6.6 reflects the limited perceived upside over the period of the MTFS. The downside risk is limited by the membership of the Worcestershire Business Rates Pool.

Table 6.6 - Projected local share of Business Rates Based on Worcestershire Pool Arrangements				
£'000	2019-20	2020-21	2021-22	2022-23
As Modelled (ASSUMED)	3,396	3,354	3,136	3,195
As Modelled +2.5% (optimistic)	3,481	3,438	3,214	3,275
As Modelled -7.5% (pessimistic)	3,141	3,102	2,901	2,955

6.7 Other Key Operational Assumptions

- 6.7.1 The Council's 'Net Service Expenditure' is the total amount spent on services, offset by income associated with the provision of those services such as planning fees receivable, income generated by the Council's car parks, or service specific grant income. The basis of the Council's projected Net Service Expenditure is the 2019-20 budget. This is adjusted for known 'one-offs' (income or expenditure arising in 2019-20 only) and then appropriate inflation rates are applied. Finally, further allowances are made for material changes in service income or cost on the basis of discussion with the relevant Service Managers. For 2019-20 onwards budgets have also been reviewed in order to identify both one-off and ongoing efficiencies that can be made in order to balance the Council's finances over the medium to long term.

Other key operational assumptions are as follows:

6.7.2 Expenditure Pressures

Additional expenditure may be unavoidable due to policy, legislative or commercial pressures. Where material and anticipated at this stage these cost increases (or reductions in income) are incorporated into the MTFS

The projections include amounts relating to benefit subsidies.

Sensitivity of estimates

Many individual elements within the Council's operational income and expenditure can be financially volatile. For example, a relatively few major planning applications can generate the bulk of fee income. However, the demand for services can generally be anticipated and, on a portfolio basis, the cost of services is both relatively stable and manageable. It is therefore considered reasonable to apply an overall sensitivity to Net Service expenditure of 2.5% either way, as set out below:

Table 6.7.2 - Projected Net Service Expenditure				
£'000	2019-20	2020-21	2021-22	2022-23
As Modelled (ASSUMED)	11,577	11,607	11,259	11,881
As Modelled +2.5% (pessimistic)	11,866	11,897	11,540	12,178
As Modelled -7.5% (optimistic)	10,709	10,736	10,415	10,990

7. **BUDGET CONSULTATION RESULTS**

7.1 In a new initiative as agreed by the Financial Strategy Panel on 24th June 2019 consultation with the public was undertaken at an earlier stage in the budget process. The Budget Consultation survey was launched on the 21st October and ran until the 18th November 2019. The results of this consultation are set out below and have informed the proposals in this report.

7.2 A total of 613 respondents accessed the consultation. A summary of the responses (top two categories of response) is shown below. A full list of the questions and more detailed analysis is available in Appendix 6.

Question 1: District councils across England have, on average, increased their part of council tax bills by 11.4% over the last 9 years. What do you think the increase has been in Wyre Forest over that period?

8.5%	61% *correct
10%	32%

Question 2: How strongly do you agree that in 2020 we should increase our part of the council tax by up to 13p per week to help maintain essential services?

Strongly Support	35%
Support	38%

Question 3: How strongly do you agree that we should help maintain essential services by a modest increase in our fees and charges?

Strongly Support 28%
Support 37%

Question 4: How strongly do you agree that the number of cuts of highways verges should be reduced to match the level of funding from the county council?

Strongly Support 44%
Support 35%

Question 5: Do you agree that the district council should cut verges (including those on housing estates and residential areas) no more than twice a year?

Strongly Support 40%
Support 35%

Question 6: How much do you think the average town or parish council charges in Wyre Forest?

£35.65 per year 41%* correct
 £52.72 per year 45%

Question 7: Which services of these would you support being run by parish and town councils?

Service	Response in favour %	Ranking
Arts	50	4
Community Safety project work	48	5
Enforcement	39	9
Health and Sustainability	48	5
Events	55	2
Litter-picking and emptying litter bins	55	2
Nature reserves	41	7
Parks	52	3
Play areas	50	4
Public toilets	59	1
Supporting local businesses/work with town centres	40	8
Upkeep of Kidderminster Cemetery	46	6

Question 6: How strongly would you support your parish or town council increasing the amount they raise in council tax to protect services if they choose to do so?

Strongly Support 24%
Support 43%

- 7.3 The Council continues to engage with the public, staff, other Members and various stakeholders in setting the direction of the Council. In these times of financial uncertainty difficult choices will be required on selective reductions in costs in line with the Council's priorities. The earlier consultation undertaken this year has helped to inform the Cabinet's Proposals. The total number of people taking part in the budget consultation is much higher than last time (613 versus 430 responses) and can be considered to be a representative sample of overall public opinion. All

but four of the respondents took part in the survey online. Around 100 paper copies were made available at public buildings in all three key towns across the district.

- 7.4 All of the questions received support with a minimum of 65% supporting or strongly supporting every proposal. The proposal that received the strongest support was for reducing the number of cuts of highways verges should be reduced to match the level of funding from the county council with 79% of respondents either supporting or strongly supporting this proposal (Question 4). Of the services favoured to be run by parish and town councils, 6 of the 12 services listed received 50% or higher support with Public toilets scoring the highest support of 59%. The remaining 6 services received support ranging between 39% to 49% with Enforcement receiving the lower 39% support.

8. CABINET PROPOSALS

- 8.1 This section presents the Cabinet's proposed spending plans for the next three years.

Council tax

For five of the eight years between 2011 and 2019, the district council's element of council tax was frozen. At Band D, the district council's element of council tax increased from £197.62 in 2010-11 to £214.34 in 2019-20, an increase of £16.72 or 8.5% significantly lower than inflation across that period. Inflation as measured by CPI is running under 2% at present (1.7% as at October 2019). It is not expected to rise significantly by the time the Council sets council tax for 2020-21 at the end of February.

It is proposed that the Wyre Forest element of council tax will be increased by £5 pa or 2.33% for 2020-21 and a further £5 pa for 2021-22 onwards. If as part of the Final Settlement flexibility up to a 3% increase is allowed then the proposed increase will be revised to reflect this. The increase in the District Council's tax from 2011-12 to 2020-21 taking into account the latest proposal is only 9.9% compared to a CPI increase of 18.4% between 2011 and 2019 demonstrating that households within Wyre Forest have enjoyed sub inflation increases for many years.

Fees and Charges

All services were asked to consider relevant changes to fees and charges and the potential additional income this could generate. The risk of failing to optimise income due to elasticity of demand, changing economic circumstances and the emergence of competition was evaluated. As a result some fees and charges have been frozen or increased by less than the average of 5%. The proposals for 2020-21 show that 46% of Fees and Charges will be frozen whilst a further 23% are to be increased but below the general 5%. Car parking charging policy has been reviewed. The MTFS has been prepared on the assumption of £150k net increase in 2020-21 as a result of various policy changes some customers will pay less whilst other visitors to our towns will be required to pay more.

Car park charges were frozen for 2019-20 and last year's MTFS then assumed they would continue to be increased by CPI +2% subject to a 5% maximum cap. A new simplified approach is proposed in this MTFS that includes for the first time a regime of seasonal charging for Stourport and Bewdley. These changes were set out in

detail in the report to Overview and Scrutiny Committee on 5th December 2019
http://www.wyreforest.gov.uk/council/docs/doc55246_20191205_o_and_s_agenda.pdf.

It is also proposed that the subsidy for the outsourced Pest control service administered by Worcestershire Regulatory Services (WRS) is withdrawn from April 2020.

Spending proposals

- 8.2 The Cabinet Proposals build on previous decisions to transform the Council and focus on regeneration that should promote business rates, council tax and property income growth, reducing the funding gap. The proposals include further funding to support **localism, investment in the ICT Strategy, Stourport Riverside and continuation of the Community Leadership Fund**. The Cabinet proposals are set out in more detail as follows:

- 8.2.1 Approval for the **Community Leadership Fund for 2020-21 of £33k**;
- 8.2.2 Approval of a **revised programme for the maintenance of highways verge** to align with funding received from Worcestershire County Council and also to better align with the recent Plant Life report. **This will save £50k pa from 2020-21 onwards**;
- 8.2.3 Approval of a programme of phased savings from **Localism partnership working** with our Town and Parish Council colleagues as outlined in paragraph 5.13 of **£135k in 2020-21, £245k in 2021-22, £350k in 2022-23, £525k in 2023-24 and £700k in 2024-25**;
- 8.2.4 As part of the Localism initiative, approval that the transfer of responsibility for the **Arts Development officer and all discretionary events and summer activities** will be sought from the town councils by April 2021 at the latest or alternative sponsorship. If this is not achieved the final year of WFDC funding will be 2020-21; the resultant savings are included in the Localism totals in paragraph 8.2.3 above;
- 8.2.5 Approval that if the external funding is not confirmed and/or a Localism arrangement cannot be secured to retain the **Community Safety** staffing resource then it is proposed to cease this service at a time to be confirmed in 2020-21. It is hoped that a Localism arrangement can be agreed and if this is the case any PCC funding will also be passed on to the relevant body. In the event that continuity of this service cannot be agreed one-off severance costs will be incurred and CLT will utilise Innovation Funding to cover this. Resultant savings of **£45,280 in 2020-21 and £46,570 in 2021-22** (full year cost provided for context) will be part of the generic Localism savings targets; see paragraph 8.2.3 above;
- 8.2.6 Approval of additional **capital resource for the ICT Strategy of £653k phased over the MTFS with £250k in 2020-21, £278k in 2021-22 and £125k in 2022-23 proposed to be funded by prudential borrowing**. The associated revenue costs are **£4k in 2020-21, £63k in 2021-22 and £126k in 2022-23**;

- 8.2.7 Approval of the **removal of funding for Kidderminster Town Centre, Bewdley Development Trust and Stourport Forward** from 2020-21, saving a total of **£30,520 in 2020-21 onwards;**
- 8.2.8 Approval of a **schedule of improvements to Stourport Riverside** in line with the Master Plan prepared by Community First Partnership. One off costs to be funded from a combination of designated S106 funding, existing parks budgets with the balance to be funded from prudential borrowing. The ongoing running costs of these proposals are included together with financing costs. **The gross capital investment proposed is £150,000 of which £103,580 can be funded from S106 contributions so leaving £46,420 to be funded from prudential borrowing. The ongoing net revenue implications are £24,510 in 2020-21, £23,010 in 2021-22 and £23,010 in 2022-23;**
- 8.2.9 Approval of **essential health and safety capital works to the Depot Block E** for Operational Services of **£70k in 2020-21** funded from prudential borrowing with **revenue financing costs £1,510 in 2020-21, £6,510 in 2021-22 and £6,510 in 2022-23;**
- 8.2.10 Approval of the **HLF Brinton Park Project gross capital expenditure of £2.4m subject to HLF approval of the substantive funding and the final business case.** This includes approval of a commitment to meet a maximum shortfall of **£100k in capital partnership funding** for the project to be funded from prudential borrowing. Two new part-time, temporary posts plus an apprentice totalling 2 FTE overall, will be created as part of this project funded from within the overall scheme.

8.3 Details of Cabinet Proposals are summarised in the following table:

Cost Centre	ACTIVITY AND DESCRIPTION OF CABINET PROPOSAL	KEY	2020-21 £	2021-22 £	2022-23 £	After 2022-23 £
			£	£	£	£
CLEAN, GREEN AND SAFE COMMUNITIES						
R205	Highways Maintenance of Verges					
	To introduce a revised programme for the maintenance of highways verge to align with funding received from Worcestershire County Council and also align with the recent Plant Life report.	C	-	-	-	-
		R	50,000 CR	50,000 CR	50,000 CR	50,000 CR
		S	TBC	TBC	TBC	TBC
R335	Localism Fund					
	To top up the single Localism Fund by a further £30k to continue the good work done so far with Parish and Town Councils and other local organisations.	C	-	-	-	-
		R	30,000	-	-	-
		S	-	-	-	-
	Localism	C	-	-	-	-
	To approve a programme of phased savings from Localism partnership working with our Town and Parish Council colleagues as outlined in paragraph 5.13 of £135k in 2020-21, £245k in 2021-22, £350k in 2022-23, £525k in 2023-24 and £700k in 2024-25.	R	135,000 CR	245,000 CR	350,000 CR	700,000 CR
		S	1.40 CR	1.40 CR minimum	1.40 CR minimum	1.40 CR minimum
R205	Stourport Riverside	C	150,000	-	-	-
	To approve a schedule of improvements to Stourport Riverside in line with the Master plan prepared by Community First Partnership identifying development opportunities. Works will include access and car park improvements, construction of a circular route around the park and also street furniture improvements. Funding to be from designated S106, existing parks budgets with the balance to be funded from prudential borrowing. The ongoing running costs of these proposals are included together with financing costs.	C	103,580 CR	-	-	-
		R	47,660	-	-	-
		R	23,150 CR	23,010	23,010	23,010
		S	-	-	-	-
R430	ICT Strategy					
	To approve additional capital resource for the ICT Strategy of a total of £653k phased over the MTFS in line with the programme of works, proposed to be funded by prudential borrowing.	C	250,000	278,000	125,000	-
		R	4,000	63,000	126,000	193,000
		S	-	-	-	-
R720	Community Leadership Fund					
	To retain this funding stream of £1,000 per Member for 2020-21.	C	-	-	-	-
		R	33,000	-	-	-
		S	-	-	-	-
R726	Town Centre Funding					
	To remove funding for Kidderminster Town Centre, Bewdley Development Trust and Stourport Forward from 2020-21 onwards.	C	-	-	-	-
		R	30,520 CR	30,520 CR	30,520 CR	30,520 CR
		S	-	-	-	-
	Brinton Park HLF					
	Approval of the HLF Brinton Park Project gross capital expenditure subject to HLF approval of the substantive funding and the final business case. This includes approval of a commitment to meet a maximum shortfall of £100,000 in capital partnership funding for the Brinton Park project to be funded from prudential borrowing .	C	2,400,000	-	-	-
	Proposed additional Council Capital Funding	C	100,000	-	-	-
	HLF plus partner external funding	C	2,400,000 CR	-	-	-
	Progression of this project is subject to funding confirmation	R	1,750	8,500	8,500	8,500
	Additional full-time equivalent posts funded within overall project, including an apprentice from 2021-22	S	0.70	2.00	2.00	2.00
	Depot Block E Works					
	To undertake health and safety capital works to the Depot Block E so it is operationally functional to meet business need.	C	70,000	-	-	-
		R	1,510	6,510	6,510	6,510
		S	-	-	-	-
	TOTALS	C	466,420	278,000	125,000	-
		R	120,750 CR	224,500 CR	266,500 CR	549,500 CR
		S	0.70 CR	0.60	0.60	0.60
			Minimum	Minimum	Minimum	Minimum

- 8.4 The following table demonstrates the forecast position for the Council when all of the Cabinet Proposals are incorporated into the Base Budget. The Council is forecast to hold a balance of £2,130k at the end of 2022-23 (see reserves table in 9.2):

Table 8.4 – Revised Forecast Financial Position including Cabinet Proposals (before Finance Settlement)

	Revised 2019/20 £	2020/21 £	2021/22 £	2022/23 £
Net Expenditure on Services (per Appendix 1)	11,577,330	11,606,800	11,259,360	11,881,080
Total Net Expenditure on Services (per Appendix 1)	11,577,330	11,606,800	11,259,360	11,881,080
Less				
Cabinet Proposals	0	(120,750)	(224,500)	(266,500)
Net Expenditure	11,577,330	11,486,050	11,034,860	11,614,580
Contribution (from)/to Reserves	(41,430)	(453,540)	(370,760)	(790,790)
Net Budget Requirement	11,535,900	11,032,510	10,664,100	10,823,790
Less				
Revenue Support Grant	0	0	(356,790)	(356,790)
Business Rates	3,395,610	3,354,320	3,136,410	3,194,640
New Homes Bonus	906,100	232,690	201,960	63,390
Collection Fund Surplus	0	0	0	0
Council Tax Income	7,234,190	7,445,500	7,682,520	7,922,550
WFDC Council Tax: £5 increase per annum	214.34	219.34	224.34	229.34
Percentage increase in Council Tax	2.39%	2.33%	2.28%	2.23%

- 8.5 The Cabinet proposals identified in Section 8.3 build on the savings identified within all previous Financial Strategies and include cost reduction items to help progress the Council towards financial self-sufficiency.

9. WORKING BALANCES, RESERVES AND PROVISIONS

- 9.1 The Council has adopted the general principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Local Authority Reserves and Balances.
- 9.2 The following Reserves are available to assist the Council in meeting General Fund Expenditure 2020-23 as part of the Financial Strategy predicated on the generic savings shown in table 5.17 being achieved.

Table 9.2 - New Reserves (available for the MTFs) table after all Cabinet Proposals

Reserves Statement	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000
Reserves as at 1st April	3,787	3,746	3,292	2,921
Release of Earmarked Reserves	0			
Increase to Working Balance	0			
Contribution (from)/to Reserves	(41)	(454)	(371)	(791)
Reserves as at 31st March	3,746	3,292	2,921	2,130

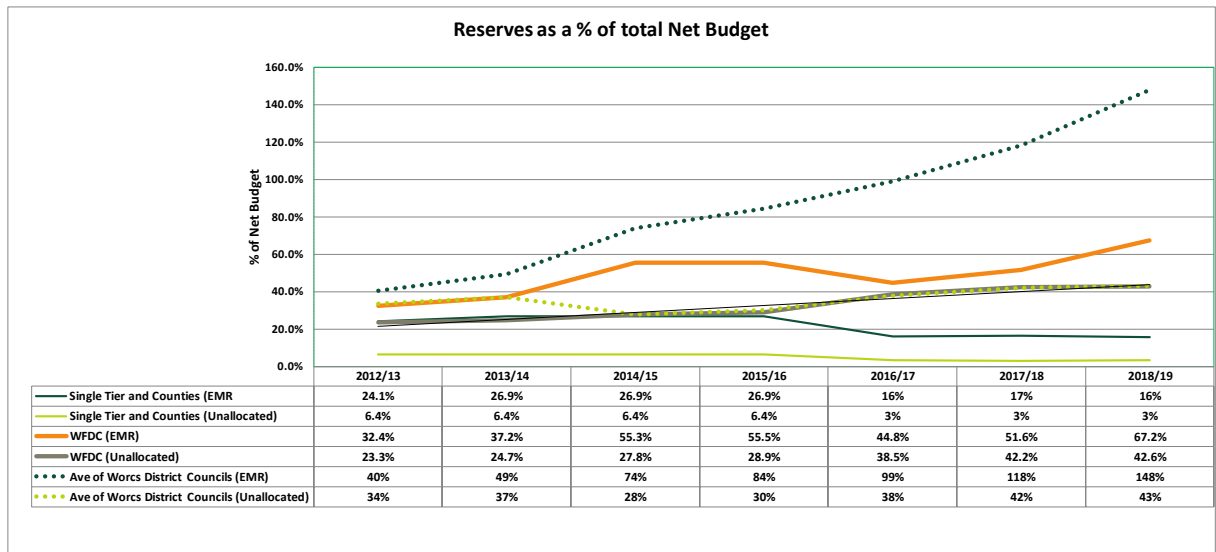
Agenda Item No. 7.1

- 9.3 In addition the Council holds a working balance of £1.2m following an external review by Link Asset Services last year. The external report advised that we considered increasing the working balance up to £1.5m. Currently, £1.2m is considered to be adequate; this may be increased from any easing of cost pressures, should they arise, as part of the Final Accounts process, to provide additional risk mitigation and the position will continue to be kept under review.
- 9.4 The Council also currently holds earmarked reserves of £7.8m (as at 30th November 2019). It should be noted that the Council has commitments against such earmarked reserves and the forecast balance after commitments is £4.6m. A General Risk Reserve is also held estimated at circa £795k as at 1st April 2019; the forecast balance after commitments is £305k (as at 30th November). It is proposed that the Innovation fund is replenished by £300k as part of these budget proposals and that the General Risk Reserve is topped up by £150k. The level of both of these reserves will be reconsidered as part of the Final Accounts process. The end of November balance on the Innovation Fund taking into account known commitments is £393k. A Planned Property Maintenance reserve was created last year by taking 20% of the net proceeds from Capital Portfolio purchases to help mitigate future unknown risk.
- 9.5 The following graph shows that both our general unallocated reserves (including the working balance) and our levels of earmarked reserves are a relatively small percentage of our annual net revenue budget. It also shows that our reserve levels are falling below those held by other district councils.

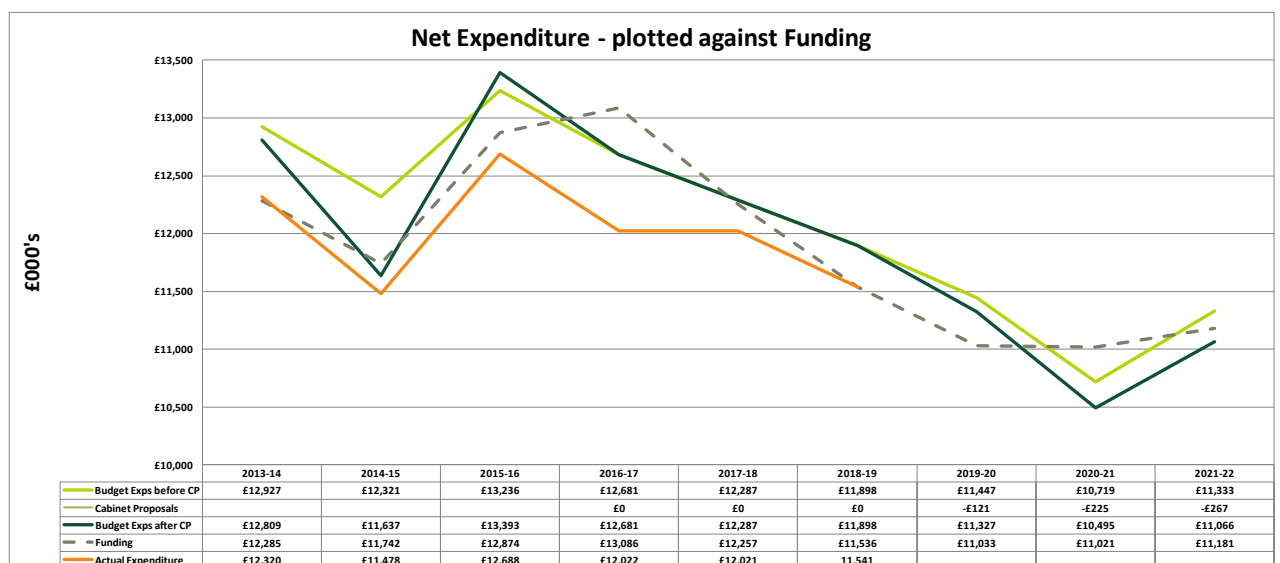
The anomalies in accounting for the current Business Rates Retention System caused a spike in the earmarked reserves for 2014-15 and 2015-16 due to increased reserves for appeals, which we have been obliged to allocate at the external auditor's request. We should be mindful that these EMRs are for specific purposes and are likely to be required. In the extremely unlikely event that they were all imprudently released for revenue expenditure they would not cover even 6 months' expenditure.

This analysis, together with the diminishing reserves shown in the table in 9.2, means this Council has extremely limited capacity to draw further on reserves to meet extra costs/further funding reductions. Indeed, with increased financial risk there is pressure to hold larger reserves to mitigate the impact of potential service reductions. The increase in earmarked reserves at the end of 2018-19 is in response to the prevailing uncertainty and risk.

Figure 9.5 Graph to show Reserves as a Percentage of Net Budget Actuals



- 9.6 The following graph shows the net expenditure against available funding (excluding reserves) and illustrates the increasing funding gap as the years progress.
Figure 9.6 Revised Graph to show Net Expenditure compared to Funding 2013-14 to 2021-22



10. CAPITALISATION OF REVENUE EXPENDITURE

- 10.1 The Chief Financial Officer will apply any unallocated Capital Receipts to fund suitable expenditure at year end in consultation with the Chief Executive in accordance with delegated authority.
- 10.2 No applications have been made for capitalisation directions for 2019-20.

11. FINANCE STRATEGY

- 11.1 The Council needs a Medium Term Finance Strategy to maintain a sound financial structure for the future.

11.2 The Key Objectives are proposed as follows:

- a. To reduce expenditure to a sustainable level.
- b. A balanced budget within resources available identified into the medium term.
- c. To manage the Council's assets in order to achieve maximum efficiency.
- d. To manage the Council's investments efficiently and effectively to maximise interest generation, whilst protecting principal.
- e. To make realistic provisions for inflation, pensions, committed growth and legislative requirements whilst securing the Council's financial position.
- f. To set aside any available balances, initially to be used primarily for "one-offs" (e.g. investment, service or corporate growth) and/or depending on the amount of balances, used in a phased manner beyond one year to avoid fluctuations in the level of the Council Tax.
- g. To ensure the early recognition of emerging issues associated with assessment of risk and appropriate management of the budget process in relation to the assessment of the degree of risk.
- h. To direct available financial resources in line with approved service priorities and reallocate from low/nil priority areas in line with Council Policy to maximise achievement of approved Key Commitments.
- i. For Council Tax increases the aim should be to keep to a maximum increase of about 2% or £5, whichever is the higher, and below the point at which a referendum would be triggered. If as part of the Final Settlement flexibility up to a 3% increase is allowed then the proposed increase will be revised to reflect this.
- j. Maximise external income generation opportunities.
- k. To adopt new/innovative service delivery options to facilitate a more commercial approach and economic regeneration, utilising capital investment where this is shown to be viable in the relevant business case proposals. This includes continued progression of the development loans fund and capital portfolio fund balancing risk against reward.

12. POWERS TO LIMIT EXCESSIVE INCREASE IN COUNCIL TAX AND REFERENDUMS

- 12.1 The Localism Act abolished the ability for central government to cap the level of Council Tax increase that a local authority can charge. However, to replace these powers government have introduced a 'local tax lock'.
- 12.2 These powers allow local people a vote to stop council tax going up if their local authority increases Council Tax by more than an amount specified by government. If the local electorate votes against that increase, the local authority will have to revert to a council tax level that is compliant. For this report it has been assumed that any increases in 2020-21 above 2% or £5 whichever is the higher, would trigger a referendum. If as part of the Final Settlement flexibility up to a 3% increase is allowed then the proposed increase will be revised to reflect this.
- 12.3 Since Spending Review 2015 a Council's tax raising abilities have been taken into account when determining the balance of Central resources to be allocated. The shortfall in revenue raised by a tax increase below the maximum permissible level has to be wholly funded locally.

13. EQUALITY IMPACT NEEDS ASSESSMENT (EIA)

- 13.1 An EIA has been undertaken for the car parking and pest control proposals. The results for the car parking proposals do not show any negative impacts, the pest control EIA shows negative impacts so a full screening has been undertaken. The proposed change to this discretionary service will only be implemented after due notice and further mitigation is provided by the potential to apply for support from the Welfare Assistance Scheme in extreme circumstances. Two other Worcestershire districts already apply the proposed approach to pest control charges. None of the other Cabinet Proposals represent significant changes to service delivery so EIA's on the protected groups are not required.

14. BUDGET RISK MANAGEMENT AND SENSITIVITY ANALYSIS

- 14.1 Achieving ongoing financial sustainability is the most significant risk facing the Council. The work done by the Strategic Review Panel provided a range of ideas for the Cabinet to consider in making its recommendations on the Medium Term Financial Strategy.
- 14.2 The Accounts and Audit Regulations 2015 require Local Authorities to fully consider and manage Risk as part of the Budget process. Attached at Appendix 4 is an analysis of the significant financial risks which are affecting the Council.

- 14.3 All local authorities are required to formalise their approach to risk management and evidence it more directly as part of the budgetary process. This requirement has arisen as a result of:-

a. Regulation 3 of the Accounts and Audit Regulations 2015 state that:

“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.”

In addition Regulation 4 of the Accounts and Audit Regulations 2015 also state that:

“The financial control systems determined must include measures to ensure that risk is appropriately managed”.

b. Prudential Framework:-

The assessment of affordability of financial plans requires a judgement about risk. Prudential Indicators are the monitoring tool to assess performance and risk.

c. CIPFA Guidance on Reserves and Balances:-

Highlights the need to consider risks facing the authority; the risks posed by the continuing austerity measures place pressure on the Council to hold higher levels of reserves to ensure ongoing sustainability.

- 14.4 In late October 2019 CIPFA issued a Financial Management Code (FM Code) which provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources

effectively. The first full year of compliance will be 2021-22. This reflects the recognition that organisations will need time to reflect on the contents of the code and can use 2020-21 to demonstrate how they are working towards compliance. This will link to the Financial Resilience Index information also to be provided by CIPFA. CIPFA issued the long awaited Guidance on Prudential Property Investment in Mid November 2019 including a detailed methodology on how authorities could calculate whether their property investments are proportional to the size of their revenue budgets. It is intended that the calculations for the Council will be included within the reporting on the levels of adequate reserves to cover off risk as part of the S151 Officer's report in February; if time permits.

14.5 Assumptions used in this MTFS are as set out in section 5.14 and the overall sensitivity analysis is set out below. The base budget makes no allowance for headroom for additional investment in priorities. In summary, other pressures not yet known and/or not taken into account at this stage are:

- Redundancy costs of further staffing reductions.
- Potential nationalisation of land charge searches by 2023.
- Future impact of welfare reforms including rising number of pensioners.
- Pressure to hold higher reserves because of higher risks/decreased funding.
- Emerging implications of the decision to leave the European Union/Brexit.
- Emerging/unknown implications of Worcestershire County Council decisions.
- Impact of the Government's Waste Strategy.
- Homelessness cost pressures after 2019-20.
- Emerging/unknown impact of the Spending Review
- Impact of the ongoing claims for mandatory business rates relief by Acute Hospitals Trust

14.6 The financial projections suggest deficits in funding across all three years under consideration, leading to an overall projected net deficit over the three years of some £1.68m. In broad terms this can be explained by the combination of cost pressures and reductions in Revenue Support Grant and New Homes Bonus receipts.

14.7 The planned Business Rates baseline reset in 2021 could result in a reduction in the ability to retain business rates growth and therefore there is a risk this will impact adversely on our overall funding position.

14.8 **Sensitivity Analysis**

The following tables summarise the Assumed, Pessimistic and Optimistic amounts for key elements of the Council's income and expenditure for each year of the MTFS.

The "Extreme" totals represent the unlikely situations where all the aspects of the Council's finances are either positive or negative. In reality management would take action to address expenditure at the point in time that significant shortfalls in income were identified. The tables do however show the sensitivity (and therefore the risk) relating to key areas and the difference between the optimistic and pessimistic assumptions for example New Homes Bonus illustrates the sensitivity of the overall

financial projections to these underpinning assumptions:

Table 14.8.1 Sensitivity Summary 2020-21					
Description	<i>Pessimistic</i>		<i>Assumed</i>	<i>Optimistic</i>	
	£'000	£'000	£'000	£'000	£'000
INCOME					
Council Tax	7,422	24	7,446	0	7,446
RSG	0	0	0	0	0
Business Rates	3,102	252	3,354	(84)	3,438
New Homes Bonus	221	12	233	(12)	245
EXPENDITURE					
Net Service Expenditure	11,897	290	11,607	(871)	10,736
Extreme Adverse Circumstances		578			
Extreme Positive Circumstances				(967)	
Table 14.8.2 Sensitivity Summary 2021-22					
Description	<i>Pessimistic</i>		<i>Assumed</i>	<i>Optimistic</i>	
	£'000	£'000	£'000	£'000	£'000
INCOME					
Council Tax	7,562	121	7,683	0	7,683
RSG	(250)	(107)	(357)	107	(464)
Business Rates	2,901	235	3,136	(78)	3,214
New Homes Bonus	192	10	202	(10)	212
EXPENDITURE					
Net Service Expenditure	11,540	281	11,259	(844)	10,415
Extreme Adverse Circumstances		540			
Extreme Positive Circumstances				(825)	
Table 14.8.3 Sensitivity Summary 2022-23					
Description	<i>Pessimistic</i>		<i>Assumed</i>	<i>Optimistic</i>	
	£'000	£'000	£'000	£'000	£'000
INCOME					
Council Tax	7,705	218	7,923	0	7,923
RSG	(250)	(107)	(357)	107	(464)
Business Rates	2,955	240	3,195	(80)	3,275
New Homes Bonus	60	3	63	(3)	66
EXPENDITURE					
Net Service Expenditure	12,178	297	11,881	(891)	10,990
Extreme Adverse Circumstances		651			
Extreme Positive Circumstances				(867)	

15. LOCAL GOVERNMENT ACT 2003

- 15.1 Local Government Act 2003 (Sections 25-29) places duties on Local Authorities on how they set and monitor budgets.
- 15.2 Sections 25-27 require the Section 151 Officer to report on the robustness of the estimates and the adequacy of its proposed financial reserves. This will be reported to Cabinet on 11th February 2020 and form part of the Council report on 26th February 2020.
- 15.3 Section 28 places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the authority must take such action as it concludes necessary. The Council currently reviews the Budget on a quarterly basis, with CLT/Cabinet receiving monthly budget monitoring reports, and this practice will continue.

16. CONSULTEES

- 16.1 Corporate Leadership Team
- 16.2 Cabinet

17. BACKGROUND PAPERS

- 17.1 Accounts and Audit Regulations 2015
- 17.2 Agendas and Minutes of the Strategic Review Panel from June 2019 onwards
- 17.3 Cabinet Report on updated Capital Strategy 2020-30 also on this agenda
- 17.4 Budget Consultation Results
- 17.5 Spending Round 2020-21 Technical Consultation
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836539/Local_Government_Finance_Settlement_2020-21_Technical_Consultation_.pdf
- 17.6 Corporate Plan 2019-23
<https://www.wyreforestdc.gov.uk/media/4734748/CorporatePlanJPEG.JPG>.

WYRE FOREST DISTRICT COUNCIL

**Cabinet
Tuesday 17th December 2019**

**Recommendations from the Overview and Scrutiny Committee
Thursday 5th December 2019**

Car Parking Charges

The Committee considered a report from the Corporate Director: Economic Prosperity & Place setting out the Administration's proposed changes to car parking charges across the District, which are intended to form part of the fees and charges that will be considered and decided by Cabinet at the meeting on 17th December 2019.

Each proposed change to car parking charges was presented in detail by the Corporate Director, including the operational and financial consequences of each proposal together with the combined effect on the Medium Term Financial Strategy. Committee Members were afforded the ability to ask questions and make comments on each proposal. It was noted that the proposed changes will require an advertisement of the Car Park Places Order.

Recommend to Cabinet that:

All the changes described in the report should be implemented, namely: introducing the new charges from 6/4/20, introducing a simplified banding charging structure, removal of the first hour free parking on some car parks, introduction of a 'seasonal increase' in charges in car parks in Stourport and Bewdley between April and October, extending the charging period on all car parks to 9.00pm in the evening and revisions to the suite of season tickets to remove the senior citizen 6 month season ticket as well as all restricted season tickets with effect from 6/4/20.

Background papers:

See the report on page 12 of the pdf at this link:

http://www.wyreforest.gov.uk/council/docs/doc55246_20191205_o_and_s_agenda.pdf

WYRE FOREST DISTRICT COUNCIL

CABINET MEETING
17TH DECEMBER 2019

CAPITAL STRATEGY 2020-30

OPEN	
CABINET MEMBERS:	Councillor Graham Ballinger
RESPONSIBLE OFFICERS:	Tracey Southall: Corporate Director: Resources and Mike Parker, Corporate Director: Economic Prosperity and Place
CONTACT OFFICERS:	Tracey Southall Ext 2100 e-mail tracey.southall@wyreforestdc.gov.uk Mike Parker Ext 2500 e-mail mike.parker@wyreforestdc.gov.uk
APPENDIX 1 APPENDIX 2 APPENDIX 3	Capital Programme 2019-20 onwards Quantitative Indicators for assessment of risk exposure Capital Strategy/Scheme of Delegation The Role of the Section 151 Officer

1. PURPOSE OF REPORT

- 1.1 To seek Council approval of a Capital Strategy for 2020-30.
- 1.2 To consider the Capital Programme 2019-20 onwards and set out the detail to support the recommendations within the separate Medium Term Financial Strategy also on this agenda.
- 1.3 To seek approval of set limits for non financial investments.
- 1.4 To fulfil the key requirements of the MHCLG Investment Guidance.

2. RECOMMENDATIONS

- 2.1 The **CABINET** is asked to **ENDORSE** and **RECOMMEND** to the **Strategic Review Panel** for scrutiny:
- 2.2 The Council's updated Capital Strategy:
 - a) Approve the Capital Strategy 2020-30 including the associated Quantitative Indicators in Appendix 2;

- b) Approve variations to the Capital Programme and Vehicle, Equipment and Systems Renewals Schedule as set out in Appendix 1, Appendices A and B;
- c) Approve the limits for gross debt of non treasury investments compared to net service expenditure and for Capital Portfolio and Development Loans Fund income as a percentage of net service expenditure as set out in Appendix 2;
- d) Approve the limits for loan investments as set out in Section 5.1.

2.3 The Cabinet is asked to APPROVE:

- 2.3.1 That delegation is given to the Corporate Director: Economic, Prosperity and Place in consultation with the Corporate Director: Resources and Solicitor to the Council and the Cabinet Member for Resources to update the Development Loans Fund and Capital Portfolio Strategy Policies in year if required.

3. BACKGROUND

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability.
- 3.2 The Capital Strategy is a key document for the Council and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes an overview of the governance processes for approval and monitoring of capital expenditure.
- 3.3 Ownership of the Capital Strategy sits at the highest level - corporately with members and key officers. It is a primary document for all capital decision making, together with the Corporate Plan and other strategies.
- 3.4 The Council's Capital Programme is the delivery plan for the Capital Strategy and is under-pinned by the borrowing strategy contained in the approved Treasury Management Service Strategy.
- 3.5 This Capital Strategy includes all capital expenditure and capital investment decisions, not only as an individual local authority but also those entered into under group arrangements. It sets out the longer term context in which decisions are made with reference to the life of the projects/assets.

- 3.6 Our current Capital Portfolio Fund policy is that it will always be the Council's preference to invest within the district area to support regeneration and local economic development whilst also allowing the Council to consider opportunities within the wider geographical area of the two Local Enterprise Partnerships, (LEP) which the district is a member of. This report retains this policy.

3.7 Capital vs. Treasury Management Investments

- 3.7.1 Treasury Management investment activity covers those investments which arise from the organisation's cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.
- 3.7.2 For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the Annual Investment Strategy.
- 3.7.3 The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside of normal treasury management activity. These may include service and multiple objective investments. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party.
- 3.7.4 Treasury Management investments are covered in the TMSS approved annually by Council each February. This Capital Strategy clearly links to, and is complementary, to the TMSS. The non treasury investments - the Capital Portfolio Fund and Development Loans Fund approved by Council on 22nd February 2017 are included in the Capital Financing Requirement (CFR) and within the Operational Boundary and statutory Authorised Limit for prudential borrowing in the TMSS. The separate strategies for the Capital Portfolio Fund and Development Loans Fund set out specific detail including reporting, risk and governance of these non treasury investments. The detail of the Development Loans Fund Strategy was updated when the fund management agreement was finalised in November 2018 in liaison with Finance Birmingham as set out in last year's Capital Strategy report. The key principles of the current strategy have been retained.
- 3.7.5 This Council has fully complied with code requirements and has done so ahead of the formal timeline due to the significant Capital Portfolio Fund activity in 2018-19 and 2019-20. In accordance with approved policies and strategies, these property acquisitions are not investments, the property purchases completed so far are classified as operational assets, however, the full suite of prudential indicators is included in this report for full transparency. Currently these are reported for the full £25m Capital

Portfolio Fund only, although this may be refined in future reports as the portfolio management continues to develop.

- 3.7.6 CIPFA finally issued the long awaited Guidance on Property Investment on the 15th November 2019 in response to the recent growing trend for authorities to acquire land and buildings with the effect of supplementing their revenue budgets with rental income. In terms of our current governance, processes and procedures, we already largely comply with the guidance. There are some minor additional best practice disclosures that are included in this proposed Capital Strategy report. The most notable addition to the guidance is a detailed model for how authorities could calculate whether their property investments are proportional to the size of their revenue budgets, should be included within the reporting on the levels of adequate reserves to cover off risk. It is intended that these calculations for the Council will be included as part of the S151 Officer's report in February; if the data required is available.

3.8 Strategic Context

- 3.8.1 This strategy is a high level summary of WFDC's approach to capital investment in the interests of the district. It guides the development of service capital plans, and sets out the policies and practices that the authority uses to establish monitor and manage the Council's capital programme, in line with the Medium Term Financial Strategy also on this agenda. The Capital Strategy will take account of both local improvement priorities and national priorities that are established through effective consultation with residents and our partners; as well as recognising the contribution the Council makes within the Local Enterprise Partnership (LEP) geographies of which it is a member. These priorities inform resource allocation. Progress on achieving these objectives is closely monitored in accordance with the performance framework.
- 3.8.2 The Wyre Forest Forward transformation programme for the period 2020-2023 continues to be developed to meet the anticipated further significant reduction in Government Funding. Its key objectives are to help the Council to become less reliant on this source of funding, through reduced expenditure and increased income, but also to continue to provide its statutory services, protect its most vulnerable residents and attract investment to deliver economic development to the District.
- 3.8.3 The non treasury capital portfolio strategies for the Capital Portfolio Fund and Development Loans Fund are part of the transformation Programme forming a key part of the MTFS from 2017-18. Whilst they will not alone close the funding gap this Council continues to face, they can make a proportionate contribution to achieving ongoing financial sustainability in addition to supporting operational objectives. The original modest assumptions have already been exceeded and based on the performance of acquisitions secured so far are forecast to have reduced

the funding gap by an average £344k per annum by 2022-23 (average 2019-20 to 2022-23). Whilst there is undoubtedly risk attached to the progression of these strategies, the greater risk to our financial future is to do nothing. Risk analysis is set out and explored in detail as part of this report.

- 3.8.4 The increase in PWLB rates by a whole percentage point notified and implemented with immediate effect on the 9th October 2019 may impact on the viability of future business cases for both the Capital Portfolio and the Development Loans Fund. In the short-term, for the balance of the Capital Portfolio Fund, it should be possible to manage this risk by a combination of internal and short-term borrowing. However it may make the Development Loans less attractive and may mean future capital schemes fail to be financially viable when the increased costs of borrowing are factored in.
- 3.8.5 The diagram below shows how this Capital Strategy fits into the overall Strategic Planning Model for the Council.

Simple Strategic Planning Model



3.9 Strategic Links

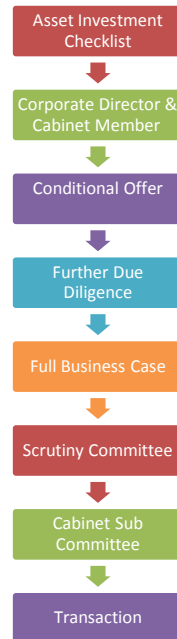
This report links to a number of other key strategies and approvals including the Medium Term Financial Strategy and Treasury Management Strategy Statement. A full list of all linked strategic documents is given in Section 18 – Background Papers.

3.10 Reporting Requirements

- 3.10.1 The Council is required to receive and approve a Capital Strategy report at least once a year to meet the requirements of the MHCLG Guidance. The Strategy will be considered by the Strategic Review Panel before presentation to February Cabinet and then onward recommendation to Council. The Treasury Management Review Panel will continue to be used for treasury management investments but the separate reporting and governance arrangements approved by Cabinet on the 20th September

2017 will be followed for non treasury investments. These are summarised in the diagram below:

**Process Flow for Governance Process for Non Treasury Investments
- Capital Portfolio Fund and Development Loans Fund**



3.10.2 The Strategy focuses on core principles that underpin the current three year detailed capital programme that has now been extended to a ten year period (using a less granular approach) to provide a longer-term context particularly in relation to the capital expenditure funding from prudential borrowing for the Capital Portfolio Fund. It has regard to the requirements of the MHCLG Investment Guidance, therefore including investments that are not managed as part of normal treasury management processes or under treasury management delegations. It gives a position statement with regards to capital expenditure and the resources available in terms of funding for these non treasury policies. The Strategy focuses on the key issues and risks that will impact on the delivery of the Capital Programme including the Capital Portfolio Fund and Development Loans Fund Strategies and the governance framework required to ensure the overall Capital Strategy is delivered.

3.11 Capital Strategy for 2020-30

The strategy for 2020-30 covers the following main areas:

1. Capital Issues

- The Council's Capital Programme is under-pinned by the borrowing strategy contained in the approved Treasury

Management Strategy Statement, the Property Disposal Strategy and also the Capital Portfolio and Development Loans Fund Strategies.

2. Disclosure and reporting requirements required by the Statutory Guidance on Local Government Investments:

- Limits for non treasury investments;
- Agreement of the types of loan to be made and self assessed limit that cannot be exceeded for such loans;
- Agreement of the types of property investments to be made and self assessed limit for total exposure to these investments;
- Definition of types of contribution non-financial investments can make for this Council;
- Processes and procedures for how risk assessment will be managed including security, debt recovery, liquidity and performance monitoring;
- How balance is achieved between Security, Liquidity and Yield based on risk appetite and contributions of investment activities;
- Quantitative Indicators to help measure total risk exposure in terms of proportionality;
- Capacity, skills and culture including policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003 and the MHCLG Guidance on Local Authority Investments. Treasury Management Prudential Indicators (PI's) will continue to be reported within the Treasury Management Strategy Statement and for completeness property PI's will also be included.

4 KEY ISSUES

4.1 CAPITAL PROGRAMME UPDATE

4.1.1 The Cabinet recommends approval of the Base Capital Programme and the Vehicle, Equipment and Systems Renewal Schedule, as part of the budget setting process for the Authority. The Capital Programme proposed in Appendix 1 provides high-level projections over a longer framework this year of 10 years. This extended timeframe is to provide information over an extended period for additional transparency, particularly in relation to movements in the Balance Sheet, Capital Financing Requirements and Minimum Revenue Provision.

4.1.2 The Council entered into further external borrowing as predicted in last year's report; as at the end of November 2019 the total was £35m. The majority of these loans were with the PWLB, except for £2m with Charnwood Borough Council. The Council will continue to enter into further borrowing arrangements in accordance with the Medium Term Financial Strategy (MTFS) as capital schemes progress. The further progression of

the Capital Portfolio Fund and Development Loans Fund funded by borrowing will increase the future borrowing requirement. However, the impact of the whole percent increase in PWLB borrowing rates on the 9th October will be carefully monitored and may be a barrier to the viability of future business case proposals. Progress in respect of these schemes is detailed in section 9.2.5. External borrowing is scheduled within the MTFS as the Council's cash balances continue to reduce and there is limited scope to support further capital expenditure without external borrowing.

- 4.1.3 Projections of right to buy (RTB) receipts, that are being shared with Community Housing Group in accordance with the new agreement from 2019-20 to 2024-25, have been slow in the first half of 2019-20 with the Council share currently forecast to be approximately £100k by year end. From 2018-19, RTB receipts are allocated to the Evergreen Investment Fund to support investments and new residential development undertaken by the Council or through its companies as approved by Council 21st February 2018.
- 4.1.4 The capital allocation passported from Worcestershire County Council from the Better Care Fund increased from just over £1m in prior years to circa £1.2m for 2019-20 and this is allocated to support Disabled Facilities Grants (DFGs) without the need for top-up from Council funding. Slippage from the 2018-19 allocation and re-profiling of the scheme results in £1.5m capital programme budget being available in total for 2019-20. This Council's assumed ongoing allocation for this Strategy is circa £1.2m in 2020-21 and then £1m per annum going forwards but this is subject to confirmation.
- 4.1.5 Good progress has been made on a number of corporate priorities allied to the Capital Strategy this year. A successful bid has been made to the Future High Streets Fund for Kidderminster town centre; full business case to be submitted by April 2020; this includes proposals for the Crown House site, former Magistrates' Court building and Bromsgrove Street car park. The demolition of Crown house and surrender of lease was also successfully negotiated with works due to be complete in early 2020. In addition to this completion of new Railway Station Ticket Office and forecourt works is due in late 2019. Finally, the contract with Homes England for £2.7m Housing Infrastructure Fund contribution towards Churchfields highways works was completed with work commencing in October 2019.
- 4.1.6 Any final adjustments to the Capital Programme 2020-30 and associated Prudential Indicators will be updated in the February 2020 reports to Council.

4.2 CORE PRINCIPLES OF CAPITAL STRATEGY INCLUDING NON FINANCIAL INVESTMENTS

Core principles of this Council's Capital Strategy can be summarised as follows:

Table 1 – Core Principles

Principle 1 – Managing the impact of capital investment decisions on our revenue budgets
We will do this by:
<ul style="list-style-type: none"> Ensuring capital investment decisions do not place unnecessary additional pressure on Council Tax or our MTFS
<ul style="list-style-type: none"> Taking property related and loan decisions that generate an appropriate rate of return to cover costs of funding within an acceptable risk range as set out in the Capital Portfolio and Development Loans Fund Strategies, whilst also meeting Corporate Priorities
<ul style="list-style-type: none"> Purchase rather than leasing vehicles such as the refuse fleet with programmes for replacement that maximise efficiency and minimise revenue budget costs
<ul style="list-style-type: none"> Promote capital investment which allows invest to save outcomes and which contribute to the Council's Corporate priorities and complement the Wyre Forest Forward Transformation programme .
<ul style="list-style-type: none"> Focus on Resources and spending programmes the Council will use to maximise the use and financial return on assets within an acceptable risk
<ul style="list-style-type: none"> Have a defined framework for the management of risk for investments that applies the Security, Liquidity, Yield principles and considers longer term risks and opportunities.
<ul style="list-style-type: none"> Have appropriate exit strategies and contingency plans in place to protect the Council's long term position including maintaining appropriate risk
Principle 2 – Optimise the availability of capital funding where that funding supports the priorities of WFDC
We will do this by:
<ul style="list-style-type: none"> Disposal of surplus assets and use receipts generated to reinvest via the Evergreen Investment Fund, using them to supplement prudential borrowing to expedite delivery of capital schemes in line with Corporate priorities.
<ul style="list-style-type: none"> Effective working relationships with potential funders including the Worcestershire and GBSLEPs and through our Limited Liability Partnership with Public Sector Plc (PSP)
<ul style="list-style-type: none"> Listening to and support effective partnering arrangements

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<ul style="list-style-type: none">• Generating capacity within the services' revenue budgets to deliver ongoing contributions towards necessary capital investment.
<ul style="list-style-type: none">• Have clear policies for the consumption of our reserves

Principle 3 – Ensure we have effective pre and post project appraisal

We will do this by:

- Developing projects that fully support the council's Corporate Priorities and Wyre Forest Forward Programme
- Ensuring a system of competition exists for project/loan approval
- Build into project appraisal recognition of environmental sustainability
- Fully consider project risk
- Carefully consider Value for Money and Efficiency of every project
- Only adding schemes once an affordable business plan is in place

Principle 4 – Performance manage our capital programme

- Integrating the capital programme into our performance management framework
- Ensure our capital schemes use appropriate project management tools
- Expect responsibility for the delivery of the capital programme to be clearly defined
- Make sure our assets perform at an optimal level through effective ongoing asset management, consistent with levels of investment
- Reporting regularly on the performance of our property and non treasury portfolios including updates on risk and recommendations for appropriate mitigation measures.

Key Objectives for non-treasury capital portfolio property acquisitions

- Acquire properties or fund developments that provide value in accordance with the Council's corporate and financial objectives,
- Maximise return whilst minimising risk through the management processes as outlined in this strategy,
- Prioritise properties that yield optimal rental growth and stable income,
- Protect capital invested in acquired properties
- Work within the developed governance framework that enables the Council to move at a timely pace in line with the market
- Build a balanced property portfolio that is proportionate to the overall financial position of the Council

5 LIMITS FOR NON-TREASURY INVESTMENTS FOR 2020-2023

5.1 LOAN TYPES AND SELF ASSESSED LIMIT FOR SUCH THIRD PARTY LOANS

Council on the 22nd February 2017 approved the Development Loans Fund as part of the MTFS. The detailed Strategy for the loans was subsequently approved by Cabinet on 14th June 2017; this set out types of loan that can be made and the detail in relation to the approval process. The detail of the strategy was refreshed as part of the contract for the Fund Management Agreement to deliver this initiative under the delegation approved as part of the current Capital Strategy. The current limit for expenditure on the Development Loans Fund is £10m to be funded in full from prudential borrowing. The Council finalised the appointment of Finance Birmingham as Fund Manager on 29th October 2018 to manage the loans and the plan is that loan durations are kept short to pump prime investment projects **within the district** that would not be supported by high street banks with the optimum loan period being 3 - 5 years and the longest duration being up to 15 years. These relatively short durations will hopefully negate the need for a Minimum Revenue Provision to be made as the repayment of the funds will repay debt and thus make the proposals more affordable. However, a prudent view that MRP will be levied for all loans has been taken in the business case for this proposal. At this time no loan proposals have been approved. The increase in PWLB rates by a whole percentage point notified and implemented with immediate effect on the 9th October may impact on the viability of future business cases for the Development Loans Fund. It may make the Development Loans less attractive and may mean future capital schemes fail to be financially viable taking into account the increased costs of borrowing. The MHCLG recommended limit for debt compared to net service expenditure (NSE) is presented below, together with debt compared to gross service expenditure. These ratios are based

on the current expenditure profiling for these loans included in the Capital Programme; **approval is requested for the upper limit in 2022-30** to provide cover if suitable loan applications are received at a faster pace than currently projected.

Development Loans Fund		2019-20	2020-21	2021-22	2022-23
DEBT TO GROSS SERVICE EXPENDITURE RATIOS					
Non treasury development loans investments debt to gross service expenditure (GSE) ratio	<i>Gross debt of non treasury development loans investments as a percentage of gross service expenditure, where gross service expenditure is a proxy for the size and financial strength of a local authority.</i>	19.51%	20.30%	20.14%	19.98%
DEBT TO NET SERVICE EXPENDITURE RATIOS					
Non treasury development loans investments debt to net service expenditure (NSE) ratio	<i>Gross debt of non treasury development loans investments as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</i>	86.17%	87.08%	84.67%	81.68%

The limit for debt compared to NSE looks high since this is comparing the total gross debt for these loans classed as capital expenditure to the net revenue budget. As the financing costs in relation to such debt would be borne by the revenue budget rather than 100% of the debt at any one time, and debt will only be taken subject to affordability, with due regard to risk, this limit is considered to be acceptable.

However, Net Service Expenditure may not be the best measure of the Council's financial strength and for this reason a number of other quantitative ratios are also included in Appendix 2 to provide additional transparency around the potential risk of this proposal. Key indicators from this Appendix are also included in Section 7.4.1 and demonstrate that the planned capital expenditure within the Development Loans Fund is a relatively modest proportion of the Balance Sheet total for Property Plant and Equipment and the total Capital Financing Requirement. The financing costs are also a small proportion of total NSE.

5.2 TYPES OF PROPERTY BUSINESS CASES TO BE CONSIDERED AND SELF ASSESSED LIMIT FOR TOTAL EXPOSURE

Council on the 22nd February 2017 approved the £25m Capital Portfolio Fund. The detailed Strategy for the Capital Portfolio Fund was updated in the Capital Strategy approved by Council in May 2018 and again in the current Strategy approved by Council in February 2019. The current limit for expenditure on the Capital Portfolio Fund is £25m to be funded in full from prudential borrowing. The MHCLG recommended limit for debt compared to net service expenditure is presented below, together with debt compared to gross service expenditure. These ratios are based on the current expenditure profiling for Capital Portfolio purchases included in the Capital Programme.

A number of other quantitative indicators to provide additional transparency

and a better indicator of the potential risk of this policy are also provided in Appendix 2 and Section 7.4.2.

Capital Portfolio Fund		2019-20	2020-21	2021-22	2022-23
DEBT TO GROSS SERVICE EXPENDITURE RATIOS					
Non treasury property investments debt to gross service expenditure (GSE) ratio	<i>Gross debt of non treasury property investments as a percentage of gross service expenditure, where gross service expenditure is a proxy for the size and financial strength of a local authority.</i>	48.58%	50.02%	48.69%	47.41%
DEBT TO NET SERVICE EXPENDITURE RATIOS					
Non treasury property investments debt to net service expenditure (NSE) ratio	<i>Gross debt of non treasury property investments as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</i>	214.57%	214.52%	204.73%	193.75%

The limit for debt compared to NSE looks much higher than the ratio for the Development Loans Fund since this is comparing the total gross debt of £25m for these investments classed as capital expenditure to the net revenue budget. As the financing costs in relation to such debt would be borne by the revenue budget rather than 100% of the debt at any one time, and debt will only be taken subject to affordability, with due regard to risk exposure in each business case proposal, this limit is considered to be acceptable.

6 **DETERMINATION OF TYPES OF CONTRIBUTION OF NON- FINANCIAL INVESTMENTS TO CORPORATE PRIORITIES**

- 6.1 Non- financial investments can be categorised in accordance with the different types of contribution they make to the corporate priorities of the Council recognising that each investment can have more than one type of contribution.

Types of contribution this Council will consider include:

- Regeneration including provision of housing
- Economic benefit/business rates growth
- Support for local business objectives (eg fulfilling demand for key target sectors); ReWyre led initiatives
- Enabling Enterprise and Business Growth in line with Wyre Forest Strategic aims
- Creation or protection of social value in the local area
- Safeguarding or creation of local jobs
- Supporting neighbourhood strategy
- Responding to local market failure/gaps in market supply of eg certain types of funding
- Regeneration, economic growth across the area of the Council's functional economic geography including the two Local Enterprise

Partnerships (LEPs) – Worcestershire and Greater Birmingham and Solihull in accordance with their Strategic Economic Plans (SEP) and emerging Local Industrial Strategies (LIS) as this will benefit the district.

- Investment in Local Authority Trading Company or associates, Joint Ventures or to other third parties
- Income generation
- Mix of the above

6.2 Ethical considerations for Development Loan and Property Investments

Business case proposals for the council to invest in property either by direct acquisition or Development Loan Funding will include the consideration of ethical issues and will exclude investment in the following types of activity:

- Violence
- The Sex Industry
- Gambling or betting
- Material that may be regarded as offensive or discriminatory
- Political Parties
- Organisations opposed to or campaigning against council policies
- Companies or organisations providing services in competition to WFDC except where, at the discretion of the council, these are partner organisations that are considered complementary to the WFDC services.

7. RISK ASSESSMENT FOR ONGOING MANAGEMENT OF PROPERTY PORTFOLIO

- 7.1 Processes and procedures for how risk assessment will be managed including security, debt recovery, liquidity and performance monitoring were set out in the Capital Portfolio Strategy contained in Appendix 2 of the 2018-2021 report http://www.wyreforest.gov.uk/council/docs/doc53006_20180327_cabinet_agenda.pdf . An overarching Property Portfolio Management Strategy has been developed by the external Property Management contractor Jones Valerio Investment Management and approved by Cabinet on the 16th July 2019 http://www.wyreforest.gov.uk/council/docs/doc54727_20190716_cabinet_agenda.pdf (agenda item 8.1). Jones Valerio will work in close liaison with BNP Paribas Real Estate Advisory and Property Management Ltd who have been appointed to undertake the day to day operational property management of the Capital Portfolio properties. This sets out further detail in relation to the ongoing monitoring and management of the properties.

- 7.2 The balance between security, liquidity and yield based on risk appetite and contributions of investment activities will be achieved by use of the more sophisticated Risk Matrix included in Appendix 2 of the 2018-2021 report that continues to be refined (see paragraph 7.1 for hyperlink). This set out a scoring threshold system. This will allow the Council to have a robust means of comparing multiple opportunities whilst taking into account balance between security, liquidity and yield.
- 7.3 Quantitative Indicators to help measure total risk exposure in terms of proportionality are as set out in full in Appendix 2 – key indicators around proportionality are detailed in Section 7.4 below and Section 9 Financial Implications provides further explanation and detail.

7.4 Proportionality

7.4.1 Development Loans Fund

These relatively short-term loans are intended to pump prime the local economy and will be spread over a number of third parties. This means that the Development Loans Fund carries less risk than the Capital Portfolio Fund. Due diligence will be undertaken by Finance Birmingham to mitigate the risk of default.

This £10m approval is shown below as a proportion of the total CFR, together with the proportion of total Balance Sheet Fixed Assets (ie Property Plant and Equipment). These are a better indicator of proportionality than Debt to net service expenditure (NSE) ratio. We continue to work to progress the Development Loans Fund scheme; however, the net income has been removed from the current estimates as a prudent measure since the recent PWLB borrowing rate increase of one per cent. This has had an impact upon some of the indicators:

Development Loans Fund		2019-20	2020-21	2021-22	2022-23
LOAN TO VALUE RATIOS					
Loan to PPE value ratio (development loans)	<i>The amount of non treasury development loans investment debt compared to the total asset value (Long term assets - PPE).</i>	15.21%	15.19%	15.04%	14.90%
CFR RATIOS					
CFR - Development Loans	<i>Development Loans CFR as a proportion of the gross CFR</i>	16.92%	16.63%	16.55%	16.74%
FINANCING COSTS TO NET SERVICE EXPENDITURE RATIOS					
Development loans investments financing costs to net service expenditure (NSE) ratio	<i>Non treasury development loans investments financing costs as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</i>	0.00%	3.70%	4.11%	3.88%
INCOME/INVESTMENT COVER RATIOS					
Developments loan investment cover ratio	<i>The total net income from development loans investments, compared to the interest expense.</i>	0.00%	0.00%	0.00%	0.00%

7.4.2 Capital Portfolio Fund

The £25m total approval for the Capital Portfolio Fund is shown below as a proportion of the total CFR, together with the proportion of total Balance Sheet Fixed Assets (ie Property Plant and Equipment).

Capital Portfolio Fund		2019-20	2020-21	2021-22	2022-23
LOAN TO VALUE RATIOS					
Loan to PPE value ratio (property)	<i>The amount of non treasury property investment debt compared to the total asset value (Long term assets - PPE).</i>	37.86%	37.44%	36.38%	35.33%
Loan to value ratio (property only)	<i>The amount of property debt compared to the total property asset value (property portfolio only).</i>	101.27%	99.99%	97.17%	94.38%
CFR RATIOS					
CFR - Property	<i>Property CFR as a proportion of the gross CFR</i>	41.98%	41.54%	41.26%	41.60%
FINANCING COSTS TO NET SERVICE EXPENDITURE RATIOS					
Property investments financing costs to net service expenditure (NSE) ratio	<i>Non treasury property investments financing costs as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</i>	4.42%	8.89%	10.28%	9.93%
INCOME/INVESTMENT COVER RATIOS					
Property investment cover ratio	<i>The total net income from property investments, compared to the interest expense.</i>	82.23%	44.90%	37.09%	52.63%
Property target income returns (excluding financing costs)	<i>Net revenue income (excluding financing costs) compared to equity. This is a measure of achievement of the portfolio of properties.</i>	3.49%	5.52%	6.01%	6.42%
Property target income returns (including financing costs)	<i>Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.</i>	1.40%	1.38%	1.13%	1.59%
Commercial income to NSE ratio	<i>Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.</i>	2.85%	3.00%	3.40%	3.43%

Whilst this shows that the Capital Portfolio Fund is a relatively high proportion of the total CFR and Fixed Assets, risk will be mitigated by the robust due diligence included as part of each individual business case as proposals are progressed. The objective is to hold a balanced portfolio to spread risk that is proportionate to the overall financial position of the Council. As shown in section 9.4.5 for future expenditure, the MTFS only assumes a modest net return on these acquisitions leaving scope for a proportion of actual net yield achieved to be set aside as a Risk Reserve if appropriate. For acquisitions already completed 20% of the net yield is being set aside in a Planned Property Maintenance reserve.

8. **CAPACITY, SKILLS AND CULTURE, INCLUDING POLICY ON USE OF EXTERNAL SERVICE PROVIDERS**

- 8.1 The Council recognises that it needs to resource this complex new policy area appropriately. It has procured the independent asset portfolio management services of Jones Valerio Investment Management and BNP Paribas Real Estate Advisory Property Management UK Ltd for operational property management services. Property acquisition opportunities often arise unexpectedly and/or 'off market' and it is important to have

appropriate professional networking contacts and to be nimble in order to take advantage of opportunities when they arise. The Council's external advisors are responsible for identifying suitable opportunities. The Corporate Director Economic Prosperity and Place has the necessary delegations to negotiate conditional offers and, in conjunction with the Council's Financial Services Manager to develop the viability appraisal and business case for the Council to invest.

- 8.2 The Council has commissioned external experts to support its decision making process and has established a framework of suitably qualified valuers and building surveyors to ensure that decisions taken by the Council are based on appropriate valuations and building condition surveys. This framework will be renewed every three years and experts will only be used that hold the appropriate and current qualifications. Further, the Council has retained the services of KPMG, initially to provide an external independent health check reporting on the property evaluation model and process, further develop the viability modelling and also to provide advice on specific property acquisitions proposals at competitive call-off rates. During 2018-19, this advice was used on the more complex acquisitions and the viability model has been developed further to cover a wider range of potential scenarios and also to expedite use of the model. So far in 2019-20 it has been possible to utilise the approved viability model together with the advice of Jones Valerio to inform potential property acquisition decisions.
- 8.3 The contract was finalised on the 29th October 2018 with Finance Birmingham who are FSA accredited Fund Managers with a proven track record, to deliver the Development Loans Fund. It contains provision for regular reporting of performance management of the Fund. The option for a 2 year review and break clause is included within the contract to provide an exit strategy for the Council if the performance of the Fund is failing to reach projected expectations. No loan proposals have been progressed to date.
- 8.4 External advisors engaged to work with the Council on delivering the Capital Portfolio Fund and Development Loans Fund are briefed both before and during their appointment to ensure they are fully cognisant of the context of the authority's corporate values. Copies of all relevant Strategic documents including the Corporate Plan and key governance documents in relation to these activities are provided together with links to the Council's website to ensure updates can be sourced. An overview of the technicalities of the accounting and external auditor requirements is also provided regularly to ensure that advisors appreciate that the prime objective is to deliver statutory services to residents rather than commercial gain. A balance is then established to utilise essential external expertise and advice whilst maintaining good governance and the Council's public sector ethos and values.

- 8.5 Member training will be provided at least annually. The external Fund Managers will prepare reports for development loan proposals and present to Overview and Scrutiny to provide full explanation to members. For particularly complex proposals external specialist advice may be taken and advisors may attend member meetings for additional assurance and explanation.

9. FINANCIAL IMPLICATIONS

9.1 Base Capital Programme

- 9.1.1 The Revised Capital Programme of approved schemes, including details of actual expenditure, prior to 1st April 2019 and technical officers' estimates of projected costs, is set out in Appendix 1A.

9.2. Capital Schemes

- 9.2.1 The Capital Programme is detailed at Appendix 1 and includes the Depot 2020 capital redevelopment project that is now complete. This is our last significant operational base that had not benefited from investment. The project means we have a site that is fit for the future and support growth of commercial income whilst making a welcome revenue positive contribution towards the funding gap.
- 9.2.2 The Capital Programme also includes the allocation of £25k capital receipts from the Evergreen Investment Fund to fund works to lay out temporary car parking at the former Crown House site in Kidderminster. This was considered by Overview and Scrutiny Committee on the 5th December 2019 and is included in the recommendations to Cabinet in the main MTFS report also on this agenda.
- 9.2.3 Cabinet on the 17th November considered a report on the conversion of a property in Stourport. This report made a recommendation to Council that the funding within the Capital Programme previously set aside for Comberton Place (as per the report of 11/07/17) is removed from the Capital Programme and that £60k is reallocated to the Raven Street refurbishment and the remainder returned to the Evergreen Investment Fund as unallocated. This recommendation will be made as part of the suite of MTFS papers to Council in February 2020 and the Capital Programme included in the Appendix of this report reflects this reallocation.
- 9.2.4 Following demolition of the former Wyre Forest Glades Leisure Centre (WFGLC) the first land parcel of Lion Fields has been marketed and a preferred partner Cordwell, appointed from bids received. The Development Agreement has been completed with Cordwell to deliver a cinema led leisure development of the site. A successful Expression of Interest has been submitted to the National Lottery Architectural Heritage Fund for gap funding to bring the former Magistrates Court and indoor

market building back into a positive use. It is hoped that the much needed redevelopment of these key sites will commence soon.

- 9.2.5 The Capital Portfolio Fund supports both regeneration and economic growth allied to the Council's income generation/commercialism objectives. The Development Loan Fund will help deliver the Council's regeneration and economic development objectives in terms of both housing and commercial regeneration in accordance with the corporate plan priority "to support you to contribute to a successful local economy", whilst also potentially generating future income streams.

This Council confirms that it has fully complied with the MHCLG requirements and has done so ahead of the formal timeline due to the significant Capital Portfolio Fund activity in 2018-19. In accordance with approved policies and strategies, these property acquisitions are not investments; property purchases completed so far are classified as operational assets, however the full suite of prudential indicators is included in this report for full transparency.

Allocations that have been approved so far from the Capital Portfolio Fund are shown in the table below; this includes an additional £10k for a 50% contribution to building alterations to Stratford Court to facilitate the letting of vacant space previously to be funded from the revenue budget. The additional car parking provision included within the original business case for Stratford Court is now progressing. Where schemes are allocated but not spent this is subject to approval of full business cases.

Capital Portfolio Capital Fund	Expenditure		Committed £000
	Purchase Price/ Development Cost £000	SDLT, Fees and Capitalised Costs £000	
Acquisitions			
Worcester Street/High Street Retail Units, Kidderminster	1,000	51	40
Stratford Court Offices, Solihull	6,110	389	50
Buntsford Gate Offices, Bromsgrove	1,487	83	
Forest House Start-up Units, Kidderminster	730	37	
Riverside Food and Beverage Units, Kidderminster	2,420	178	
Goldthorn Road Industrial Unit	4,100	268	
Committed Schemes (at 30th November 2019)			
Industrial Units, Kidderminster		55	373
Temporary Accommodation Development proposal			1,660
	15,847	1,061	2,123
Total Capital Expenditure		16,908	19,031
Total Capital Approval			25,000
Balance of Funds remaining 30th November 2019			5,969

- 9.2.6 Capital Expenditure on Wyre Forest House remains at £9.58m. The consolidation of buildings and staff has generated significant revenue savings reflected in the base budget. A significant proportion of the building is now let to external tenants and minor building alteration work to secure these external income streams has been and will continue to be undertaken within budget as appropriate. Further space has been released for external use as part of the Depot 2020 scheme, and is being actively marketed. Expenditure on Wyre Forest House remains within its allocated project budget of £10m. The final account remains outstanding and is the subject of ongoing consideration.
- 9.2.7 The Depot 2020 capital scheme is now complete following approval by Council on the 19th September 2018; the Hub relocation has taken place together with the revenues, benefits and customer service team relocations. A future additional unavoidable cost that was identified during the project relates to the underground fuel tank on the site. As part of the conditions for agreeing the development which has recently been completed, the council gave an undertaking to the Environment Agency to address the underground fuel tank which, if it ever suffered a rupture, would pollute watercourses. Although the timing and the cost of this work is uncertain, the council will have to take appropriate remedial action at some point in the future, probably replacing it with a bunded, above ground tank. Work will be done to establish an estimate of potential cost and timeline so that specific provision can be made for it in a future capital programme.
- 9.2.8 Any future capital receipts from asset disposals together with RTB receipts from 2018-19 will be allocated to the Evergreen Investment Fund (EIF). The approval of the EIF initiative by Council in September 2014 was to provide a sustainable source of capital funding for future projects. This fund will help the Council to realise the regenerative benefits of some of its vacant and underused assets as well as securing some longer term returns from working in partnership with developers. The aim is to help the district grow in housing, business or general economic terms. Total unallocated funding held in the EIF is currently £119k; this is included in the Capital programme ready for allocation to specific schemes once proposals are approved. Officers continue to actively consider how to utilise this to maximise the benefit for the district. Each business case will be considered by Overview and Scrutiny Committee and Cabinet.
- 9.39 It should also be noted that the future funding of the Capital Programme includes an estimated underlying Capital Financing Requirement (CFR) of £56.796m (as at 31/03/2023 – the end of the Finance Strategy). The CFR is currently estimated to be £47.863m at the end of the 10 year Capital Strategy; 31/03/30).
- 9.4 Prudential Borrowing
- 9.4.1 In accordance with the Prudential Borrowing Code, the Council is able to borrow for capital projects, subject to demonstrating that spending plans are affordable, prudent and sustainable. Prudential Borrowing has been

assumed for the Vehicle, Equipment and System Renewals Schedule, the Capital Portfolio Fund and the Development Loans Fund, the Leisure Centre and other relevant approvals. These assumptions result in a Capital Financing Requirement (CFR) (taking into account MRP repayments) summarised in the Table in paragraph 9.4.4.

9.4.2 The Council had £35m external borrowing as at 30th November 2019, as detailed in paragraph 4.1.2. It is certain that the Council will need to consider entering into further external borrowing in the near future although this may not be taken from the PWLB given the increase in interest rates. A combination of internal borrowing and third party borrowing from cheaper sources than the PWLB is likely to be used. The assumptions included in the budget for the utilisation of External Borrowing are shown in 9.4.4 below.

9.4.3 The use of temporary borrowing continues for bridging finance for the Leisure Centre project, pending the receipt of sales proceeds from the former Wyre Forest Glades site. These interim costs are included in the base budget funded from project reserves set aside for this purpose.

9.4.4 Forecast Capital Financing Requirement (CFR)

The CFR is calculated from the Council's balance sheet, and is the underlying need to borrow for capital purposes – in effect the debt liability. It represents the cost of the Council's assets, less any capital receipts and allowable adjustments. Borrowing is undertaken for the CFR as a whole rather than being specific to individual capital programme items or individual property acquisitions.

Once calculated, the Corporate Director: Resources then decides how the debt liability is to be funded. It can be funded either from internal resources on a temporary basis (internal borrowing), or from the market (external borrowing). Internal borrowing is often an effective method of reducing funding costs whilst also avoiding counterparty risk (ie when investing reserves and balances). Whether to use internal or external borrowing is purely an operational decision based on current market conditions and cash balances available.

Borrowing rates remained low until the 9th October 2019 when they were increased by a whole percentage point by HM Treasury making rates far less attractive despite this authority having also signed up to the PWLB Certainty Rate Scheme giving us a reduction of 20bps on borrowing interest rates. The timing and source of external borrowing is carefully considered in liaison with Link Asset Services our Treasury Management advisors who are also now investigating other less costly funding options with us. In the short-term, for the balance of the Capital Portfolio Fund, it should be possible to manage this risk by a combination of internal and short-term borrowing. However it may make the Development Loans less attractive and may mean future capital schemes fail to be financially viable taking into account the increased costs of borrowing are

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factored in. The position will continue to be monitored and reported to members as appropriate but we are in a fortunate position as we have taken most of this risk off the table in relation to the Capital Portfolio Fund by taking tranches of borrowing at the historically low rates. The current CFR and the elements attributable to the Capital Portfolio Fund and Development Loans Fund are shown in the table that follows:

Description	2018-19 (and prior to 01/04/2018)	2019-20	2020-21	2021-22	2022-23
	£'000	£'000	£'000	£'000	£'000
CFR - General Capital Programme	20,563	24,382	24,813	24,636	23,662
CFR - Capital Portfolio Fund	9,832	24,807	24,543	24,087	23,629
CFR - Development Loans Fund	0	10,000	9,825	9,660	9,505
Current estimated Capital Financing Requirement as at 31st March	30,395	59,189	59,181	58,383	56,796

A more detailed analysis of the impact of planned capital expenditure, the CFR and Minimum Revenue Provision giving forward balance sheet projections is shown in the table below. These projections are extended over a longer timeframe in the Appendix of this report to provide additional transparency looking forwards further:

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	Actual £'000	Estimate £'000	Estimate £'000	Estimate £'000	Estimate £'000
Capital Expenditure					
Supported Spend (RSG Settlement)	0	0	0	0	0
Unsupported Spend	14,622	35,470	5,005	1,945	1,199
Total Spend	14,622	35,470	5,005	1,945	1,199
Financed by:					
Borrowing/Leasing	12,936	29,638	1,462	945	199
Capital Receipts	137	995	2,198	0	0
Capital Grants	1,391	4,313	1,345	1,000	1,000
Revenue	158	524	0	0	0
Capital Financing Requirement (CFR)					
CFR	30,395	59,189	59,181	58,383	56,796
Movement in CFR	12,328	28,794	(8)	(798)	(1,587)
External Debt					
Borrowing	29,000	59,000	59,000	58,000	56,000
Other Long Term Liabilities	0	0	0	0	0
Total Debt at 31st March	29,000	59,000	59,000	58,000	56,000
Under/(Over) borrowing	1,395	189	181	383	796
MRP	608	844	1,470	1,743	1,786

RATIO OF FINANCING COSTS TO NET REVENUE STREAM									
					2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
					Actual	Estimate	Estimate	Estimate	Estimate
					%	%	%	%	%
General Fund *Prudential Code					7.77	13.61	21.84	23.97	23.95
General Fund *Local Indicator					4.45	4.02	11.04	13.08	13.44
* A local indicator has been introduced from 2018/19 onwards to reflect the impact of the estimated rental income stream for the Capital Portfolio Fund scheme (currently excluded from the Prudential Code calculation) demonstrating that the capital investment continues to be prudent and sustainable.									

9.4.5 The financial implications for the Council arising from this report are included in the MTFS also being considered by December 2019 Cabinet. The MTFS includes four Cabinet Proposals for further Capital approvals and, the final set of Prudential Indicators will be updated for the February 2020 report. The very modest net returns assumed previously for the Capital Portfolio Fund and Development Loans Fund have now been revised to reflect actual returns for completed acquisitions. Following the unexpected one per cent increase in the PWLB interest rates by the Treasury in October 2019 it is considered prudent to remove the net income for the Development Loans Fund from the MTFS at this time whilst this scheme is being reviewed. A modest approach has been retained for the balance of the approvals yet to be spent to mitigate the risk of underachieving the forecasts within the MTFS. A summary of the latest forecasts for the Capital Portfolio Fund is shown in the following table:

	2019-20	2020-21	2021-22	2022-23
	£	£	£	£
Capital Portfolio Fund				
Capital	15,068,270	0	0	0
Revenue Budget Net Income	(344,740)	(340,140)	(281,000)	(398,770)
NET INCOME IN REVISED MTFS	(344,740)	(340,140)	(281,000)	(398,770)

As known returns are confirmed these will be reported as each business case is approved and revisions reflected in the annual MTFS.

9.4.6 Forecast Future Prudential Borrowing

Based upon current estimates of cashflow there is a potential requirement for the Council to externally borrow up to a further £24m within the period of the current Finance Strategy, based upon the latest estimate of the Capital Financing Requirement detailed above. This is mainly in respect of the two major capital schemes detailed in 9.2.6.

9.4.7 Vehicle, Equipment and Systems Renewal Schedule

A revised Schedule has been prepared and set out as Appendix 1B. Under capital rules vehicles, equipment and systems may be purchased out of Loan, Leasing, Capital Receipts or Revenue. The Corporate Director:

Resources currently recommends that the Council use Prudential Borrowing where Capital Receipts or Direct Revenue Funding is not available.

9.4.8 Looking Forwards

The Government's waste strategy includes proposals including the requirement for weekly food waste collections. Whilst the Government has promised to meet all the costs of change, it is impossible to rely on such a "guarantee" at this stage when legislation has not been passed and detailed estimates of costs and the regime for funding them are not known. This area thus represents a potentially significant funding risk for the council in future.

A future collaborative work stream that may emerge is a reduction in the size of our general waste bins. If this proposal is progressed with Worcestershire County Council this will be subject to future reports and approvals.

9.5 Reserves and Balances

The Council held £4.987m in General Reserves at the 1st April 2019 including a £1.2m Working Balance. It also held £7.868m in Earmarked Reserves including a General Risk Reserve. It is recognised that there may be limited scope within the current levels of Reserves to mitigate the risk arising from the Capital Portfolio and Development Loans Fund. We therefore started to build up these reserves from 2018-19 as part of the business case for each Capital Portfolio Fund proposal with 20% of the net yield being taken to a Planned Property Maintenance Reserve. This approach is considered to be commensurate with assessed future risk, and if necessary will be supplemented by transfers from future final accounts savings that this Council has a strong history of achieving.

As proposals are being progressed, each business case proposal includes an assessment of cumulative risk in terms of the level of reserves required to mitigate such risk. If the Council is unable to maintain appropriate levels of reserve to mitigate risk, proposals will not be recommended for approval. Ongoing reporting of Portfolio Performance led by Jones Valerio will include a review of risk vis a vis reserve levels. Paragraph 12.2 refers to the latest CIPFA Guidance and the relevance to the consideration of the adequacy of proportional risk reserves.

9.6 Fair Values – Implications of Proposals

In accordance with the most recent MHCLG Guidance, an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standing (IFRS) 9, will be used to measure the credit risk of the £10m Development Loans Fund portfolio. The agreement with the external Fund Manager includes provision for

appropriate credit control arrangements including the option for either the Fund Manager or the Council to undertake more complex debt recovery, to be assessed on a case by case basis.

9.7 IFRS 16 – Implications of change in accounting for leases

IFRS 16 (International Financial Reporting Standard) **is** a new standard for lease accounting which **will** come into force in January 2019. It **will replace** the existing **IAS 17** lease accounting standard. The exact impact of this new accounting is currently being assessed and will be reported as part of the Final Accounts process but it is hoped this will not be significant.

10. LEGAL AND POLICY IMPLICATIONS

- 10.1 Capital schemes must comply with legislation such as the Equality Act, and also Council policies, Contract Procedure Rules and Financial Regulations.
- 10.2 The Council has adopted policies for the Capital Portfolio Fund and Development Loans Fund including legal considerations were set out in depth in appendices 3/1 and 3/2 to the medium term financial strategy report, which was considered by Cabinet on 20 December 2016. These remain current so will not be repeated but can be found at <http://www.wyreforestdc.gov.uk/media/2639628/20161220FinancialStrategy2017-2020IncludingCover.pdf> (pages 34 to 54).
- 10.2 The latest MHCLG Guidance on investments that should be read in conjunction with the new Prudential Code introduces the requirement for additional disclosures with increased emphasis on transparency, accountability, proportionality and the risk management framework. The Solicitor to the Council is satisfied that the underlying legal powers for these policies remain unchanged and can still be relied upon and that this new Capital Strategy has appropriate regard to the new Investment Guidance.
- 10.3 In accordance with approved policies and strategies, these property acquisitions are not investments; property purchases completed so far are classified as operational assets, however the full suite of prudential indicators is included in this report for full transparency.

11. STRATEGIC RISK MANAGEMENT

- 11.1 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored. The future risk in relation to the fuel tank at the Green Street Depot site will be recognised by specific provision in the Capital Programme once timing and costs are known. Paragraph 9.2.7 refers.

- 11.2 It is important to identify the risk appetite for each scheme and for the capital programme as a whole, especially when considering the purchase of property assets to be acquired for multiple objectives including a financial return. The Capital Portfolio Fund assets acquired so far are not defined as non-treasury investments under the CIPFA Prudential Code but rather are held as operational assets as they contribute to the Council's corporate priorities, the key principle of control of risk and considering returns consistent with the level of risk still applies. The full suite of Prudential Indicators is reported in this Capital Strategy for full transparency as they are funded from prudential borrowing. Currently these are reported for the full £25m although this may be refined in future reports as the portfolio management continues to develop.
- 11.3 The Corporate Director: Resources will work in liaison with Service Managers to report explicitly on the affordability and risk associated with the Capital Strategy. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.
- 11.4 An assessment of risk should therefore be built into every capital project and major risks recorded in a Risk Register.

11.5 Credit Risk

This is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot pay us our investment returns or complete the agreed contract. Accordingly, the Council will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

11.6 Liquidity Risk

- 11.6.1 This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. There is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation or interest rates. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes.

11.6.2 Development Loans Fund

The planned relatively short term durations of the Development Loans Fund and engagement of external Fund Managers with FSA accreditation and proven, directly relevant private sector experience should ensure the allocation remains relatively liquid. Whilst it is currently envisaged that repayments will be used for the repayment of debt, net yield over and above this requirement can be used to support the overall liquidity of the Council.

11.6.3 Capital Portfolio Fund

Property acquisitions and developments are by their very nature illiquid but regular valuation refreshes, structured property management and ongoing analysis of market conditions will enable risk to be continuously monitored. The weekly economic market analysis that Link Asset Services provide as part of retained Treasury Management Services contract will be useful as an overall indicator of market confidence and this will be supplemented with specific property market intelligence gathered regularly by our appointed independent advisors.

A longer term view will be taken on property market risk with the intention to “ride-out” any downward spikes in the property market as a result of dynamic property market conditions; this is particularly important given the potential for volatility as a result of Brexit.

Subject to regular advice including updates on market conditions, we may adopt a “revolving door” approach to the Capital Portfolio Fund investments. This could involve the disposal of assets once, for example, regeneration objectives have been met and the private sector is willing to take on the investments, to recycle resource by either the repayment of debt or use of capital receipts for further portfolio purchases. Decisions would be dependent on prevailing market conditions, consideration of each business case proposal and appropriate capital approvals.

12. **STRATEGIC RISK MANAGEMENT- CAPITAL PORTFOLIO AND DEVELOPMENT LOANS FUNDS**

- 12.1 The risks associated with the Capital Portfolio and Development Loans Fund Strategies and the steps to be adopted to mitigate them, were set out in depth in appendices 3/1 and 3/2 to the medium term financial strategy report, which was considered by Cabinet on 20 December 2016 (see hyperlink at section 10.2). The latest MHCLG Investment Guidance introduces additional controls, key areas being of proportionality and purely commercial investments that are out of the area. Our current policy for the Capital Portfolio Fund is that it will always be the Council's preference to invest within the district area to support regeneration and local economic development whilst also allowing the Council to consider opportunities within the wider geographical area of the two Local Enterprise Partnerships, (LEP) which the district is a member of, as this will benefit the district. If the Council is no longer able to retain membership across the two LEPS in the future, the geographical policy for property acquisitions will be revisited. If this is the case there is the potential for an increase in strategic risk as a result of a smaller geographical area and less choice/spread for potential purchases. The Development Loans Fund will be used to support regeneration within the district. Due regard is evidenced in this Capital Strategy to proportionality and a transparent approach adopted to ensure Members are fully aware of the potential impact of these plans.

- 12.2 CIPFA issued the long awaited Guidance on Prudential Property Investment in Mid November 2019 including a detailed methodology on how authorities could calculate whether their property investments are proportional to the size of their revenue budgets. It is intended that the calculations for the Council will be included within the reporting on the levels of adequate reserves to cover off risk as part of the S151 Officer's report in February; if time permits.
- 12.3 The appointment of Finance Birmingham as the Fund Managers for the Development Loans fund also provides further assurance and risk mitigation.
- 12.4 The latest version of the CIPFA Prudential Code that must be read alongside the MHCLG Investment Guidance requires the chief financial officer to report explicitly on the risks associated with the capital strategy. The new Prudential Property Investment guidance issued by CIPFA in mid November provides new information around proportionality of capital property purchases funded by prudential borrowing and if necessary further revisions will be made to this Capital strategy in due course. Based on the current guidance the risks associated with the Capital Strategy are summarised in the Risk Matrix that follows:

RISK REGISTER FOR CAPITAL PORTFOLIO FUND (CPF) & DEVELOPMENT LOANS FUND (DLF)	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
External challenge that proposals do not satisfy MHCLG Investment Guidance/other statutory requirements	H	L	G	<p>Identification of objectives – links to corporate priorities/income generation – this will include determination of whether or not proposals meet regeneration and economic objectives; each proposal will be considered on a case by case basis.</p> <p>Due Diligence – including check against statutory powers ie legal basis for proposal.</p> <p>The 2018-19 external Final Accounts audit did not challenge the operational asset classification assigned to the first three property purchases based on the substantial evidence provided.</p>

RISK REGISTER FOR CAPITAL PORTFOLIO FUND (CPF) & DEVELOPMENT LOANS FUND (DLF)	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
Market/economic conditions deteriorate from initial risk assessment and the Council is tied into long term borrowing costs that cannot be covered by future income.	M	M	A	Risks will be refreshed as part of regular reporting on Property Portfolio and Development Loans Fund (DLF) and any “red flags” raised with mitigating actions proposed on a case by case basis. Risk assessments will be considered over the short, medium and longer term as part of due diligence. External borrowing will be profiled so there will be structural options for the future management of overall debt. The transparency of limits for these strategies mean the Council is fully cognisant of proportionality.
100% prudential borrowing due to lack of capital receipts available for funding reduces net yield and means the return is too low compared to the relative risk. This could lead to greater risks being taken to increase yields particularly has HM Treasury increased PWLB rates by a whole percentage point on the 9 th October 2019.	H	M	A	Due Diligence processes in place will ensure risk is fully assessed in each business case proposal. Funding by 100% prudential borrowing, particularly taking into account the increase in PWLB rates will reduce the number of viable opportunities but so far evidence shows this can still work and provide useful income streams whilst also meeting corporate priorities of regeneration etc, increasing business rates, council tax and potentially new homes bonus.
Lack of internal capacity, commercial knowledge and skills; both officers and members.	M	L	A	Successful procurement of external specialist advice. Member training will be provided. For DLF external Fund Managers will attend Overview and Scrutiny committee and for CPF external advice will be taken and provided as appropriate.
Borrowing costs fluctuate and could increase; Council is unable to making ongoing costs of refinancing debt.	M	L	A	Each business case proposal will consider forecasts for the costs of borrowing and build in headroom to allow for reasonable movement. External debt will be taken in different tranches taking advice from Link Asset Services (to give a

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RISK REGISTER FOR CAPITAL PORTFOLIO FUND (CPF) & DEVELOPMENT LOANS FUND (DLF)	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
				spread of maturity dates) to spread this risk and internal borrowing used where possible to reduce costs. An appropriate level of reserves will be held and regularly reviewed to help mitigate this risk.
Bad debts as a result of failure of third parties to make loan repayments or tenant rental default.	M	L	A	Fund manager for DLF will manage debt portfolio, assessing the likelihood of default; provision for an appropriate percentage will be included in business case proposals. A proactive approach will be taken to debt management with advice and assistance offered by the Jones Valerio and BNP Paribas as part of the Property Portfolio Management team and early legal action where necessary to realise security/collateral taken.
DLF - Failure to secure sufficient value of loans to cover the fixed cost of the external Fund Managers; this risk is increased as 12 months of the initial 2 year contract has passed with no proposals progressed	M	M	A	Professional Fund Managers consider there is demand in the district to fill the gap in loan requirements left by banks. Flat fee for minimum 2 year contract period can be met from reserves in worst case scenario. Two potential applications are in the pipeline but complex nature of projects mean proposals take time to progress.
DLF - Collateral/Security on loans granted is insufficient to cover bad debts;	M	L	A	Ongoing monitoring of covenants and credit quality of borrower may require mitigating action, exit strategies and or risk reserves.
DLF - State Aid considerations;	M	L	G	Due diligence checks will explore State Aid requirements in full and a commercial rate will be set for loans well above the basic (now

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RISK REGISTER FOR CAPITAL PORTFOLIO FUND (CPF) & DEVELOPMENT LOANS FUND (DLF)	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
				increased) PWLB rates.
Management costs are excessive	M	L	A	For DLF Management costs are part of contract. For CPF Initially, existing internal resource to be used to manage portfolio with other options considered and evaluated as part of each business case, costs to be covered by income generated.
Minimum Revenue Provision Policy is not sufficiently flexible	M	L	G	Policy change to introduce further flexibility approved as part of TMSS Council from February 2018.
Capital values and rental values can fall as well as rise.	M	M	A	Regular asset valuations will be undertaken and reported with Fair Value adjustments reflected in annual accounts as per accounting requirements. Historically, property investments have performed well and generally values increased over time. Our adopted MRP policy ensures that debt is repaid over the asset life and our evaluation model does not assume capital appreciation when determining viability.
Vacancies (voids) in the portfolio will reduce average yield. As well as lost rental income on vacant units, the Council could find itself liable for a share of on- going costs which a tenant would normally pay such as empty property rates.	M	M	A	Proactive Property Portfolio Management by our external specialists Jones Valerio who will work closely with BNP Paribas and maintenance of appropriate risk reserves will mitigate this.
Disputes with tenants. Common disputes include ongoing maintenance and repair costs of buildings and the ability to recover	M	L	A	Proactive Property Portfolio Management and maintenance of appropriate risk reserves will mitigate this.

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RISK REGISTER FOR CAPITAL PORTFOLIO FUND (CPF) & DEVELOPMENT LOANS FUND (DLF)	Impact (H/M/L)	Likelihood (H/M/L)	Risk Rating (R/A/G)	Risk Mitigation
those costs from tenants				
External factors. Property investment is subject to factors the Council cannot control, e.g. failure of tenants, poor building management, changes in perception of what is a good location, economic downturn etc.	H	L	A	External investment advisors will scan external horizon and report as part of regular monitoring reports.
Ease of market exit (sale)	H	M	R	To be assessed on a case by case basis as part of initial business case and ongoing property portfolio management reports.
Changes in government policy. New CIPFA Guidance on Prudential Property Investment issued in November 2019	H	L	A	<p>Latest MHCLG Investment Guidance received in February 2018 and fully taken into account. The increase in the PWLB interest rate on the 9th October is mitigated by the fact that external borrowing has already been undertaken whilst rates were at historic lows and most of the £25m Capital Portfolio approval has already been spent or committed. Any further changes will be considered and revisions made to the Capital Strategy if appropriate.</p> <p>New CIPFA Guidance already complied with, new detailed model for how authorities could calculate whether their property investments are proportional to the size of their revenue budgets will be included within the reporting on the levels of adequate reserves to cover off risk; ideally this year if time permits.</p>

12.5 The Council is further protected since as more proposals are progressed the Detailed Business Case /Due Diligence reports will include a review of

specific risks and also consider the cumulative risks of the Capital Portfolio and Development Loans Fund strategies with particular emphasis on proportionality.

- 12.6 A schedule setting out risk exposure will be maintained as proposals are progressed and presented to Members as part of the ongoing Property Portfolio reporting process.
- 12.7 The increase in the PWLB interest rate on the 9th October is mitigated by the fact that external borrowing has already been undertaken whilst rates were at historic lows and most of the £25m Capital Portfolio approval has already been spent or committed. It may though make the DLF less attractive to potential applicants and future innovative capital schemes eg for housing provision may become unaffordable.

13. SCHEME OF DELEGATION

- 13.1 The Council's Capital Strategy and Non-Treasury Investments Scheme of Delegation is detailed in Appendix 3.

14 ROLE OF SECTION 151 OFFICER

- 14.1 The Treasury Management Role of the Section 151 Officer is detailed in Appendix 3. The revision of the Treasury Management Code of Practice last year 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.

15. EQUALITY IMPACT ASSESSMENT

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

16. CONCLUSION

- 16.1 This Capital Strategy, sets out the Capital Plans for 2020-30 including the Capital Portfolio Fund and Development Loans Fund and has due regard to the latest MHCLG Guidance on Investments. The Strategy also identifies and cross-references the various policies and strategies of the Council that are linked and together form the overall Corporate Governance Framework. It is useful to have this in a single document for transparency of assurance around what is recognised to be an area where risk needs to be carefully managed in the short, medium and longer term.

17. CONSULTEES

- 17.1 CLT
- 17.2 Cabinet

18. BACKGROUND PAPERS

- The annual Medium Term Financial Strategy including the revenue implications of this Capital Strategy Capital is to be considered by Cabinet on 17th December 2019 and 11th February 2020 and proposed to Full Council on 26th February 2020, together with this report
- the Treasury Management Strategy Statement (TMSS) 2019-20 approved by Council on 27th February 2019 that covers financial investments
- The Asset Management Strategy Report – Cabinet 16th July 2019 and Council 24th July 2019
- The Medium Term Financial Strategy 2018-21 including the Capital Programme Report Appendix 6 considered by Cabinet on 19th December 2017 and 7th February 2018 and approved by Full Council on 21st February 2018
- Approval of Cabinet Proposals for a £25m Capital Portfolio Fund and £10m Loans to Third Parties (now renamed Development Loans Fund) by Council as part of the MTFS 2016-19 on 22nd February 2017
- The Strategies for the Capital Portfolio Fund and Loans to Third parties approved by Cabinet on 14th June 2017
- Approval Process for Capital Portfolio and Loans to Third Parties approved by Cabinet 20th September 2017 and process for Scrutiny of business cases in respect of the capital portfolio fund and development loan fund approved by Overview and Scrutiny Committee 5th October 2017
- The Strategic Asset Management Plan (SAMP) approved by Council 2016
- The Enabling Enterprise and Business Growth In Wyre Forest strategy adopted in 2016
- ReWyre Initiative and Kidderminster Regeneration Prospectus adopted in 2009 and ReWyre ReNewed adopted in 2014.
- Greater Birmingham & Solihull LEP Strategic Economic Plan 2016-30 'A Greater Birmingham for a Greater Britain' 2016
- Worcestershire LEP Strategic Economic Plan 2014-2024 'World Class Worcestershire' 2014
- Corporate Plan 2019-2023 – Council 25th September 2019
- Local Plan Core Strategy 2006-2026

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- MHCLG Statutory Guidance on Local Government Investments (3rd edition) 2nd February 2018
- Asset Management Strategy – Cabinet 16th July 2019 - http://www.wyreforest.gov.uk/council/docs/doc54727_20190716_cabinet_agenda.pdf (agenda item 8.1)
- Cabinet approval of Right to Buy Receipts 19th September 2019 http://www.wyreforest.gov.uk/council/docs/doc53628_20180919_cabinet_agenda.pdf
- Overview and Scrutiny 7th November 2019 – agenda item 7 - Capital Portfolio Fund Quarterly Fund Report http://www.wyreforest.gov.uk/council/docs/doc55164_20191107_o_and_s_agenda.pdf
- CIPFA Guidance on Prudential Property Investment – November 2019

WYRE FOREST DISTRICT COUNCIL

Cabinet
Tuesday 17th December 2019

Recommendations from the Overview and Scrutiny Committee
Thursday 5th December 2019

Crown House Capital Works

The Committee considered a report from the Corporate Director: Economic Prosperity & Place setting out proposals for the Capital works at Crown House to create the temporary car park once demolition has been completed, to be funded through the Council's Evergreen Investment Fund.

Recommend to Cabinet that:

The allocation of the capital funding necessary to enable the use of the site as temporary car parking be made from the Evergreen Investment Fund.

Background papers:

See the report on page 27 of the pdf at this link:

http://www.wyreforest.gov.uk/council/docs/doc55246_20191205_o_and_s_agenda.pdf

WYRE FOREST DISTRICT COUNCIL

**Cabinet
Tuesday 17th December 2019**

**Recommendations from the Overview and Scrutiny Committee
Thursday 5th December 2019**

Wyre Forest Health and Wellbeing Plan Update

The Committee considered a report from the Principle Health & Sustainability Officer updating Members on work to improve health and wellbeing in Wyre Forest and to seek endorsement of the new Wyre Forest Health Action Plan 2019-20.

Members were alerted to figures showing the rates of male suicide in Wyre Forest were higher than the national average. They discussed groups identified as being at risk of loneliness, including new young mothers, and childhood obesity figures and work that is planned as part of a whole systems approach to obesity.

Recommend to Cabinet that:

The Wyre Health Action Plan 2019- 20 as attached at Appendix 2 of the report is approved with the addition of action points for tackling male suicide and loneliness in 'at-risk' groups in Wyre Forest.

Background papers:

See the report on page 33 of the pdf at this link:

http://www.wyreforest.gov.uk/council/docs/doc55246_20191205_o_and_s_agenda.pdf

WYRE FOREST DISTRICT COUNCIL

**Cabinet
Tuesday 17th December 2019**

**Recommendations from the Overview and Scrutiny Committee
Thursday 5th December 2019**

Climate Change Update

The Committee considered a report from the Principal Health and Sustainability Officer providing an update on implementation of the Wyre Forest Climate Change Action Plan 2018/19 and sought endorsement of the updated action plan for 2019/20.

Members were happy to acknowledge the successful Greener Living fairs that had been held in the District and thanked Officers for the work that had been carried out.

The Committee noted the progress on implementation of the Climate Change Action Plan 2018/19 as detailed in appendix 1 of the report AND

Recommend to Cabinet that:

The Climate Change Action Plan 2019/20 as attached at Appendix 2 of the report is approved.

Background papers:

See the report on page 56 of the pdf at this link:

http://www.wyreforest.gov.uk/council/docs/doc55246_20191205_o_and_s_agenda.pdf