

Open

Overview & Scrutiny Committee

Agenda

6pm
Thursday, 7 October 2021
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Overview & Scrutiny Committee

Members of Committee:

Chairman: Councillor M J Hart
Vice-Chairman: Councillor S E N Rook

Councillor S J Chambers
Councillor P Dyke
Councillor S Griffiths
Councillor S Miah
Councillor D R Sheppard

Councillor N J Desmond
Councillor C Edginton-White
Councillor A L L'Huillier
Councillor T L Onslow

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

Information for Members of the Public:

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

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

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

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

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

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

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

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

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

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

Co-opted Members

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

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

mean that they are unable to participate. This also applies to substitute Co-Opted Members, who will need to allow sufficient time before a meeting in order to sign the Code of Conduct.

The following will apply:

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

For Further information:

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

Wyre Forest District Council

Overview & Scrutiny Committee

Thursday, 7 October 2021

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 2 September and the Minutes of the special meeting held on 9 September 2021.	7
5.	Treasury Management Strategy Statement and Annual Investment Strategy Backward Look 2020/21 To consider a report from the Corporate Director: Resources which provides a review of the treasury management activities for 2020-21, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). To also consider the recommendations from the Treasury Management Review panel meeting on 20 September 2021.	12 39

6.	<p>Wyre Forest District Local Plan (2016-2036)</p> <p>To consider a draft of a Cabinet report from the Corporate Director: Economic Prosperity and Place which informs Members of the progress with the examination of the new Local Plan and to seek approval to conduct a public consultation upon the Inspector's Schedule of Proposed Main Modifications to the Plan and documentation produced under delegated authority.</p> <p>The appendices to this report can be found at: https://www.wyreforestdc.gov.uk/reviewreportdocs2109</p> <p>To also consider the recommendations from the Local Plans Review Panel meeting on 6 October 2021.</p>	<p>40</p> <p><i>to follow</i></p>
7.	<p>Work Programme</p> <p>To review the work programme for the current municipal year with regard to the Corporate Plan Priority, Annual Priorities and the Forward Plan.</p>	53
8.	<p>Press Involvement</p> <p>To consider any future items for scrutiny that might require publicity.</p>	
9.	<p>To consider any other business, details of which have been communicated to the Solicitor of the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
10.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>"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".</p>	

Part 2

Not open to the Press and Public

11.	<p>Redevelopment of land, Market Street, Kidderminster</p> <p>To consider a draft of a confidential Cabinet report from the Corporate Director: Economic Prosperity and Place to apprise Cabinet of the current position and dialogue with the land owners regarding the proposed exchange of land assets and acquisition of land, Market Street, Kidderminster.</p>	
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12.	To consider any other business, details of which have been communicated to the Solicitor of the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
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WYRE FOREST DISTRICT COUNCIL

OVERVIEW & SCRUTINY COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER

THURSDAY, 2 SEPTEMBER 2021 (6PM)

Present:

Councillors: M J Hart (Chairman), S E N Rook (Vice-Chairman), C J Barnett, S J Chambers, N J Desmond, P Dyke, C Edginton-White, S Griffiths, A L L'Huillier, S Miah and T L Onslow.

Observers

Councillors: H E Dyke, N Martin and C Rogers.

OS.31 Apologies for Absence

Apologies for absence were received from Councillor D R Sheppard.

OS.32 Appointment of Substitutes

Councillor C J Barnett was a substitute for Councillor D R Sheppard.

OS.33 Declarations of Interests by Members

In respect of agenda item 8 - Worcestershire Homelessness and Rough Sleeping Strategy 2019-2022 Councillor M Hart declared for transparency that he was a private landlord.

As recorded later in the minutes, Councillor S Miah declared in respect of agenda item 8 - Worcestershire Homelessness and Rough Sleeping Strategy 2019-2022 that he was a Chair of a Homeless charity.

OS.34 Minutes

Decision: The minutes of the meeting held on 1 July 2021 be confirmed as a correct record and signed by the Chairman.

OS.35 How Are We Doing? Performance Update

The committee considered a report from the HR & Organisational Development Manager which updated members on the performance of the Council for quarter 1, from 1 April to 30 June 2021.

The HR & Organisational Development Manager presented the report and appendices which included an exception report for all Wyre Forest Forward (WFF) and risk actions that were approaching their due date or were overdue; a detailed report of performance of WFF actions that are not directly associated to a corporate

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plan priority; detailed reports of performance against the purposes of a 'safe, clean and green living environment' and 'supporting a successful local economy'; and a report on the Capital Projects.

The committee considered and fully scrutinised each page of the report and appendices in turn. The HR & Organisational Development Manager, Head of Community & Environment Services, Head of Strategic Growth and Delivery Manager, North Worcestershire Economic Development and Regeneration (NWEDR), were able to provide members with verbal responses to their questions. A written response to any points where further clarification was sought would be circulated to members after the meeting.

Agreed: The progress in performance for quarter 1 be noted.

OS.36 Future High Streets Fund

The committee considered a draft of a Cabinet report from the Corporate Director: Economic Prosperity and Place on the progress with the proposed delivery models for the commercial development sites which will be enabled through the Future High Streets Fund (FHSF) works and on the future operation of the Former Magistrates' Court (FMC) building.

The Delivery Manager, NWEDR, presented the report and outlined the key issues.

The committee discussed the report and acknowledged the challenges surrounding economic regeneration. Members welcomed the news that the planning application for the FMC building had been submitted. The committee fully endorsed the proposal and direction of travel.

Agreed: Recommend to Cabinet that:

Cabinet AGREE to delegate to the Corporate Director: Economic prosperity & Place, in consultation with the Cabinet Member for Economic Regeneration, Planning & Capital Investments and the Corporate Director: Resources the appointment of Public Sector Plc (PSP Facilitating Ltd) to work in collaboration with the Council's officers to bring forward the business cases for the development sites at the Bullring and Worcester Street/Bromsgrove Street locations.

OS.37 Local Lettings Plans and Rural Housing Policy 2021

The committee considered a draft of a Cabinet report from the Head of Strategic Growth which sought to recommend the adoption of the new Local Lettings Plans and Rural Housing Policy.

The Principal Strategic Housing Officer presented the report and outlined the key issues. Members were advised that the new document will align the policy with the Home Choice Plus Allocations Policy and the emerging Local Plan 2016 – 2036 policies and replaces the existing Wyre Forest District Council Local Connection Policy 2013.

The committee discussed the report and unanimously supported the

recommendation.

Agreed: Recommend to Cabinet:

To adopt the Local Lettings Plans and Rural Housing Policy 2021.

OS.38 Worcestershire Homelessness and Rough Sleeping Strategy 2019-2022

The committee considered a draft of a Cabinet report from the Head of Strategic Growth which sought to agree that the modified Homelessness and Rough Sleeping Strategy 2019-2022 is publicly consulted on in advance of adoption and the preparations for a new strategy for 2022.

The Head of Strategic Growth presented the report and outlined the key issues. Members were advised that the current strategy had been amended to take into consideration the changes in dealing with homelessness, as a consequence of Covid 19.

Councillor S Miah made his declaration at this point. The committee discussed the report and unanimously supported the proposals.

Agreed: Recommend to Cabinet to:

- 1.1 Agree the proposed amendments to the Homelessness and Rough Sleeping Strategy 2019 – 2022 are publicly consulted on from 20 September for 6 weeks.**
- 1.2 delegate to the Corporate Director: Economic Prosperity and Place, in consultation with the Cabinet Member for Housing, Health, Wellbeing and Democratic Services to determine the final form of amendments to the strategy following any changes arising as a consequence of the consultation and that the final amendments to the strategy no later than 31 December 2021.**
- 1.3 agree that the final amendments to the strategy determined in accordance with 1.2 above be adopted by the Council as soon as they are finalised.**

OS.39 Work Programme

The committee reviewed and noted the work programme for the remainder of the municipal year.

OS.40 Press Involvement

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

There being no further business, the meeting ended at 7.36pm.

WYRE FOREST DISTRICT COUNCIL

OVERVIEW & SCRUTINY COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER

THURSDAY, 9 SEPTEMBER 2021 (6PM)

Present:

Councillors: M J Hart (Chairman), S E N Rook (Vice-Chairman), S J Chambers, N J Desmond, P Dyke, C Edginton-White, S Griffiths, A L L'Huillier, S Miah and D R Sheppard.

Observers

Councillor: G W Ballinger.

OS.41 Apologies for Absence

Apologies for absence were received from Councillor: T L Onslow.

OS.42 Appointment of Substitutes

No substitutes were appointed

OS.43 Declarations of Interests by Members

In respect of exempt agenda item 5 – Capital Portfolio Fund – Development Funding Proposal:

Councillor M Hart declared that he was a member of the Planning Committee. His comments on the item will be in respect of the proposed business case only and not on any future planning applications.

Councillor S Miah declared that he was the Chairman of a homelessness charity.

Councillor S Griffiths declared that she was responsible for fundraising for a homelessness charity.

Councillor C Edginton-White declared that she was a member of the Planning Committee. Her comments on the item will be in respect of the proposed business case only and not on any future planning applications.

OS.44 Exempt Information

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

OS.45 Capital Portfolio Fund – Development Funding Proposal

The committee considered a draft of an exempt cabinet report from the Corporate Director: Economic Prosperity and Place to agree a business case to support the development of new temporary accommodation from the Capital Portfolio Fund (CPF), Evergreen Fund, Better Care Fund for adapted units and s106 funding.

The Head of Strategic Growth presented the report and gave a comprehensive and thorough explanation of the proposal. She reminded members that the council had agreed to use the CPF to acquire properties that assist the delivery of its economic objectives and to fund development of its own assets.

The Financial Services Manager gave a detailed summary of the financial implications of the proposal and drew members attention to the risks as set out in the report.

The committee fully scrutinised the report. They welcomed the proposal and upon a show of hands, the vote was carried unanimously.

Decision: The Overview and Scrutiny Committee support the cabinet recommendations as set out in the draft confidential report.

There being no further business, the meeting ended at 6.42pm.

WYRE FOREST DISTRICT COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

7TH OCTOBER 2021

**Annual Report on Treasury Management Service and
Actual Prudential Indicators 2020-21**

CABINET MEMBER:	Cllr. Mary Rayner
RESPONSIBLE OFFICER:	Corporate Director: Resources
CONTACT OFFICERS:	Tracey Southall Ext 2100 Helen Ogram Ext 2907 Lisa Hutchinson Ext 2120
APPENDICES:	Appendix 1 – Treasury Activity 2020-21 Appendix 2 – Non-Treasury Prudential Indicators 2020-21 Appendix 3 – Glossary of Terms, Acronyms and Key Definitions
AN OPEN ITEM	

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide a review of the treasury management activities for 2020-21, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2. RECOMMENDATIONS

Overview and Scrutiny Committee recommends to Council to:

- 2.1 **Approve the actual 2020-21 prudential and treasury indicators in this report;**
- 2.2 **Approve the actual 2020-21 non-treasury prudential indicators for Capital Portfolio Fund properties;**
- 2.3 **Note the annual treasury management report for 2020-21, including information on the non-treasury prudential indicators for Capital Portfolio Fund properties.**

3. BACKGROUND

- 3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020-21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

- 3.2 During 2020-21 the minimum reporting requirements were that the full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 26/02/20)
 - a mid-year treasury update report (Council 09/12/20)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 3.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 3.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Treasury Management Review Panel, reporting to Overview and Scrutiny Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the 2020-21 year on 2nd September 2020 and 2nd February 2021, and on 20th September 2021 to support Members' scrutiny role.

4. KEY ISSUES

- 4.1 During 2020-21, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2019-20 Actual £000	2020-21 Original £000	2020-21 Actual £000
Capital expenditure	13,200	9,453	4,904
Capital Financing Requirement	40,566	61,158	40,319
Gross borrowing	37,426	61,000	37,469
External debt	37,000	61,000	37,000
Investments:			
• Longer than 1 year*	18	-	13
• Under 1 year	19,679	18,000	22,954
• Total	19,697	18,000	22,967

* Investments at 31st March 2020 & 2021 include Icelandic investments at impaired values.

Investments and Gross Borrowing balances detailed in the table above reflect the Balance Sheet position including interest accruals, however these are not material.

Actual capital expenditure in 2020-21 was lower than originally anticipated mainly due to slippage and re-profiling of the Capital Programme.

- 4.2 Other prudential and treasury indicators are to be found in Appendix 1. The Corporate Director: Resources also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowings limit (the authorised limit), was not breached.
- 4.3 The financial year 2020-21 continued the challenging environment of previous years, namely historically low investment returns and market uncertainty. Shorter term investment interest rates were fairly flat during most of the year. The impact of the COVID-19 pandemic from March 2020 continues to be significant for treasury management.
- 4.4 The Council entered into further external borrowing, drawing a further loan for £2m to replace a maturity of the same value in year. Competitive rates were achieved with the officers working in close liaison with Link Asset Services (Link), our professional advisors. The borrowing was undertaken within the projected Capital Financing Requirement (CFR) for the period of the current Strategy. Full details can be found in Sections 4 and 8 of Appendix 1.
- 4.5 The full annual review can be found at Appendix 1. This provides greater detail on the treasury activity for 2020-21 along with other relevant information.

5. FINANCIAL IMPLICATIONS

- 5.1 The Financial Implications are contained within paragraph 4.1, and Appendix 1.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Legal and Policy Implications are contained within paragraph 13.1 of Appendix 1.

7. RISK MANAGEMENT

- 7.1 Risk Management is contained within paragraphs 13.2 to 13.5 of Appendix 1. As demonstrated within this report the current economic position remains volatile; as a result, the risk is managed by regular reviews supported by the Treasury Management Review Panel. The Council will continue to invest with only those institutions which have the necessary credit ratings in order to preserve the Council's Capital.
- 7.2 The COVID-19 pandemic continues to place pressure on the Council finances. The ongoing cash flow impact of the pandemic is being closely managed with early morning treasury team meetings continuing to be held daily.
- 7.3 There is a small increase in risk by placing up to 50% of the total investments with the part-nationalised banks or the Council's own bank. However, such investments are only placed by exception, with the express approval of the Corporate Director:

Resources. The Council will continue to aim to achieve the optimum return on its investments commensurate with its investment priorities of security and liquidity.

- 7.4 Risk Management of the Capital Portfolio Fund is set out in the detail of the approved Capital Strategy and associated reports.

8. EQUALITY IMPACT ASSESSMENT

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

9. CONCLUSION

- 9.1 The Treasury Management Review Panel is asked to approve the Recommendations contained within Paragraph 2.

10. CONSULTEES

- 10.1 Corporate Leadership Team
Cabinet Member for Finance and Capital Portfolio
Link Asset Services, Treasury Management Consultants
Treasury Management Review Panel

11. BACKGROUND PAPERS

- 11.1 Treasury Management Strategy 2020-21 approved by Council on 26th February 2020
- 11.2 Annual Report on Treasury Management Service and Actual Prudential Indicators 2019-20 approved by Council on 23rd September 2020
- 11.3 Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2020-21 approved by Council on 9th December 2020
- 11.4 Treasury Management Strategy 2021-22 approved by Council on 24th February 2021
- 11.5 Capital Strategy 2020-30. Approved by Council 26th February 2020
- 11.6 Capital Strategy 2021-31. Approved by Council 1st March 2021
- 11.7 Asset Management Strategy – Cabinet 22nd December 2020
- 11.8 Annual Report on Treasury Management Service and Actual Prudential Indicators 2020-21 reviewed by Treasury Management Review Panel 20th September 2021.

TREASURY ACTIVITY 2020-21**1. Introduction and Background**

1.1 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Non-treasury prudential indicators (Capital Portfolio Fund acquisitions);
- Overall treasury position identifying how the Council has borrowed in relation to its indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

2. The Council's Capital Expenditure and Financing 2020-21

2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

2.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2019-20 Actual £000	2020-21 Estimate £000	2020-21 Actual £000
Capital Expenditure	13,200	9,453	4,904
Resourced by:			
• Capital receipts	470	2,198	284
• Capital grants	1,365	3,811	3,697
• Revenue	350	-	-
Unfinanced capital expenditure	11,015	3,444	923

3. The Council's Overall Borrowing Requirement

3.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2020-21 unfinanced

capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

- 3.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB), other Councils or the money markets), or utilising temporary cash resources within the Council.
- 3.3 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
- 3.4 The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 3.5 The Council's 2020-21 MRP Policy (as required by CLG Guidance – now DLUHC) was approved as part of the Treasury Management Strategy Report for 2020-21 on 26th February 2020.
- 3.6 The Council's CFR for the year is shown below and represents a key prudential indicator.

Capital Financing Requirement (CFR)	31st March 2020 Actual £000	31st March 2021 Original Indicator £000	31st March 2021 Actual £000
Opening balance	30,395	59,189	40,566
Add unfinanced capital expenditure (as shown in 2.2)	11,015	3,444	923
Less MRP	(844)	(1,475)	(1,170)
Closing balance	40,566	61,158	40,319

- 3.7 The borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.
- 3.8 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should

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ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020-21) plus the estimates of any additional capital financing requirement for the current (2021-22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31st March 2020 Actual £000	31st March 2021 Original £000	31st March 2021 Actual £000
Gross borrowing position	37,426	61,000	37,469
CFR	40,566	61,158	40,319

Gross Borrowing balances detailed in the table above reflect the Balance Sheet position including interest accruals totalling £189k (£186k in 2019-20) and the investments placed with this Council by Kidderminster and Stourport-on-Severn Town Councils totalling £280k (£240k in 2019-20).

In accordance with Section 8.5 of the approved Treasury Management Strategy 2020-21, the Council is permitted to borrow in advance of immediate need within forward approved CFR estimates, provided that the decision has been considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. However, as detailed above, the Council was under borrowed as at 31st March 2020 and 31st March 2019.

- 3.9 The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020-21 the Council has maintained gross borrowing within its authorised limit.
- 3.10 The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. In accordance with Section 8.5 of the approved Treasury Management Strategy 2020-21, the Council is permitted to borrow in advance of immediate need within forward approved limits.
- 3.11 Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

	2020-21
Authorised limit	£75.000m
Maximum gross borrowing position (during 2020-21)	£39.000m
Operational boundary	£65.000m
Average gross borrowing position	£37.553m
Financing costs as a proportion of net revenue stream – Prudential Code Indicator	13.60%
Financing costs as a proportion of net revenue stream – Local Indicator reflecting gross rental income stream	5.83%

4. **Treasury Position as at 31st March 2021**

- 4.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2020-21 the Council's treasury position was as follows:

Treasury position	Principal at 31/03/2020 £000	Average Rate/Return during 2019-20 %	Principal at 31/03/2021 £000	Average Rate/Return during 2020-21 %
Fixed rate funding:				
PWLB	33,000	2.59	33,000	2.57
Market – Other Local Authorities*	4,000	1.40	4,000	1.27
Total Debt	37,000	2.50	37,000	2.41
Fixed Interest Investments**	(19,697)	0.83	(22,967)	0.22
Net debt position	17,303		14,033	

* £2m Charnwood Borough Council (maturity in October 2020), £2m Portsmouth City Council (commenced 30th June 2020)

** Principal at 31st March 2020 & 2021 includes Icelandic investments at impaired values. The average rate achieved excludes Icelandic investments.

The maturity structure of the debt portfolio was as follows:

	2019-20 Actual £000	2020-21 Original Limits £000	2020-21 Actual £000
Under 12 months	2,000	100%	3,000
Between 1 and 2 years	3,000	100%	2,000
Between 2 and 5 years	1,000	100%	1,000
Between 5 and 10 years	5,000	100%	6,000
Between 10 and 15 years	5,000	100%	5,000
Between 15 and 20 years	4,000	100%	4,000
Between 20 and 25 years	1,000	100%	-
Over 25 years	16,000	100%	16,000
Total	37,000		37,000

The maturity structure of the investment portfolio was as follows:

	2019-20 Actual £000	2020-21 Original Limits £000	2020-21 Actual £000
Investments:			
• Longer than 1 year*	18	-	13
• Under 1 year	19,679	18,000	22,967
Total	19,697	18,000	22,980

* The only investments held for more than 1 year relate to impaired Icelandic deposits.

The exposure to fixed and variable rates was as follows:

	31 st March 2020 Actual	2020-21 Original Limits	31 st March 2021 Actual
Fixed rate (principal or interest)	100%	100%	100%

5. The Strategy for 2020-21

- 5.1 Investment returns which had been low during 2019-20, plunged during 2020-21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020-21 was that Bank Rate would continue at the start of the year at 0.75% before rising to the end of 2022-23 at 1.25%. This forecast was invalidated by the COVID-19 pandemic outbreak in March 2020 that caused the Monetary Policy Committee to cut Bank Rate in March 2020, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help

cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

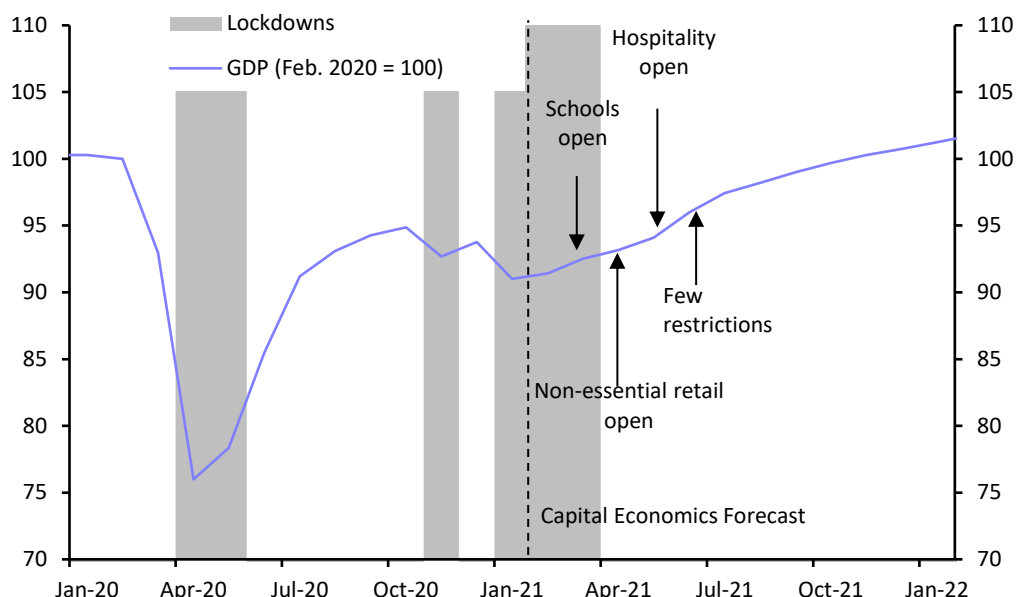
Whilst the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now more able to cope with extreme stressed market and economic conditions.

- 5.2 During 2020-21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

The Council's borrowing strategy was to consider all suitable options and take advantage of the most attractive rates available, both from the PWLB and from the Market including other Local Authorities and other bodies as relevant as and when required. This strategy worked well and allowed further borrowing to be taken from another Local Authority at historically low rates; the decision to borrow was fully evaluated and formally signed off in accordance with agreed protocols.

6. The Economy and Interest Rates (as provided by Link Asset Services)

- 6.1 **United Kingdom (UK)** Coronavirus. The financial year 2020-21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008-09. A short second lockdown in November 2020 did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and United States (US) have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.



Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

- 6.2 The Monetary Policy Committee (MPC) cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing (QE) (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November 2020 to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

Link Group Interest Rate View 8.3.21													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

- 6.3 **Average inflation targeting.** This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level

of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020-21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short-lived factor and so not a concern to the MPC.

- 6.4 **Government support.** The Chancellor of the Exchequer has implemented repeated rounds of support to businesses by way of cheap loans and other measures and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 2020-21 and 2021-22 so that the Debt to Gross Domestic Product (GDP) ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025-26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and/or by amending the Bank's policy mandate to allow for a higher target for inflation.
- 6.5 **BREXIT.** The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and European Union (EU); that now needs to be formalised on a permanent basis. There was much disruption to trade in January 2021 as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.
- 6.6 **USA.** The US economy did not suffer as much damage as the UK economy due to the pandemic. The Democrats won the presidential election in November 2020 and have control of both Congress and the Senate, although power is more limited in the latter. This enabled the Democrats to pass a \$1.9trn (8.8% of GDP) stimulus package in March 2021 on top of the \$900bn fiscal stimulus deal passed by Congress in late December 2020. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also planning to pass a \$2trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.
- 6.7 **EU.** Both the roll out and take up of vaccines has been disappointingly slow in the EU in 2021, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March 2021. This will

inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.

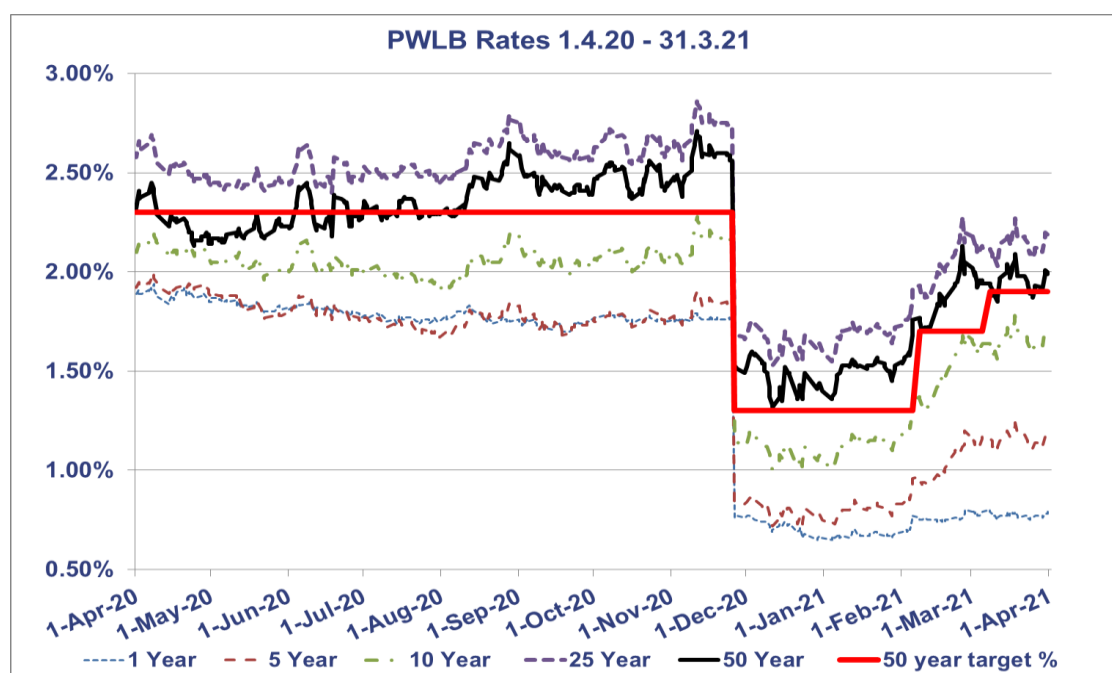
Inflation was well under 2% during 2020-21. The European Central Bank (ECB) did not cut its main rate of -0.5% further into negative territory during 2020-21. It embarked on a major expansion of its QE operations (PEPP) in March 2020 and added further to that in its December 2020 meeting when it also greatly expanded its programme of providing cheap loans to banks. The total PEPP scheme of €1,850bn is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, unlikely to be a euro crisis while the ECB is able to maintain this level of support.

- 6.8 **China.** After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth.
- 6.9 **Japan.** Three rounds of government fiscal support in 2020 together with Japan's relative success in containing the virus without draconian measures so far, and the roll out of vaccines gathering momentum in 2021, should help to ensure a strong recovery in 2021 and to get back to pre-virus levels by Q3.
- 6.10 **World growth.** World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.
- 6.11 **Deglobalisation.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy on the Uighurs in Xinjiang; this led to a much bigger retaliation by China and is likely to mean that the China/EU investment deal then being negotiated, will be torn up. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products and vice versa. This is likely to reduce world growth rates.
- 6.12 **Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of

decades. Both the Federal Reserve (Fed) and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

7. Borrowing Rates in 2020-21

- 7.1 **Public Works Loan Board (PWLB) certainty maturity borrowing rates** - the graph below shows how PWLB certainty rates remain at historically very low levels during the year.



PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields.

HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. Gilt yields fell sharply from the start of 2020 and then spiked up during a financial market meltdown in March 2020 caused by the pandemic hitting western

countries; this was rapidly countered by central banks flooding the markets with liquidity. While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they have diverged during the first three quarters of 2020-21 but then converged in the final quarter. Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the new year of 2021, gilt yields and gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than in the forecast tables in this report.

At the close of the day on 31st March 2021, all gilt yields from 1 to 5 years were between 0.19 – 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.

HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25th November 2020, the Chancellor of the Exchequer announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

8. Borrowing Outturn for 2020-21

8.1 Treasury Borrowing and control of interest rate risk

At 31st March 2021 the Council had an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement (CFR)), was not fully funded with loan debt. During the year the Council entered into further external borrowing with Portsmouth City Council to fund naturally maturing debt. Loans at 31st March 2021 are detailed as follows:

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Lender	Date	Principal	Type	Interest Rate	Maturity
PWLB	15/03/13	£1m	Fixed interest rate	2.62%	15/03/22 (9 years)
PWLB	29/07/14	£1m	Fixed interest rate	3.99%	29/07/33 (19 years)
PWLB	20/10/14	£1m	Fixed interest rate	3.54%	20/10/56 (42 years)
PWLB	02/12/14	£1m	Fixed interest rate	3.44%	02/12/39 (25 years)
PWLB	20/01/15	£1m	Fixed interest rate	2.99%	20/01/39 (24 years)
PWLB	04/02/15	£1m	Fixed interest rate	2.87%	04/02/41 (26 years)
PWLB	04/02/15	£1m	Fixed interest rate	2.80%	04/02/37 (22 years)
PWLB	08/04/15	£1m	Fixed interest rate	2.96%	08/04/35 (20 years)
PWLB	02/07/15	£1m	Fixed interest rate	3.35%	02/07/32 (17 years)
PWLB	20/07/15	£1m	Fixed interest rate	3.40%	20/07/31 (16 years)
PWLB	29/07/15	£1m	Fixed interest rate	3.13%	29/07/30 (15 years)
PWLB	06/08/15	£1m	Fixed interest rate	2.96%	06/08/28 (13 years)
PWLB	02/02/16	£1m	Fixed interest rate	2.99%	02/02/63 (48 years)
PWLB	24/06/16	£1m	Fixed interest rate	2.21%	24/06/26 (10 years)
PWLB	03/03/17	£1m	Fixed interest rate	2.42%	03/03/62 (45 years)
PWLB	26/03/18	£1m	Fixed interest rate	2.28%	26/03/64 (46 years)
PWLB	14/09/18	£1m	Fixed interest rate	2.53%	14/09/60 (42 years)
PWLB	14/09/18	£1m	Fixed interest rate	2.49%	14/09/68 (50 years)

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Lender	Date	Principal	Type	Interest Rate	Maturity
PWLB	25/09/18	£1m	Fixed interest rate	2.59%	25/03/62 (43.5 years)
PWLB	03/12/18	£1m	Fixed interest rate	1.79%	03/12/24 (6 years)
PWLB	12/12/18	£1m	Fixed interest rate	2.47%	12/12/68 (50 years)
PWLB	17/12/18	£1m	Fixed interest rate	2.46%	17/12/66 (48 years)
PWLB	11/02/19	£1m	Fixed interest rate	2.38%	11/02/65 (46 years)
PWLB	12/03/19	£1m	Fixed interest rate	2.36%	12/03/66 (47 years)
PWLB	25/03/19	£1m	Fixed interest rate	1.82%	25/09/27 (8.5 years)
PWLB	25/03/19	£1m	Fixed interest rate	2.29%	25/09/59 (40.5 years)
PWLB	26/03/19	£1m	Fixed interest rate	2.20%	26/09/67 (48.5 years)
PWLB	01/04/19	£1m	Fixed interest rate	1.80%	01/04/29 (10 years)
PWLB	04/06/19	£1m	Fixed interest rate	1.74%	04/11/29 (10.4 years)
PWLB	04/06/19	£1m	Fixed interest rate	2.17%	04/06/69 (50 years)
PWLB	26/06/19	£1m	Fixed interest rate	2.13%	26/01/61 (41.6 years)
PWLB	08/07/19	£1m	Fixed interest rate	1.86%	08/07/34 (15 years)
PWLB	20/08/19	£1m	Fixed interest rate	1.67%	20/08/69 (50 years)
Crawley Borough Council	10/12/19	£2m	Fixed interest rate	1.40%	10/12/21 (2 years)
Portsmouth City Council	30/06/20	£2m	Fixed interest rate	1.00%	30/06/22 (2 years)
Total		£37m			

8.2 Against the risks within the economic forecast, caution was adopted with the treasury operations. The Corporate Director: Resources therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

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

Interest rate forecasts expected only gradual rises in medium- and longer-term fixed borrowing rates during 2020-21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

8.3 Rescheduling

No rescheduling was carried out during the year as none of the following conditions/requirements were met:

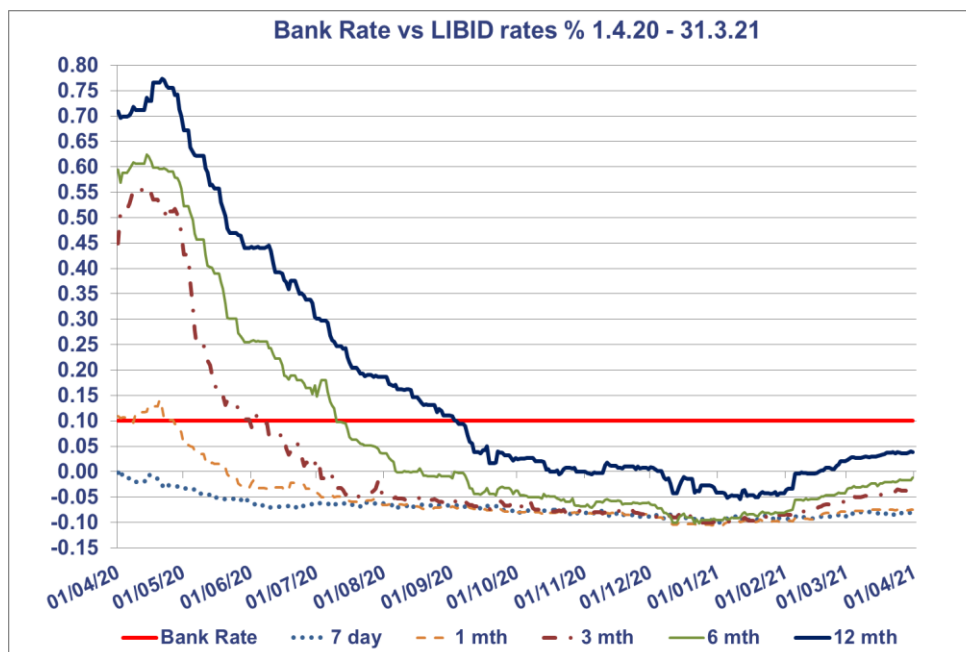
- the generation of cash savings and/or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

8.4 Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from investment of the extra sums borrowed.

9. Investment Rates in 2020-21

9.1 Bank Rate remained at 0.10% throughout the year.



10. Investment Outturn for 2020-21

- 10.1 **Investment Policy** – the Council’s investment policy is governed by the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance, implemented in the annual investment strategy approved by the Council on 26th February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The Link Credit Worthiness Policy adds further layers of check.
- 10.2 The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.
- 10.3 Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources (£000)	31 st March 2020	31 st March 2021
Balances	6,033	5,600
Earmarked reserves	7,010	8,259
Earmarked reserves* (Ring-fenced for Business Rates deficit and external funding support)	1,742	12,423
Provisions**	-	2,090
Usable capital receipts	2,704	2,967
Total	17,489	31,339

*the 31st March 2021 balance includes £10.621m created from Government grants received in 2020-21 specifically to meet COVID obligations in 2021-22.

**the increase reflects the return to the standard national approach to business rates income shares (50% scheme) following a different approach in technical accounting arrangements for the 75% Business Rates Pool in 2019-20.

- 10.4 **Investments held by the Council** - the Council maintained an average balance of £26.889m of internally managed funds. The internally managed funds earned an average rate of return of 0.22%. The comparable performance indicator is the average 7-day LIBID rate, which was -0.071%. External Interest received on investments totalled £58,460 compared to the revised budget of £50,000.

11. Performance Measurement

- 11.1 One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide. The Council's performance indicators were set out in the Annual Treasury Management Strategy.
- 11.2 This service has set the following performance indicator:
- Investments – Internal returns (0.22%) compared to the 7 day London Interbank Bid (LIBID) rate (-0.071%)
- 11.3 The Council continues to be a member of the Link regional benchmarking group. The group currently comprises twelve Local Authorities (LAs); 3 County Councils and 9 District / Borough/ City Councils and the group meet twice a year. Quarterly performance reports are prepared by Link. The purpose of the benchmarking group is to compare Security of Capital, Liquidity and Yield (SLY - risk and return), aiming to maximise return in line with each authority's individual risk appetite.
- 11.4 Link reported that the results of the benchmarking group at 31st March 2021 were that the Weighted Average Maturity (WAM) was 56 days and the Risk Factor was 4.2 (1 being the lowest, 7 being the highest).
- 11.5 Performance against the model band benchmark for 2020-21 was as follows:
- June 2020: In line
September 2020: In line
December 2020: In line
March 2021: In line
- The recent benchmarking results are explored in more detail in the separate benchmarking briefing note on this agenda.

12. Icelandic Bank Defaults

- 12.1 As has been widely reported, this Council had £9m invested in Icelandic banks at the time of their collapse in October 2008.
- 12.2 Final distributions of the £1m Heritable Bank and £5m Kaupthing, Singer & Friedlander investments were received on 30th July 2020 and 19th August 2021.

The Council's Balance Sheet will reflect no further Icelandic investment balances as at 31st March 2022.

13. Regulatory Framework, Risk and Performance

- 13.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:
- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity. Updated guidance on Minimum Revenue Provision was issued by MHCLG under this power on 2nd February 2018;
 - The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken;
 - Statutory Instrument (SI) 3146 2003, as amended, developed the controls and powers within the Act;
 - The SI requires the Council to undertake any borrowing activity with regard to the CIPFA) Prudential Code for Capital Finance in Local Authorities;
 - The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
 - Under the Act the CLG (now MHCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
 - Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices.
 - MHCLG Statutory Guidance on Local Government Investments (3rd edition), issued 2nd February 2018.
- 13.2 The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular, its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 13.3 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of Link, the Council's advisers, has proactively managed its treasury position.
- 13.4 Shorter-term rates and likely future movements in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.
- 13.5 The future financial position for the Council continues to be extremely challenging. Whilst work has commenced on the ambitious Transformation Programme there is

a risk that progress will be slower than currently scheduled. This together with reduced income and increased costs as a result of the ongoing impact of COVID as the country continues on the roadmap to recovery represents a significant risk.

The Council holds a reasonable level of reserves and balances and these increased following the 2020-21 Final Accounts, so this mitigates financial risk in the short to medium term. However, relying on reserves to get us through until 2024 depends on further savings being implemented and the rate of drawing on reserves not increasing significantly.

The historically low interest rates on investments is a further drain on the Council's financial resources and comes at a time when treasury management cash flows are higher than normal due to the high level of COVID related funding being passported through districts. However, speculation that we could suffer from negative interest rates has not materialised and the economy does seem to be bouncing back to an extent, as lockdown unwinds. Whilst PWLB borrowing rates, are still at historically low rates, no further PWLB borrowing was taken in 2020-21 although a local authority loan than matured by replaced by a new loan with a different Council, as the cost of internal borrowing has been much lower. There remains the potential to make savings in respect of future borrowing that will be taken into account at Revised Budget.

There are however, major external risks that could undermine the position. The delayed reforms to local government finance represent significant uncertainty. It is impossible to predict how and when they will affect Wyre Forest. New homes bonus might not survive (it is not funding distributed on the basis of needs), although alternative incentive mechanisms to encourage housing growth or other actions might be introduced. This ongoing uncertainty around future funding across the public sector remains a key risk making projections of future treasury cash flows very difficult.

14. The Capital Portfolio Fund

- 14.1 Council on the 22nd February 2017 approved £25m Capital Portfolio Fund, funded by prudential borrowing. A further £1.5m was approved by Council on 26th February 2020. The detailed Strategy for the Capital Portfolio Fund was initially approved by Cabinet on 14th June 2017 (updated in Appendix 2 of the Council's Capital Strategy; approved by Council on 23rd May 2018); this sets out the types of property activity to be considered. MHCLG issued further guidance in February 2018 and this is reflected in the comprehensive Capital Strategy 2020-30 approved by Council in February 2020.
- 14.2 In accordance with approved Council Policy, property purchases for the Capital Portfolio Fund have multiple objectives, including importantly, meeting corporate priorities and are not held for purely investment purposes. They are held on the balance sheet under the Operational Asset classification.
- 14.2 The MHCLG Guidance recommends that we report a suite of ratios in respect of non-treasury investments. Whilst the Capital Portfolio Fund property acquisitions are not investment assets, these extra ratios are reported for full transparency, based on the 2020-21 outturn, in this report. A number of local quantitative

indicators to provide additional context and facilitate a better understanding of the potential risk of this policy are also included – these are highlighted in Appendix 2.

- 14.3 The total spend against the Capital Portfolio Fund capital allocation during 2020-21 was £33k on construction costs in respect of a suite of industrial units in Kidderminster. The remaining balance unspent (and uncommitted) at year end is £9.207m.
- 14.4 The prudential indicators in respect of the completed schemes as at 31st March 2021 are reported in Appendix 2. The performance of the Capital Portfolio Fund will continue to be reported separately in future property focussed reports as set out in the Asset Management Strategy Report approved by Cabinet 16th July 2019 and endorsed by Council 24th July 2019.

NON TREASURY PRUDENTIAL INDICATORS 2020-21

APPENDIX 2

		2020-21 Budgeted Indicators for Total Capital Portfolio Fund	2020-21 Outturn for Capital Portfolio Acquisitions at 31/03/21
DEBT TO GROSS SERVICE EXPENDITURE RATIOS			
<input type="checkbox"/> Gross debt to gross service expenditure (GSE) ratio	Gross debt as a percentage of gross service expenditure, where gross service expenditure is a proxy for the size and financial strength of a local authority.	101.75%	65.14%
<input type="checkbox"/> Non treasury property investments debt to gross service expenditure (GSE) ratio	Gross debt of non treasury property acquisitions as a percentage of gross service expenditure, where gross service expenditure is a proxy for the size and financial strength of a local authority.	47.04%	30.33%
DEBT TO NET SERVICE EXPENDITURE RATIOS			
Gross debt to net service expenditure (NSE) ratio	Gross debt as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.	338.47%	287.53%
Non treasury property investments debt to net service expenditure (NSE) ratio	Gross debt of non treasury property acquisitions as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.	156.47%	133.85%
LOAN TO VALUE RATIOS			
Loan to value ratio (Gross)	The amount of gross debt compared to the total asset value (Long term assets - PPE).	66.11%	52.57%
Loan to PPE value ratio (property)	The amount of non treasury property debt compared to the total asset value (Long term assets - PPE).	30.56%	24.47%
Loan to value ratio (property only)	The amount of property debt compared to the total property asset value (property portfolio only).	98.67%	119.48%
CFR RATIOS			
<input type="checkbox"/> CFR - Property	Property CFR as a proportion of the gross CFR	46.54%	41.80%
FINANCING COSTS TO NET SERVICE EXPENDITURE RATIOS			
<input type="checkbox"/> Property investments financing costs to net service expenditure (NSE) ratio	Non treasury property acquisitions 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.	5.29%	5.76%
INCOME/INVESTMENT COVER RATIOS			
Property investment cover ratio	The total net income from property acquisitions, compared to the interest expense.	1.59%	3.75%
<input type="checkbox"/> Property target income returns (excluding financing costs)	Net revenue income (excluding financing costs) compared to equity. This is a measure of achievement of the portfolio of properties.	3.37%	5.29%
<input type="checkbox"/> Property target income returns (including financing costs)	Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.	0.03%	0.15%
Commercial income to NSE ratio	Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.	3.11%	2.26%
TRENDS			
Gross income	The income received from the property portfolio at a gross level over time.	(£1,350,880)	(£1,152,202)
<input type="checkbox"/> Operating costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio expands.	£562,990	£388,948
<input type="checkbox"/> Financing costs	The trend in financing costs of the non-financial property portfolio over time, as the portfolio expands.	£780,310	£741,470
Net income	The income received from the property portfolio at a net level (less costs) over time.	(£7,580)	(£21,784)

☐ Local quantitative indicators

GLOSSARY OF TERMS, ACRONYMS AND KEY DEFINITIONS

LAS: Link Asset Services, Treasury solutions – the council's treasury management advisers.

CE: Capital Economics - is the economics consultancy that provides Link Asset Services, Treasury solutions, with independent economic forecasts, briefings and research.

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

DLUHC: Department for Levelling Up, Housing and Communities - the Government department that directs local authorities in England.

DMO: Debt Management Office – an Executive Agency of HM Treasury

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

EZ: Eurozone -those countries in the EU which use the euro as their currency

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MHCLG: the Ministry of Housing, Communities and Local Government (now DLUHC)

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

WYRE FOREST DISTRICT COUNCIL

**Overview and Scrutiny Committee
Thursday 7th October 2021**

**Treasury Management Review Panel
Monday 20th September 2021**

Annual Report on Treasury Management Service and Actual Prudential Indicators 2020 - 21

The Treasury Management Review Panel considered a report from the Corporate Director: Resources that provided a review of the treasury management activities for 2020 - 21, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

There was unanimous agreement by Review Panel Members for commending to the Overview and Scrutiny Committee to make recommendations to Council.

Recommend to Overview and Scrutiny Committee that it recommends to Council to:

1.1 Approve the actual 2020-21 prudential and treasury indicators in this report;

1.2 Approve the actual 2020-21 non-treasury prudential indicators for Capital Portfolio Fund properties;

1.3 Note the annual treasury management report for 2020-21, including information on the non-treasury prudential indicators for Capital Portfolio Fund properties.

Background papers:

Annual Report on Treasury Management Service and Actual Prudential Indicators 2020-21, Monday 20th September 2021.



Overview & Scrutiny Committee

Report of: Kate Bailey

Date: 7 October 2021

Open

Wyre Forest District Local Plan (2016-2036)

Summary

Attached is a draft of a Cabinet report on this subject, which Cabinet is expected to consider on 13 October 2021.

The Overview and Scrutiny Committee is invited to consider the report and provide recommendations to Cabinet.

Officer Contact Details:

Kate Bailey
Head of Strategic Growth
01562 732560



CABINET
13th October 2021

Subject: Wyre Forest District Local Plan (2016-2036)

OPEN	
CABINET MEMBER:	Councillor Helen Dyke – Leader & Cabinet Member for Economic Regeneration, Planning and Localism
RESPONSIBLE OFFICER:	Corporate Director: Economic Prosperity & Place.
CONTACT OFFICER:	Kate Bailey – Head of Strategic Growth
APPENDICES: <i>The appendices to this report can be found at:</i> https://www.wyreforestdc.gov.uk/revi-ewreportdocs2109	Appendix 1 – Consultation documents: <ul style="list-style-type: none"> • ED57 - Schedule of Proposed Main Modifications to the Wyre Forest District Local Plan (2016-2036) (September 2021) • ED58 - Sustainability Appraisal of the main modifications to the Submission Wyre Forest District Local Plan (September 2021) • ED59 - Schedule of proposed changes to the policies map to reflect the proposed main modifications to the draft Local Plan (July 2021) Appendix 2 – Supporting documents: <ul style="list-style-type: none"> • ED53 - Schedule of Additional (Minor) Modifications to the Wyre Forest District Local Plan (2016-2036) (July 2021). • ED54 - Schedule of Appendix B Map updates (July 2021) • ED55 - Correction Note for document SD03: Amendments to Pre-Submission Policies Map (July 2021) • ED56 - Wyre Forest District Council Five Year Housing Land Supply at 1st April 2021 Appendix 3 – Statement of Representation Procedure

1. Purpose of Report

- 1.1 The purpose of this report is to:
- 1.2 Inform Members of the progress with the examination of the new Local Plan and to seek approval to conduct a public consultation upon the Inspector's Schedule of Proposed Main Modifications to the Plan and documentation produced under delegated authority.
- 1.3 Agree the Inspector's Schedule of Proposed Main Modifications to the Wyre Forest District Local Plan (2016-36) (shown in Appendix 1 of this report as document ED57) for the purposes of the proposed consultation.
- 1.4 Agree the Schedule of proposed changes to the policies map to reflect the proposed main modifications to the draft Local Plan (July 2021) (shown in Appendix 1 of this report as document ED59).
- 1.5 Agree the Schedule of Additional (Minor) Modifications to the Local Plan (shown as a supporting document (ED53) in Appendix 2 of this report) to accompany the proposed consultation.
- 1.6 Note the consultation supporting documents in Appendix 2 of this report.
- 1.7 Note the Statement of Representation Procedure in Appendix 3 of this report.

2. Recommendation

To ensure that Wyre Forest District Council continues to progress a new Local Plan for management of development in the District, it is recommended that Cabinet **AGREE** the following:

- 2.1 To approve the Inspector's Schedule of Proposed Main Modifications to the Wyre Forest District Local Plan (2016-2036) (ED57) and the subsequent changes to the Policies Map (ED59) (together with the associated supporting documents, including the Sustainability Appraisal (ED58)) (all documents listed in Appendix 1 to 2) for the purposes of the statutory consultation.
- 2.2 That the Corporate Director: Economic Prosperity & Place be authorised to conduct a public consultation on the Inspector's Schedule of Proposed Main Modifications and the relevant supporting documents, including the Sustainability Appraisal.
- 2.3 To delegate authority to the Corporate Director: Economic Prosperity & Place in consultation with the Cabinet Member for Economic Regeneration, Planning and Localism to make any such necessary arrangements for that consultation including final review of any detailed modifications issued by the Inspector following the close of the consultation.

3. Summary

- 3.1 Since 2015, Wyre Forest District Council has been working towards the preparation of a Local Plan for the period 2016 – 2036. The Local Plan sets out the policies and plans to guide future development within Wyre Forest District up to 2036. It will be the statutory document against which individual planning applications are determined. The Local Plan therefore has a key role in shaping the future of the district.

4. Introduction

- 4.1 This report is seeking the approval of Cabinet that the Council publish for public consultation the Main Modifications to the Wyre Forest District Draft Local Plan 2016 – 2036.
- 4.2 The Wyre Forest District Local Plan 2016 – 2036 (Local Plan) will be the statutory development plan, which sets out a spatial development strategy for accommodating future development growth alongside the planning policies used to determine planning applications.
- 4.3 The Local Plan covers the period 2016 – 2036 and on adoption will replace the Council's currently adopted development plan documents. The Local Plan allocations meet the need for 5,520 new homes and 29 hectares of employment land. To keep the Local Plan up to date, there is a requirement in the NPPF for it to be reviewed within five years of its adoption.

5. Independent Examination of the Local Plan

- 5.1 Following four rounds of formal public consultation in the period 2015-19 and the agreement of Full Council at a special meeting held on 20th February 2020, the Local Plan was submitted to the Secretary of State for independent examination on 30th April 2020. The Local Plan underwent four weeks of formal hearing sessions in January/February 2021, which were led by the appointed Planning Inspector.
- 5.2 The documents submitted for Examination included the Local Plan itself (SD01) (which can be found at [Local Plan \(2016-2036\) Submission Document \(excluding Policies Map\)](#)) as well as a draft 'Table of Modifications for consideration by the Planning Inspector' (SD12) and a draft 'Table of Additional (Minor) Modifications' (SD11). Both of these documents (SD12 and SD11) can be found on the Council's website in the Examination Library under the heading 'Submission Documents'.
- 5.3 Following the hearing sessions, the Planning Inspector issued an advice note on the 'Preparation of the initial draft schedule of Main Modifications' (ED46) for the Council in February 2021. This advice note can be found in the Examination Documents as ED46 ([Microsoft Word - preparation of the Initial draft schedule of main modifications, Wyre Forest District LP.docx \(wyreforestdc.gov.uk\)](#)). In this advice note, the Inspector gives advice to the Council about the preparation of the draft schedule of proposed main modifications to the Local Plan. The

Inspector's remit is to recommend main modifications that are necessary for the soundness of the Plan. Any modifications that are not necessary for soundness (although they may be necessary for re-ordering of the document or other minor updating, for example) are a matter for the Council and should be compiled in a separate schedule as 'additional (minor) modifications'.

- 5.4 In the advice note (ED46), the Inspector explains that the proposed Main Modifications schedule will include i) the modifications suggested by the Council in document SD12 (unless they have been superseded/amended during the course of the examination), ii) some of the modifications suggested by the Council in document SD11, which the Inspector considers necessary for soundness, and iii) re-drafted policy, text and tables/graphs as appropriate to address the soundness points raised by the Inspector during the examination. In addition, the proposed Main Modifications also address issues that were raised by the Inspector in her initial questions document ED6.
- 5.5 There were also further Main Modifications identified by the Planning Inspector at the hearing sessions which mainly comprise detailed policy wording which are also required for reasons of 'soundness'.
- 5.6 Main Modifications can only be proposed if they are required to make the Local Plan 'sound' and the issue should have already been discussed at the examination hearing sessions. Main modifications, where relevant, should also be shown on the policies map which accurately illustrates geographically the application of the policies within the Local Plan.
- 5.7 Other minor modifications, such as typographical errors and numbering changes are categorised as Additional (Minor) Modifications which are not the subject of public consultation. However, it is good practice that they are published alongside the consultation on Main Modifications as a supporting document.
- 5.8 The Schedule of Proposed Main Modifications to the Wyre Forest District Local Plan (ED57) and the Schedule of proposed changes to the policies map to reflect the proposed main modifications to the draft Local Plan (July 2021) (ED59) are attached at Appendix 1. The Schedule of Additional (Minor) Modifications (ED53) is attached at Appendix 2. It should be noted that these schedules supersede all previously published versions of the suggested modification schedules (SD12 and SD11) submitted as part of the Examination. All schedules should be read alongside the Submission version of the Local Plan (SD01), which is the version of the Local Plan they are seeking modifications to.

6. The revised National Planning Policy Framework (NPPF)

- 6.1 On 20th July 2021 the Government published a revised version of the NPPF. This latest version replaces the previous version of the NPPF published in February 2019. The revised NPPF includes no transitional provisions for local plans that were submitted for examination after 24th January 2019. Since one of the tests of soundness of local plans is consistency with national planning

policy, the Council has had to consider whether the revised NPPF has any implications for the Wyre Forest Local Plan 2016-2036. Where implications have been identified, they have been addressed as part of the main modifications.

7. The Main Modifications

- 7.1 The Schedule of Main and subsequent changes to the policies map are attached at Appendix 1. Although, not subject to consultation the Schedule of Additional (Minor) Modifications are set out at Appendix 2, alongside some additional supporting documents. A summary of the key proposed main modifications is summarised in Table 1 below.

Table 1: Key Proposed Main Modifications

Ref	Policy	Key Proposed Main Modification
MM5.1	Policy 5A	Policy 5A (Sustainable Development) deleted as it paraphrases the NPPF and is not necessary to include in the Local Plan. Also, it may give rise to conflict with future amendments to NPPF.
MM6.4 MM6.8	Policy 6A	Policy 6A. Over-allocation of housing changed from 15% to 20%, and total housing supply increased to 6715, mainly through amendment to the capacity of sites and reallocation from employment to housing.
MM8.1	Policy 8A	Policy 8A. Density for all developments expected to minimum 35 dwellings per hectare (dph). Indicative densities added for Kidderminster town centre (70dph), Kidderminster near town centre and railway station (50+dpa), Stourport (50dph) and Bewdley (35dph).
MM8.2	Policy 8B	Policy 8B. Affordable housing provision required for 'major development sites' or sites in rural areas of more than 5 dwellings. (<i>This is equivalent to the previous policy which required affordable housing for 10+homes or more than 0.5 hectare.</i>)
MM8.2	Policy 8B	Policy 8B. Vacant building credit no longer requires site to not have been in continuous use for any 6 months for 5+ years. (<i>This is unlikely to significantly affect the deliverability or sustainability of the policy.</i>)
MM8.4	Policy 8C	Policy 8C. Rural exception sites only permitted if 100% affordable.
MM10.1	Policy 10A	Policy 10A. Small scale (<500 m ² gross) of retail, commercial or leisure uses in rural areas to be supported. (<i>These points were moved from Policy 10B since Policy 10B is about town centre development. The policy clarifies that area is gross, not net. No significant change overall.</i>)
MM14.1	Policy 14	Policy 14. Land between Kidderminster and Stourport to be safeguarded and implemented as

		Burlish Country Park. Development proposals that would prejudice the provision of the country park will not be permitted.
MM15.3	Policy 15B	Policy 15B. Proposals should aim to improve water quality, not just protect it. Requested by Environment Agency (see <i>SofCG in Examination Library SD10j</i>).
MM16.4	Policy 16B and Policy 16C	Policies 16B and 16C. Reasoned justification lists site allocations where implications on waste management facilities and/or minerals need to be considered and measures possibly put in place. Requested by Worcestershire County Council (see <i>SofCG in Examination Library SD10a</i>).
MM18.2	Policy 18B	Policy 18B. Infill development in villages and rural settlements should only be to meet local needs and should not be inappropriate development in the Green Belt.
MM20.1	Policy 20A	Policy 20A. New information about requirements for community facilities. (<i>This simply clarifies and documents what would happen in practice.</i>)
MM22.1	Policy 22A	Policy 22A. Removal of requirement for development in Primary Shopping Frontage area to not result in an adverse cluster of non-retail uses at ground floor level (the 'more than two out of seven rule' previously set out in the reasoned justification).
MM22.7	Policy 22C	Policy 22C. Removal of policy on change of use from retail to alternative uses to reflect Use Class Order Policy. (<i>Policy removed</i>).
MM22.8	Policy 22D	Policy 22D. As MM10.1, also existing retail and commercial units in village or neighbourhood centres to be safeguarded.
MM27.11	Policy 27E	Policy 27E. Policy changed from overall promotion of a canal towpath to a statement that development in proximity to the canal should develop a pedestrian and cycle route.
MM30.6	Policy 30.5	Policy 30.5. Land at Bromsgrove Street - change of allocation to include Creative Hub and rationalisation of car parking.
MM30.7	Policy 30.6	Policy 30.6 Timber Yard - Information added about design of future bridge.
MM30.10	Policy 30.11	Policy 30.11 Sladen School Site allocated for mixed use (school + residential) rather than solely residential.
MM30.13	Policy 30.16	Policy 30.16 Severn Grove Shops (FPH/15) – removal of need to replace shopping facilities.
MM30.17	Policy 30.21	Policy 30.21 Land at Low Habberley (WA/KF/3) – addition of requirement that the impact of development on the nature reserve and Local Wildlife Site should be balanced through biodiversity

		net gain, and impact on bats and brown hare need to be considered.
MM30.18	Policy 30.22	Policy 30.22 Land rear of Zortech Avenue to be allocated for Gypsy and Traveller accommodation.
MM30.19	Policy 30.24	Policy 30.24 Rock Works (BHS/17) - change of allocation from carpet heritage to residential.
MM30.25	Policy 30.29	Policy 30.29 Former Burlish Golf Course, allocated for travelling showpeople, needs drainage and sewerage measures to be agreed, and the scale of development should meet only the specific housing needs of the existing family.
MM31.3	Policy 31.2	Policy 31.2 Lea Castle Village – Requirement for a heritage survey added.
MM32.3	Policy 32.2	Policy 32.2 Comberton Lodge Nursery – site to remain in Green Belt.
MM33.4	Policy 33.4	Policy 33.4 Queens Road shops (AKR/10) - removal of need to replace shopping facilities.
MM33.14	Policy 33.18	Policy 33.18 Parsons Chain (MI/3) - change of allocation from mixed use to residential with care home.
MM34.2	Policy 34.1	Policy 34.1 Bewdley Fire Station – change of allocation from residential to food store with residential apartments above.
MM34.3	Policy 34.4	Policy 34.4 Catchem's End (WA/BE/3) –western parcel, adjacent to All Saints Church, to remain in Green Belt as open space.
MMA.1	Annex 1	The NPPF (para 21) requires Local Plans to make explicit which policies are strategic policies. Annex 1 sets out the strategic policies in the Local Plan.
MMA3.1	Annex 3	Annex 3 added to list the documents and policies which the new Local Plan will supersede once adopted.

8. Sustainability Appraisal

- 8.1 When producing Local Plans, local authorities are required to consider, at each stage of production, the impacts their proposals are likely to have on sustainable development. The Local Plan has been the subject of ongoing Sustainability Appraisal incorporating the requirements of Strategic Environmental Assessment (SA/SEA) as required through NPPF. SA/SEA is a means of ensuring that the likely social, economic and environmental effects of the Local Plan are identified, described and appraised to identify how they support the Council's sustainable development objectives.
- 8.2 At the Pre-Submission Publication stage of the Local Plan a SA/SEA was undertaken and made available for the Regulation 19 consultation. The Sustainability Appraisal is a detailed technical document and is an important background paper to the emerging Local Plan. It has been used to inform the

Local Plan at each plan making stage and was submitted to the Planning Inspectorate for examination purposes alongside the Local Plan in April 2020.

- 8.3 There is a requirement for the proposed main modifications to be the subject of a Sustainability Appraisal (SA). This has been undertaken by an independent consultant through a new SA report (September 2021) (ED58). The SA report (September 2021) has been produced to assess the proposed main modifications to the Local Plan. The SA has considered the implications of the main modifications and whether the proposed changes alter the conclusions of the original SA (SD04). The SA report can be found in Appendix 1 of this report as document ED58.

9. Consultation on the Main Modifications

- 9.1 After they are agreed, the next step is for the Schedule of Proposed Main Modifications to the Local Plan (ED57) and subsequent changes to the Policies Map (ED59) to be published for public consultation, alongside the accompanying Sustainability Appraisal report (ED58) (Appendix 1 documents). As part of this consultation the Schedule of Additional (Minor) Modifications (ED53) and some additional supporting documents will also be published for information (Appendix 2 documents).
- 9.2 Effectively the Main Modifications consultation is a technical process on behalf of the Inspector which is undertaken by the Council. As such, Officers are not proposing to undertake consultation or engagement activities that took place before the Local Plan was submitted for examination. However, hard copies of the consultation documents will be made available in the district's three public libraries (i.e. Kidderminster, Stourport-on-Severn, and Bewdley).
- 9.3 All consultation responses received by the Council for the Main Modifications consultation will be submitted to the Planning Inspector. At the close of the consultation, the Inspector will consider all the representations received and will decide whether any further recommended modifications are necessary as a result.
- 9.4 All necessary statutory bodies and members of the public on the Local Plan consultation database will be notified of the consultation. Information will be provided via the Council's website and social media. The statutory consultation period is six weeks and Officers propose to run the consultation from 14th October 2021 to 26th November 2021. The Council's Response Form must be used and those wishing to respond to the consultation will be encouraged to use the online consultation portal system. Late responses to the consultation will not be accepted.
- 9.5 The timeframe would then allow the Inspector sufficient time to consider the representations received and incorporate her findings within her final Inspector's report on the examination of the Local Plan. Subject to the Inspector's overall findings, Officers anticipate that the Local Plan could be adopted in Spring 2022.

10. Conclusion

- 10.1 The Local Plan will provide an up-to-date statutory development plan for all future decisions in Wyre Forest District for the period up to 2036. It has been the subject of extensive and wide-ranging consultation and independent examination over the past few years since the Local Plan review began back in 2015. Consultation on the Main Modifications is the final stage in this process to allow the Council to receive the Inspector's final report and for the Council to adopt the Local Plan.

11. Schedule of Additional (Minor) Modifications

- 11.1 The Schedule of Additional (Minor) Modifications (ED53) is set out in Appendix 2 of this report. The schedule shows the proposed minor changes to the Local Plan and Policies Map, which includes minor amendments, i.e. typographical edits, formatting and factual amendments to the Local Plan that are necessary for clarity and consistency. It should be noted that these changes will not materially affect the policies in or soundness of the Plan and will be considered by the Planning Inspector at examination stage.

12. Consultation

- 12.1 Corporate Leadership Team.
- 12.2 The Local Plan is being considered by the Local Plans Review Panel on 6th October 2021 and Overview and Scrutiny Committee on 7th October 2021. The Committee's recommendations will be reported to the Cabinet.

13. Related Decisions

- 13.1 Previous stages of development and consultation on the local plan, as set out in this report.

14. Implications

14.1 Financial Implications

- 14.2 The cost of preparing the Local Plan Review has been met by the Planning Policy budget. The District Council will be required to meet the costs of the examination of the Local Plan and this will be met from the existing Planning Policy budgets.
- 14.3 Without an up to date Local Plan the Council is increasingly vulnerable to planning applications in areas where it may wish to resist development. The cost of trying to resist developments is generally far higher than the cost of negotiating developments by an up to date Local Plan.

14.4 Legal and policy implications

- 14.5 The legal framework for the preparation, submission, examination and adoption of a Local Plan is set out in the Planning & Compulsory Purchase Act 2004 (as amended). Detailed regulatory requirements are contained in the Town & Country Planning (Local Planning (England) Regulations 2012.
- 14.6 The powers of the Inspector to recommend modifications at the request of the Local Planning authority are established in Section 20 of the Planning & Compulsory Purchase Act 2004 (as amended). The Council requested that the appointed Inspector exercise these powers when the Local Plan was submitted in April 2020.
- 14.7 The legislation states that a local planning authority must only submit a plan for examination which it considers to be sound. This is defined by the National Planning Policy Framework (NPPF, 2021) as being:
- **Positively Prepared** – providing a strategy which, as a minimum, seeks to meet the area’s objectively assessed needs; and is informed by agreements with other authorities, so that unmet need from neighbouring areas is accommodated where it is practical to do so and is consistent with achieving sustainable development;
 - **Justified** – an appropriate strategy, taking into account the reasonable alternatives, and based on proportionate evidence;
 - **Effective** – deliverable over the plan period, and based on effective joint working on cross-boundary strategic matters that have been dealt with rather than deferred, as evidenced by the statement of common ground; and
 - **Consistent with national policy** – enabling the delivery of sustainable development in accordance with the policies in the NPPF and other statements of national planning policy, where relevant.
- 14.8 In order for the draft Local Plan to pass the tests of soundness, it is necessary for it to be based on an adequate, up to date and relevant evidence base.
- 14.9 Should the Local Plan be successful at examination stage, the District Council will be required to formally adopt the plan and it will become part of the Development Plan for the purposes of determining planning applications.
- 14.10 To date, the Examination of the emerging Local Plan has been conducted in accordance with the resolutions of Full Council of 20th February 2020.

15. Risk Management

- 15.1 The main risks in failing to progress a Local Plan for the Wyre Forest District in compliance with laws, regulations and guidance are as follows:
- The plan is found ‘unsound’ at examination leading to ‘withdrawal’ of further work;

- Direct interventions by Government into the District Council's Local Plan making;
- Inability to steer, promote or restrict development across its administrative area;
- Potential damage to the Council's image and reputation if a development plan is not adopted in an appropriate timeframe.
- Failure to meet the Government's Housing Delivery Test.

16. Equality Impact Needs Assessment

- 16.1 The Council is conscious of the importance of the Public Sector Equality Duty 2010 in preparing the Local Plan and a full EIA screening has been undertaken. The EIA indicates that a number of the policies included within the Local Plan have a positive effect in helping to promote equality and eliminate discrimination. However, the EIA screening highlighted that there is a potential adverse impact to the Gypsies and Travellers community arising from the 2014 Gypsy and Traveller Accommodation Assessment (GTAA). The Council therefore undertook a refresh of the GTAA study and provided the updated GTAA study to the Inspector as part of the examination of the Plan.

17. Wards affected

- 17.1 All wards within the district are affected.

18. Appendices

- 18.1 Appendix 1 – Consultation documents:
- ED57 – Schedule of Proposed Main Modifications to the Wyre Forest District Local Plan (2016-2036) (September 2021)
 - ED58 – Sustainability Appraisal of the main modifications to the Submission Wyre Forest District Local Plan (August 2021)
 - ED59 – Schedule of proposed changes to the policies map to reflect the proposed main modifications to the draft Local Plan (July 2021)
- 18.2 Appendix 2 – Supporting documents:
- ED53 - Schedule of Additional (Minor) Modifications to the Wyre Forest District Local Plan (2016-2036) (July 2021)
 - ED54 – Schedule of Appendix B Map updates (July 2021)
 - ED55 – Correction Note for document SD03: Amendments to Pre-Submission Policies Map (July 2021)
 - ED56 - Wyre Forest District Council Five Year Housing Land Supply at 1st April 2021
- 18.3 Appendix 3 – Statement of Representation Procedure

19. Background Papers

- 19.1 Wyre Forest District Local Plan (2016 – 2036) Submission document (January 2020) (SD01): [Local Plan \(2016-2036\) Submission Document \(excluding Policies Map\)](#)

Appendix B Maps (SD01 appB): [SD01-AppB-Local-Plan-2016-2036-Submission-Document-January-2020-MAPS_opt-1-.pdf \(wyreforestdc.gov.uk\)](#)

- 19.2 Wyre Forest District Local Plan (2016 – 2036) Policies Map (January 2020) (SD02): [SD02-Submission-Policies-Map-Jan-2020.pdf \(wyreforestdc.gov.uk\)](#)
- 19.3 Amendments to the Wyre Forest District Local Plan Pre-Submission Publication document (2019) (LPP26): [Amendments-document-2019.pdf \(wyreforestdc.gov.uk\)](#)
- 19.4 Local Plan Review Pre-Submission Publication document (October 2018) (LPP18):
[Local Plan Pre-Submission Publication \(October 2018\) \(wyreforestdc.gov.uk\)](#)
- 19.5 Local Plan Review Preferred Options document (June 2017) (LPP11):
[Preferred-Options-Document-June-2017.pdf \(wyreforestdc.gov.uk\)](#)
- 19.6 Local Plan Review Issues and Options document (September 2015) (LPP04):
[Local Plan Issues and Options Paper \(September 2015\) \(wyreforestdc.gov.uk\)](#)

Officer Contact Details:

Name: Kate Bailey

Title: Head of Strategic Growth

Contact Number: 01562 732560

**Overview & Scrutiny Committee
Work Programme 2021-2022**

May 2021

“How are we doing?” Q4 update (Housing and Planning)
Update from the Environment Agency – Flooding Outcomes
Wyre Forest Health and Wellbeing Plan Update (Recs to Cabinet)
Kidderminster 2040 - A Town Centre Vision

June 2021

Kidderminster Future High Street Fund – Update
Kidderminster Property Acquisitions – EXEMPT

Information Items:

Recommendation Tracking 2020-2021
Feedback from Cabinet 19-05-2021

July 2021

Update from the WCC – Flooding Outcomes
Climate Change Action Plan (Recs to Cabinet)
Flood Mitigation Schemes
Review of Kidderminster Town Centre Public Space Protection Order
Nominations for Treasury Management Review Panel (Chair to be appointed)

2 September 2021

“How are we doing?” Q1 update
Future High Streets Fund
Local Lettings Plans and Rural Housing Policy 2021
Worcestershire Homelessness and Rough Sleeping Strategy 2019-2022

9 September 2021 (Special)

Capital Portfolio Fund – Development Funding Proposal (EXEMPT)

October 2021

Treasury Management Strategy Statement and Annual Investment Strategy
Backward Look 2020/21 & recs from the TMRP 20-09-2021
Wyre Forest District Local Plan (2016-2036)
Redevelopment of land, Market Street, Kidderminster (EXEMPT)

November 2021

“How are we doing?” Q2 update
Treasury Management Strategy Statement and Annual Investment Strategy Mid-year
Review Report 2021-22 & recs from the TMRP 01-11-2021
Worcestershire Housing Strategy (Recs to November Cabinet)
Electric Vehicle Charging – Business case (Recs to November Cabinet)

December 2021

Update on Future High Streets Programme delivery

February 2022

“How are we doing?” Q3 update

Treasury Management Strategy 2022-23 & recs from the TMRP 31-01-2022