Overview & Scrutiny Committee

Agenda

6pm
Thursday, 3 February 2022
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 A Coleman Councillor N J Desmond
Councillor P Dyke Councillor C Edginton-White

Councillor A L L'Huillier Councillor S Miah
Councillor T L Onslow Councillor D Ross

Councillor D R Sheppard

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:

- 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

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Wyre Forest District Council

Overview & Scrutiny Committee

Thursday, 3 February 2022

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 December 2021 and the minutes of the meeting of the Sub- committee on 20 December 2021.	6
5.	How are we doing? Performance Update	
	To consider a report from the HR & Organisational Development Manager which updates members on the performance of the Council for quarter 3 from 1 October to 31 December 2021.	11
6.	Treasury Management Strategy 2022-23	
	To consider a report from the Chief Finance Officer which provides Members with background information on the Chartered Institute of Public Finance (CIPFA) Prudential Code for Capital Finance in Local Authorities (Prudential Code) including the 2021 revision.	43
	To also consider the recommendations from the Treasury Management Review Panel from its meeting on 31 January 2022. (To follow)	-

7.	Car parking charges 2022-23: Consideration of Call in Request	
	To consider the call in request sighed by the three members of the Liberal Democrat group.	97
8.	Work Programme	
	To review the work programme for the current municipal year with regard to the Corporate Plan Priority, Annual Priorities and the Forward Plan.	108
9.	Press Involvement	
	To consider any future items for scrutiny that might require publicity.	
10.	To consider any other business, details of which have been communicated to the Solicitor of the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
11.	Exclusion of the Press and Public	
	To consider passing the following resolution:	
	"That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of "exempt information" as defined in paragraph 3 of Part 1 of Schedule 12A to the Act".	

Part 2

Not open to the Press and Public

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

OVERVIEW & SCRUTINY COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER THURSDAY, 2 DECEMBER 2021 (6PM)

Present:

Councillors: M J Hart (Chairman), S E N Rook (Vice-Chairman), S J Chambers, A Coleman, R H Coleman, N J Desmond, P Dyke, C Edginton-White, S Miah and T L Onslow.

Observers

Councillors: G W Ballinger, H E Dyke, A L L'Huillier (observed remotely), F M Oborski MBE, M Rayner and C Rogers.

OS.68 Apologies for Absence

Apologies for absence were received from Councillors: A L L'Huillier and D R Sheppard.

OS.69 Appointment of Substitutes

Councillor R H Coleman was appointed as a substitute for Councillor D R Sheppard.

OS.70 Declarations of Interests by Members

No declarations of interest were made.

OS.71 Minutes

Decision: The minutes of the meeting held on 4 November 2021 be confirmed as a correct record and signed by the Chairman.

OS.72 Update on Future High Streets Programme Delivery

The committee considered a report from the Head of North Worcestershire Economic Development and Regeneration (NWedR) which provided a summary progress update on the delivery of the Future High Streets Fund (FHSF) programme since June 2021.

The Head of NWedR presented the report. He gave a short summary of the key issues of the three projects that form the basis of the fund namely: the former magistrates court, Worcester Street / Bromsgrove Street connectivity, and the bull ring site.

The Head of NWedR outlined the next key steps for each project. He assured members that all three projects were on programme and reminded them that the

deadline for spending the monies received from the fund was 31 March 2024.

The committee fully considered the report and were given the opportunity to ask questions and seek clarification on any issues that had not been included in the update.

Agreed: The update be noted.

OS.73 Update on the Levelling Up Fund

The committee considered a report from the Head of NWedR which provided a summary progress update on the Levelling Up Fund (LUF).

The Head of NWedR presented the report. Members were advised that in June 2021 the council submitted a £17.9m LUF 'package bid' for Kidderminster, which was approved on 27 October 2021.

The Head of NWedR explained that the Kidderminster LUF bid was a culture and heritage led, town centre regeneration proposal. It would strengthen a key town centre heritage asset as a culture space and venue, bring back into use an empty listed building and improve a pedestrian and cycling artery linking the heritage and natural assets with Kidderminster town centre. He gave a short summary of the three interconnected projects: (project one) town hall, (project two) new boutique hotel and (project three) canal towpath, that form the package.

The Head of NWedR explained that the package had been chosen as it would deliver against the longer-term vision for Kidderminster. He said the LUF package compliments and builds on the £20.5m FHSF programme and the wider town centre re-purposing effort.

The Head of NWedR outlined the next key steps for the LUF programme.

The committee fully considered the report and were given the opportunity to ask questions and seek clarification on any issues that had not been included in the update.

Agreed: The update be noted.

OS.74 Update from the Fireworks Review Panel

The committee received an update from the Chairman of the panel, Councillor S Miah, on the work of the Fireworks Review Panel. The panel had been established in response to the number of complaints received by members around the use of fireworks and the distress caused by the loud noise produced.

Councillor Miah explained the reasons why the work had been delayed and advised that the panel would reconvene in January 2022.

The Chairman of the committee, Councillor M Hart, acknowledged that the authority could only act within the current legislation on the use of fireworks, however it was within the remit of the panel to recommend a guidance policy relating to the use of

Agenda Item No. 4

fireworks on the council's own land. He asked that the review panel conclude its work and present the findings to the March meeting of the committee.

Agreed: The update be noted.

OS.75 Work Programme

The committee reviewed the work programme for the remainder of the municipal year. The Chairman asked that the recommendations from the Fireworks Review Panel be added to the work programme for March and confirmed that as there were no items to consider in January, the meeting would be cancelled.

Agreed: The updated work programme be noted.

OS.76 Press Involvement

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

There being no further business, the meeting ended at 6.55pm.

WYRE FOREST DISTRICT COUNCIL

OVERVIEW & SCRUTINY SUB-COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER MONDAY, 20 DECEMBER 2021 (6.30PM)

Present:

Councillors: M J Hart (Chairman), A Coleman, P Dyke, A L L'Huillier and D Ross.

Observers

Councillors: R H Coleman, C Edginton-White, C Rogers and S E N Rook.

(Councillors: R H Coleman, C Rogers and S E N Rook attended remotely).

OSSC.01 Apologies for Absence

Apologies for absence were received from Councillor N J Desmond.

OSSC.02 Appointment of Substitutes

Councillor D Ross was appointed as a substitute for Councillor N J Desmond.

OSSC.03 Declarations of Interests by Members

No declarations of interest were made.

OSSC.04 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.

OSSC.05 Acquisition of Property in Kidderminster

The Sub-committee considered a draft of a confidential Cabinet report from the Head of North Worcestershire Economic Development and Regeneration (NWedR) which sought the Cabinet's agreement to proceed with an acquisition of property in Kidderminster in order to deliver the project that is being funded from the Government's £17.9m Levelling Up Fund (LUF) grant.

The Head of NWedR presented the report. He gave a comprehensive and thorough explanation of the proposal. He highlighted the risk analysis and outlined the mitigating measures being put in place. The Head of NWedR explained that the proposal was a key element of the LUF bid.

Agenda Item No. 4

The Financial Services Manager gave an explanation of the potential financial implications of the proposal. She explained that full financial due diligence would be undertaken prior to any decision being made to proceed with the acquisition or not.

The Sub-committee fully scrutinised the report and took the opportunity to question the Head of NWedR on several issues where further clarification was needed. Notwithstanding the potential benefits of the proposal, concerns were raised about the number of risks that remain to be addressed.

Upon a show of hands, the proposal to support the recommendations as set out in the confidential report was taken. As the vote was tied, the Chairman used his casting vote and voted against the proposals, which were therefore defeated.

As a result of the concerns raised, a proposal to recommend not to proceed with the acquisition as this stage was moved and seconded. Upon a show of hands, the vote was tied. The Chairman used his casting vote and voted in favour of the recommendation, which was therefore carried.

Agreed: The Overview and Scrutiny Sub-Committee recommend to the Leader not to proceed with the acquisition at this stage.

There being no further business, the meeting ended at 7.38pm.

Overview & Scrutiny Committee

Briefing Paper

Report of: Rachael Simpson

Date: Thursday 3 February 2022

Open

How Are We Doing? Performance Update

1. Summary

1.1 To update Members on the performance of the Council for Quarter 3 (from 1 October to 31 December 2022).

2. Background

- 2.1 Performance management is instrumental in all council activities as it helps us to keep track of how well we are performing and enables any potential issues to be identified at an early stage so remedial action can be taken. It also informs our decision making processes which underpin the delivery of our Corporate Plan 2019-23, as amended.
- 2.2 The Council has a number of processes in place to monitor our performance including:
 - Corporate Plan Actions
 - Corporate Risks and associated actions
 - Leading Measures
 - Lagging Measures

3. Progress

- 3.1 **Appendix 1** is the Wyre Forest Forward Actions report which details the progress against Wyre Forest Forward actions that are not directly associated with a Corporate Plan Priority.
- 3.2 **Appendix 2** details the progress made against the Corporate Plan Priority of a 'safe, clean and green living environment'.
- 3.3 **Appendix 3** details the progress made against the Corporate Plan Priority of 'supporting a successful local economy'.
- 3.4 **Appendix 4** is the Capital Projects report.
- 3.5 **Appendix 5** is the Exception report for all Wyre Forest Forward and Risk Actions

4. Key Achievements/Issues

- 4.1 On this occasion the updates in respect of exception reports are as follows:
 - Corporate Cyber Attack Response this is still on target as per the revised timeframe
 - As outlined in the MTFS report at December Cabinet a further review will be undertaken on the review of operational floor space requirements at Wyre Forest House and Green Street
 - The completion works on industrial units at the former Frenco site commenced on 6th December 2021
- 4.2 The focus on reducing the Council's net expenditure, as set out in the draft medium term strategy for 2022-2025, continues to be on the localism agenda and reviewing services to examine shared service options or internal savings. Progress continues to be made with establishing the independent museum trust, the current target date being April 2022, and a number of discussions are under way with town and parish councils on transfer of assets and services. The latest update on service reviews is set out in paragraph 6.12 of the draft MTFS (December 2021). The most significant of these relates to the waste collection service for which a business case is being prepared: staff and unions will be updated when this is to hand. Separately, Worcestershire councils have commissioned a review of options for delivering weekly food waste collections and other changes under the Environment Act 2021. The outcome of the review is expected in May.
- 4.3 The performance management system has not yet been updated in every case to reassign responsibility for targets to relevant officers, that were previously allocated to the Corporate Directors. This will be done shortly.

5. Options

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

6. Consultation

- 6.1 Leader of the Council
- 6.2 Corporate Leadership Team

7. Related Decisions

- 7.1 None.
- 8. Relevant Council Policies/Strategies
- 8.1 Wyre Forest District Council Corporate Plan 2019 2023.

9. Implications

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

10. Equality Impact Needs Assessment

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

11. Wards affected

11.1 None.

12. Appendices

- 12.1 Appendix 1 Wyre Forest Forward Actions report
- 12.2 Appendix 2 Corporate Plan Priority: A safe, clean and green living environment report
- 12.3 Appendix 3 Corporate Plan Priority: Supporting a successful local economy report
- 12.4 Appendix 4 Capital Projects report
- 12.5 Appendix 5 Exception report

13. Background Papers

Corporate Plan action information is available on the Council's Performance Management System, Pentana Performance. Alternatively, reports can be provided on request.

Officer Contact Details:

Name: Rachael Simpson

Title: HR & Organisational Development Manager

Contact Number: Ext. 2701

Email: rachael.simpson@wyreforestdc.gov.uk

Wyre Forest Forward Actions



This report details the progress against Wyre Forest Forward actions that are not directly associated with a Corporate Plan Priority

Overdue

WFF 21/22 94 Review of operational floor space requirements at Wyre Forest House and Green Street

Due Date	Managed By	Latest Note	Latest Note Date
30-Sep-2021	lan Miller	MTFS report at December Cabinet outlined the proposals for the future occupancy of Wyre Forest House to accommodate the Council's operational footprint requirements. Detailed review to be undertaken	20-Jan-2022

In Progress

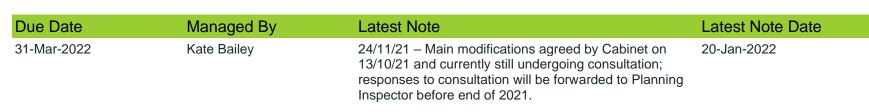
RA21/22 62 Fraud Work

Due Date	Managed By	Latest Note	Latest Note Date
31-Mar-2022	Cheryl Ellerton	To raise awareness and demonstrate the commitment of the Council to tackling fraud and protecting the public purse. A formal report on the counter fraud arrangements within the Council for was presented to the Audit Committee at its November 2021 meeting outlining the outcomes for the current financial year in respect of counter fraud work. The Councils commitment to a zero tolerance of fraud continues with current fraud and cyber scams published within the Wyred Weekly emagazine. With heightened fraud risks and cyber scams following the lockdowns and tier restrictions during the	

Covid19 pandemic regular monitoring of new threats continues with weekly updates from the National Anti-Fraud Network reviewed and shared with service managers as appropriate and supplemented with weekly emails outlining the prominent scam of the week and the current trends around cybercrime and fraud identified by the Regional Cyber Crime Unit.

The mandatory National Fraud Initiative is progressing. The required mandatory sets for Payroll, Trade Creditors, Taxi Driver Licences, Council Tax Single Person Discounts, Electoral Register, Housing Benefits and Council Tax Reduction Scheme have been provided to the Cabinet Office for the national data matching exercise, along with details of the recipients of the Covid-19 Business Grants which continued with submission of additional grants awarded as part of the latter lockdowns of 2021. In addition, the Compliance Officers within the Revenues & Benefits Team are undertaking a further review of Single Person Discounts through the Cabinet Office, National Fraud Initiative portal. This service aims to assist local authorities identify incorrectly claimed discounts quickly and efficiently making use of additional intelligence resources to include confirmation of residency and financial footprints.

WFF 21/22 37	Review Local Development Framework including provision for significant housing growth
VVFF Z 1/ZZ 31	Review Local Developinent Fialliework including provision for significant nousing growth
	——————————————————————————————————————



WFF 21/22 57 Delivery of the ICT Strategy 2018-2023

	Due Dete	Managad Du	Latest Nata	Latest Nata Data
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Mar-2023	Dave Johnson	See detailed update re sub actions	16-Feb-2021
WFF 21/22 57.11	Digital by Default i	ncluding supporting the (Commercial Agenda	
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Mar-2023	Dave Johnson	Continue to support depot re MCS and project plan for roll out of next stage. Contract due to be signed shortly for new income management system and new Allpay contract for payment services	25-Oct-2021
WFF 21/22 57.13	Application Softwa	re		
	Due Date	Managed By	Latest Note	Latest Note Date
		iviariageu by		
	31-Mar-2023		Contract due to be signed for Income Management system. Investigation into cemetery management systems at an early stage. Major upgrades over Oct / Nov to Land Charges and Planning's Idox system	25-Oct-2021
VFF 21/22 57.14	ICT Infrastructure			
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Mar-2023		Continue to roll out equipment as required. At early stages re review of Telephone System / Universal commons and also network switches.	25-Oct-2021
VFF 21/22 57.8	Review and Updat	e Security Systems		
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Mar-2023		Updating Office 365 security and Mobile device security using O365 intune instead of Blackberry and checkpoint,	25-Oct-2021

for roll out later in the year

WFF 21/22 59	Apprenticeships F	Programme (Year 9)		
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Mar-2022		For the financial year 2021/22 there has been 1 grant paid for an AAT Level 3 - £1500. There have been 3 grants approved but not yet claimed: ICT Professional Level 3 (£1500), Advanced Apprenticeship in Accountancy (£1500) and a Level 3 Infrastructure Technician (£1500)	13-Oct-2021
WFF 21/22 70	Investment in inco	ome generation through a	asset development	
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Mar-2022		Proposed Capital Strategy for 2023 onwards provides ar opportunity to consider the parameters of the Capital Portfolio Fund with a view to encouraging more opportunity through an amended geography.	20-Jan-2022
WFF 21/22 78	Universal Credit			
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Mar-2022	Lucy Wright	The current pandemic has seen a sharp rise in UC claimants. The impact for WFDC is that more people are claiming CTRS.	27-Sep-2021
			Our working age caseload was 4,396 on 1st April 2020 rising to 4,937 on 1st Sept 2021. However CTRS expenditure has remained fairly static due to less pension age claimants (3,359 on 1st Sept 21 compared	

to 3,568 on 1st Apr 2020. In Sept 2020, CTRS expenditure was £7.516m and in Sept 2021 CTRS expenditure was £7.479m. This cost is shared across all preceptors

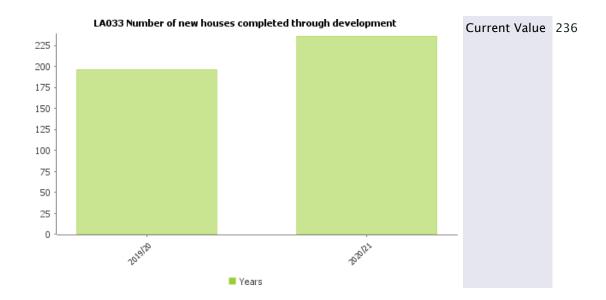
Measures



This report details the latest date for our measures that are not directly associated with a Corporate Plan Priority

Bailey, Kate

LA033 Number of new houses completed through development





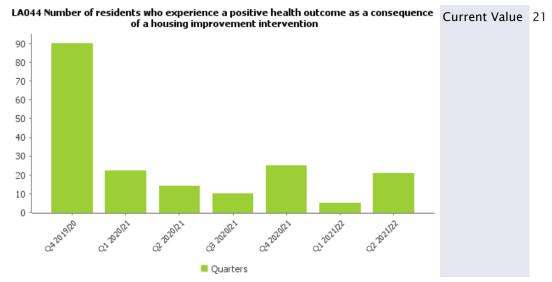
LA039 Number of affordable new homes completed

LA039 Number of affordable new homes completed Current Value 35 100 90 80 70 60 50 40 30 20 10 01202021 QL ZQL IYZ 2020121 2 232112 232212 ■ Years ■ Quarters

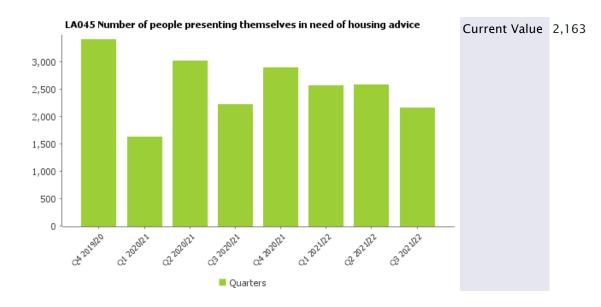
Managed By Kate Bailey

Managed By Kate Bailey

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



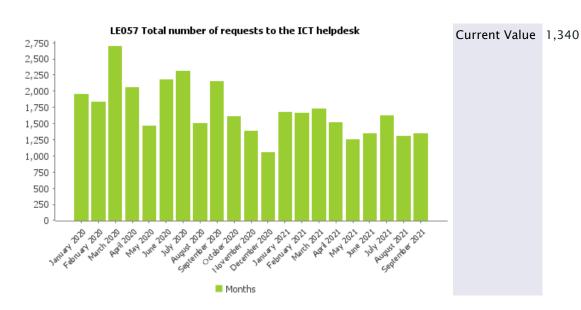
LA045 Number of people presenting themselves in need of housing advice



Managed By Kate Bailey

Johnson, Dave

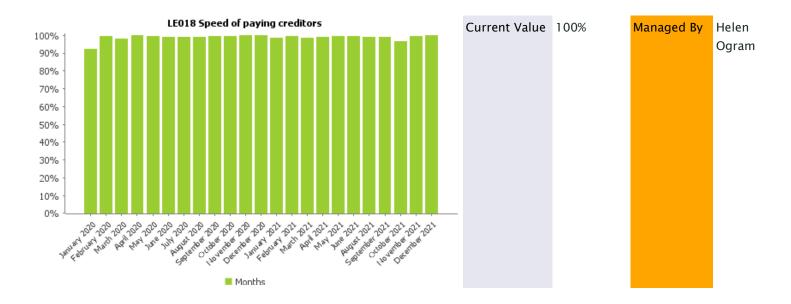
LE057 Total number of requests to the ICT helpdesk





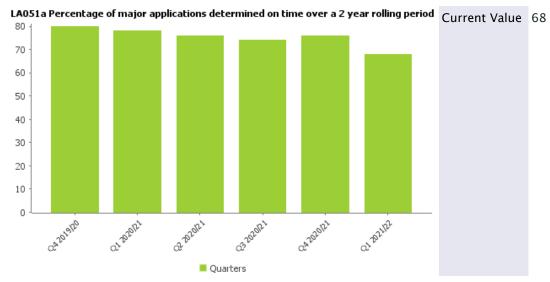
Ogram, Helen

LE018 Speed of paying creditors

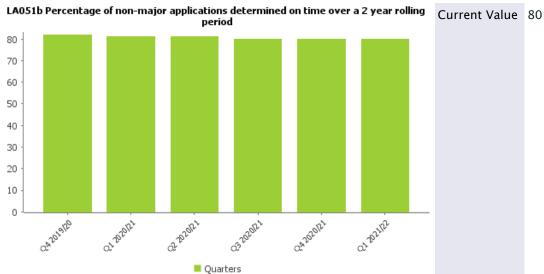


Round, Paul

LA051 Percentage of major applications
a determined on time over a 2
year rolling period



LA051 Percentage of non-majorb applications determined on time over a 2 year rolling period

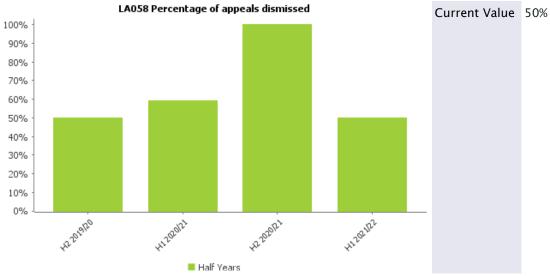


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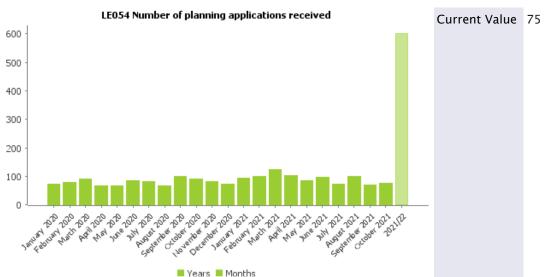
Paul Round

Managed By Paul Round

LA058 Percentage of appeals dismissed

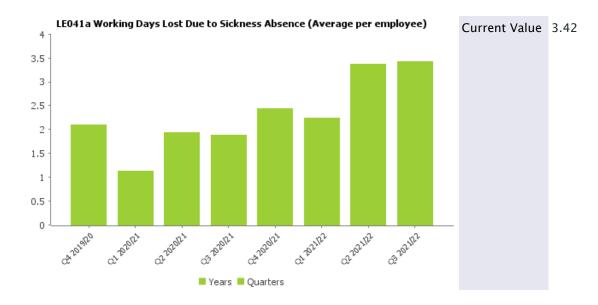


LE054 Number of planning applications received



Simpson, Rachael

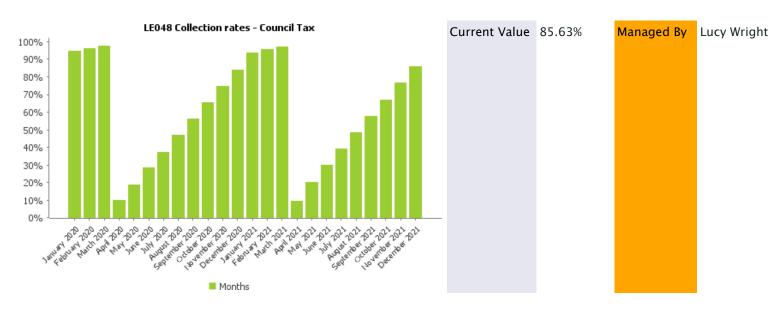
LE041 Working Days Lost Due to **a** Sickness Absence (Average per employee)





Wright, Lucy

LE048 Collection rates – Council Tax



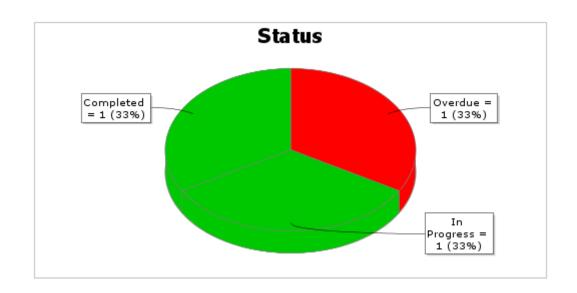
LE049 Collection rates - NNDR



Corporate Plan Priority: A safe, clean and green living environment



This report details the progress we have made against the Corporate Plan Priority of 'a safe, clean and green living environment'.



WFF 21/22 30 Stourport Canal Basins

Due Date	Managed By	Latest Note	Latest Note Date
31-Oct-2021		Awaiting any firm proposals from Stourport T	own Council 20-Jan-2022
		or Stourport Forward.	

WFF 21/22 69 Stourport Riverside



Due Date	Managed By	Latest Note	Latest Note Date
31-Dec-2021	Steve Brant; Alan Breen	Original works identified within the plan are now	25-Jan-2022
		complete for phase 1	

WFF 21/22 87

To monitor the potential impact of the government's waste strategy as this could reduce current commercial income streams

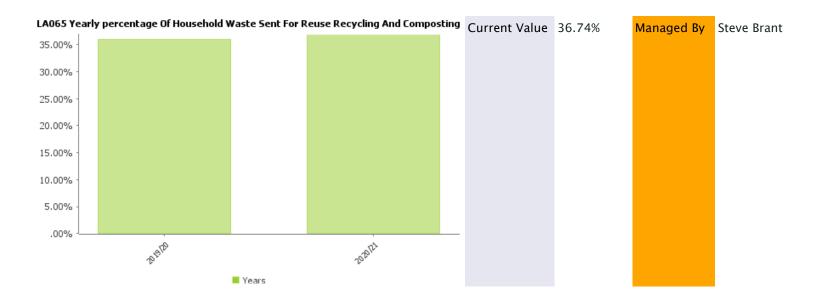


Due Date	Managed By	Latest Note	Latest Note Date
23-Mar-2023	Steve Brant; Ian Miller	The national Resources and Waste Strategy for England 2018 (RWS) will drive a range of changes and measures to achieve a more circular economy, moving from an inefficient take, make, use, & throw away culture to keeping resources in use for as long as possible. The government's clear direction is for the increased segregation and treatment of waste streams and a new target of 65% recycling. The Environment Act provides landmark primary legislation for delivery of the policies and approaches set out in RWS. The Act will require the separate collection of food waste every week from all households. Worcestershire Councils have commissioned consultation support via WRAP on opinions to address Act's requirements. Report expected May 2022.	

Measures

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

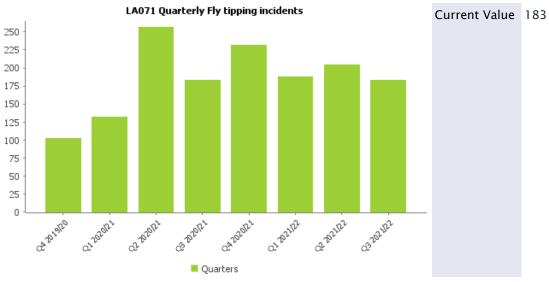
LA065 Yearly percentage Of Household Waste Sent For Reuse Recycling And Composting



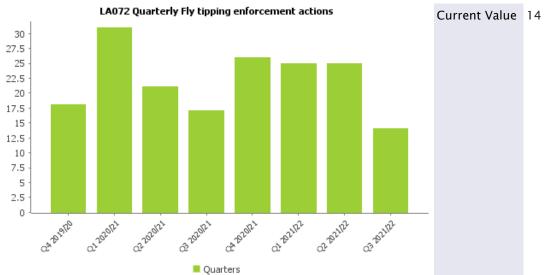
Managed By Steve Brant

Managed By Steve Brant

LA071 Quarterly Fly tipping incidents



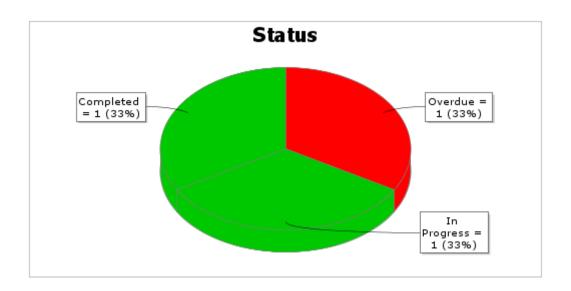
LA072 Quarterly Fly tipping enforcement actions



Corporate Plan Priority: Supporting a successful local economy



This report details the progress we have made against the Corporate Plan Priority of 'supporting a successful local economy'.



WFF 21/22 82 Erection of industrial units former Frenco site

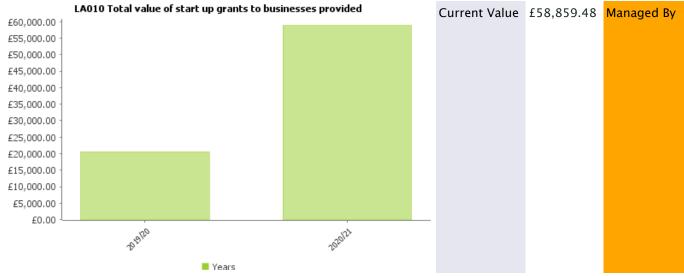
Due Date	Managed By	Latest Note	Latest Note Date
31-Aug-2020		Completion works on site 6th December 2021	25-Jan-2022

WFF 21/22 83	Erection of industria	Erection of industrial units on Silverwoods Way		
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Dec-2021		The new units at Forest Industrial Park off Silverwoods Way have been completed and handed over to WFDC. We've let 2 of them and are in the process of marketing the others.	21-Jan-2022
WFF 21/22 89	Future High Streets	Future High Streets Fund Programme		
	Due Date	Managed By	Latest Note	Latest Note Date
	31-Mar-2024			

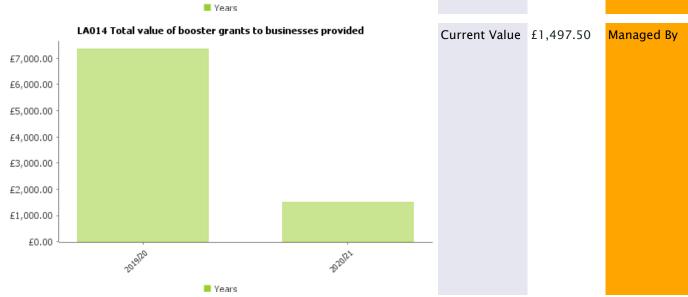
Measures

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

LA010 Total value of start up grants to businesses provided



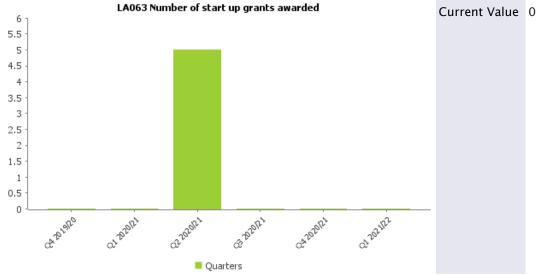
LA014 Total value of booster grants to businesses provided



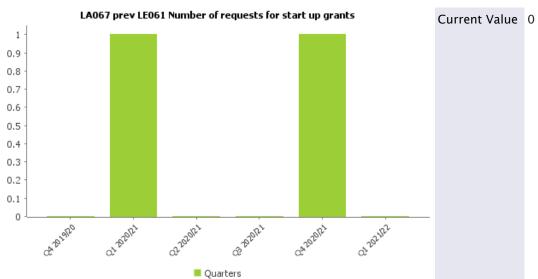
Managed By

Managed By

LA063 Number of start up grants awarded



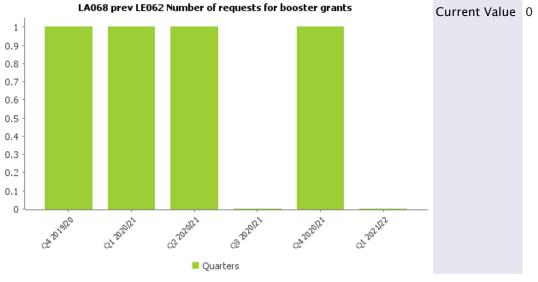
LA067 Number of requests for start up
prev grants
LE061



Managed By

Managed By

LA068 Number of requests for booster
prev grants
LE062



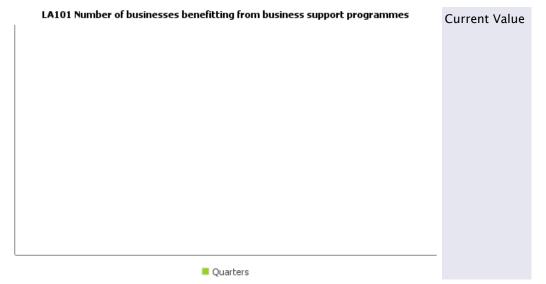
LA100 Number of businesses benefiting from information, advice and guidance



Managed By

Managed By

LA101 Number of businesses benefitting from business support programmes



LE064 Percentage of Wyre Forest **a** District Council incubator units occupied (industrial and office)



Risks

CORPRISK02

The below risk(s) has been identified as part of our Corporate Risk Register. All of the actions and measures detailed in this report aim to mitigate this risk(s) as well as drive forward our priority of 'supporting a successful local economy'.

Unable to improve the economic prosperity of the district. Lack of vitality in the local economy although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy. The Council is now in its eleventh year of the State of the Area Programme which includes a number of projects to assist in the stimulation of economic recovery. The Council continues to host of the North Worcestershire Economic Development and Regeneration Service (having adopted a new North Worcestershire Economic Strategy in 2019 and new Current Strategic Asset Management and Business Growth Risk and Enterprise Strategies in 2021) and maintains its Matrix membership of two Local Enterprise Partnerships and continues to maximise the benefit of that position, although it is recognised that this may change as the Government seeks to eliminate dual LEP membership from a future date that is as yet unknown. The Business Rates Retention Scheme introduced in 2013/14 increases the incentive to promote growth as there is significant financial risk to this Council if we are unable to sustain the baseline level of the business rates reflected in government projections. The detail in relation to reform of the Business Rates System has been delayed yet again so we will

Impact **Impact** Marginal **Likelihood** Significant **Target** Risk Matrix



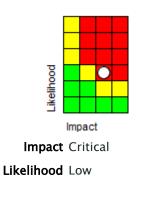
Agenda Item No. 5 – Appendix 3

continue to review our position as more information is released. Ongoing membership of the Worcestershire Business Rates Pool has only mitigated this risk to a certain extent and economic growth is key to the future financial sustainability of the Council, this may change following Business Rates Reform. The Council has successfully bid for funding through the Future High Streets Fund initiative and begins its £20.5m programme in earnest to ensure delivery by end of March 2024. The announcement of the Levelling Up Fund and Community Renewal Fund offer additional opportunities to secure further funding for projects in the district The impact of Brexit influences this risk and COVID-19 presents a significant challenge and increase in this key risk, but the Council has been proactive in distributing Covid related funding to businesses.

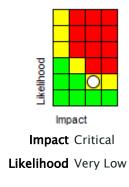
Risk that the three-year programme to end of March 2024 delivering £20.5million programme of interventions across Kidderminster Town Centre will not be delivered on time and within budget. Governance arrangements established with board overseeing programme delivery and individual project boards to oversee each specific intervention. Additional capacity to be added to NWEDR to oversee Matrix programme and project delivery. Regular liaison with MHCLG to ensure delivery in accordance with programme and specifically focussing on monitoring and evaluation. Provision made in capital programme at February 2021 Council.

CORPRISK16

Current Risk









Capital Projects

This report details the progress of all of our capital projects



WFF 21/22 89.1	Bullring gateway to K	Bullring gateway to Kidderminster Town Centre				
	Due Date Managed By		Latest Note	Latest Note Date		
	31-Mar-2024	, and general	Head of NWEDR presented latest progress report to December 2021 O&S meeting.	20-Jan-2022		
WFF 21/22 89.2	Refurbishment and re	edevelopment of former Magi	strates Court, Worcester Street			
	Due Date	Managed By	Latest Note	Latest Note Date		
	31-Mar-2024	Manageu by	Head of NWEDR presented latest progress report to December 2021 O&S meeting. Planning Committee approved planning application 18/01/22.	20-Jan-2022		
WFF 21/22 89.3	Town Centre connect	ivity infrastructure		>		
	Due Date	Managed By	Latest Note	Latest Note Date		
	31-Mar-2024		Head of NWEDR presented latest progress report to December 2021 O&S meeting.	20-Jan-2022		

Agenda Item No. 5 – Appendix 4

Listed below are actions that will become capital projects in the future

WFF 21/22 90	Former Glades Leisure Centre
WFF 21/22 93	Redevelopment of Castle Road car park
WFF 21/22 96	Redevelopment of land at Radford Avenue

Exception report for all Wyre Forest Forward and Risk Actions

Those actions that are approaching their due date or are overdue



Enabling others to do what they need to do

RA21/22 65	Corporate Cyber Attack Response/Service Business Continuity Plans	
10 12 17 22 00	Corporate Cyber Attack Response, Corvice Business Continuity Flame	

Due Date	Managed By	Latest Note	Latest Note Date
30-Sep-2021	Corporate Leadership Team; Rebecca Pritchett	Cyber attack plan briefing paper tabled at CLT on 19th October 2021.	26-Oct-2021
		The overall plan for completion and adoption of the cyber-attack plan is:-	
		End December 2021 Draft Attack Plan complete	
		• Jan 2022 – End March 2022 Test plan and awareness campaign	
		April 2022 – Adoption of plan	

WFF 21/22 94 Review of operational floor space requirements at Wyre Forest House and Green Street

Due Date	Managed By	Latest Note	Latest Note Date
30-Sep-2021	Ian Miller	MTFS report at December Cabinet outlined the proposals for the future occupancy of Wyre Forest House to accommodate the Council's operational footprint requirements. Detailed review to be undertal	20-Jan-2022 ken.

Agenda Item No. 5 – Appendix 5

Make good development happen

WFF 21/22 30 Stourport Canal Basins



Due Date	Managed By	Latest Note	Latest Note Date
31-Oct-2021		Awaiting any firm proposals from Stourport Town Cour or Stourport Forward.	ncil 20-Jan-2022

Support me to run a successful business

WFF 21/22 82 Erection of industrial units former Frenco site



Due Date	Managed By	Latest Note	Latest Note Date
31-Aug-2020		Completion works on site 6th December 2021	25-Jan-2022

WYRE FOREST DISTRICT COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE 3RD FEBRUARY 2022

Treasury Management Strategy 2022-23

OPEN				
CABINET MEMBER:	Councillor M Rayner			
RESPONSIBLE OFFICER:	Chief Finance Officer and S151 Officer			
CONTACT OFFICERS: APPENDICES:	Helen Ogram – Ext. 2107 helen.ogram@wyreforestdc.gov.uk Kathryn Pearsall – Ext. 2165 Kathryn.pearsall@wyreforestdc.gov.uk Lisa Hutchinson - Ext. 2120 lisa.hutchinson@wyreforestdc.gov.uk Appendix 1 - MRP Strategy			
	Appendix 1 - Wirth Strategy Appendix 2 - Interest Rate Forecasts Appendix 3 - Prudential and Treasury Indicators Appendix 4 - Economic Background Appendix 5 - Specified and Non Specified Investments Appendix 6 - Approved Countries for Investments Appendix 7 - Treasury Management Scheme of Delegation Appendix 8 - The Treasury Management Role of the Section 151 Officer			

1. PURPOSE OF REPORT

- 1.1 To provide Members with background information on the Chartered Institute of Public Finance (CIPFA) Prudential Code for Capital Finance in Local Authorities (Prudential Code) including the 2021 revision.
- 1.2 To restate the Prudential Indicators and Limits for the financial years 2022-23 to 2031-32 and set out the expected treasury operations for this period.
- 1.3 To seek approval for the Council's Treasury Management Strategy Statement for the period 1st April 2022 to 31st March 2023 that sets out how the Council's treasury service will support the capital decisions taken, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by Section 3 of the Local Government Act 2003 and is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code.

- 1.4 To seek approval for the Council's Investment Policy and Strategy Statement for the period 1st April 2022 to 31st March 2023 that sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.
- 1.5 To seek approval for the Council's Minimum Revenue Provision (MRP) Policy Statement for the period 1st April 2022 to 31st March 2023 that sets out the Council's criteria for repayment of Prudential Borrowing.
- 1.6 This proposed strategy will be considered for endorsement by the Treasury Management Review Panel on 31st January 2022, and its views will be reported to the Committee at this meeting. Overview and Scrutiny will now make recommendations to February 2022 Council on this key strategy. This is in compliance with the CIPFA Treasury Management Code of Practice.
- 1.7 To fulfil four key legislative requirements:
 - The reporting of the Prudential Indicators as required by the CIPFA Prudential Code:
 - The Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code;
 - The Investment Policy and Strategy Statement (in accordance with the Department for Levelling Up, Housing and Communities (DLUHC) investment guidance);
 - The Minimum Revenue Provision (MRP) Policy Statement (as required by Regulation under the Local Government and Public Involvement in Health Act 2007).

2. **RECOMMENDATIONS**

The Overview and Scrutiny Committee recommends to Council to:

- 2.1 Approve the restated Prudential Indicators and Limits for the financial years 2022-23 to 2031-32 included in Appendix 3. These will be revised for the February 2021 Council meeting, as per paragraph 7.2 of this report, following any changes to the Capital Programme brought about as part of the budget process.
- 2.2 Approve the updated Treasury Management and Investment Policy and Strategy Statements for the period 1st April 2022 to 31st March 2023 (the associated Prudential Indicators are included in Appendix 3 and the detailed criteria is included in Section 10 and Appendix 5).
- 2.3 Approve the Minimum Revenue Provision (MRP) Statement that sets out the Council's policy on MRP included in Appendix 1.
- 2.4 Approve the Authorised Limit Prudential Indictor included in Appendix 3.
- 2.5 Notes that the separate, but intrinsically linked, Capital Strategy 2022-32 to be approved separately by Council, sets out the policy statement covering non-treasury investments including the related suite of prudential indicators.
- 2.6 Notes the implications of the revised Codes as detailed in section 3.1. the new Codes apply with immediate effect, in particular that an authority must not

borrow to invest primarily for financial return. Implementation of the new reporting requirements is deferred until the 2023-24 financial year.

3. BACKGROUND

The 2021 revised CIPFA Treasury Management Code and Prudential Code – changes that will impact on future Treasury Management Strategy Statement (TMSS)/Annual Investment Strategy (AIS) reports and the risk management framework.

CIPFA published the revised codes on 20th December 2021, formal adoption is not required until the 2023-24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to full Council for approval.

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address Environmental, Social and Governance (ESG) issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with nontreasury investment (similar to the current Treasury Management Practices (TMPs));
- ensure that any long term treasury investment is supported by a business model:
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 to address ESG policy within the treasury management risk framework:
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is 'either related to the financial viability of the project in question or otherwise incidental to the primary purpose'.

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

As this Treasury Management Strategy Statement and Annual Investment Strategy deals soley with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether they feel it is relevant to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023-24 TMSS report.

- 3.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 3.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any

debt previously drawn may be restructured to meet Council risk or cost objectives.

- 3.4 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest, costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 3.5. Whilst any initiatives such as property acquisitions or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

3.6. CIPFA defines treasury management as:

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

3.7. Reporting Requirements: Treasury Management

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

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

Quarterly updates and monitoring of prudential indicators will be circulated to Panel members as part of regular budget monitoring.

3.8. Reporting Requirements: Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

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

The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury property acquisitions, whilst not investments, will be reported through the former for full transparency. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy on non treasury investments, such as property acquisitions, usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout the Capital Strategy report.

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

This introduces further layers of reporting of risk in relation to investments that are not part of treasury management; particularly where prudential borrowing funding is used to achieve multiple objectives, including generating a net return.

The Capital Strategy for 2022–32 was considered by Cabinet on 21st December 2021 at the same meeting as the Medium Term Financial Strategy (MTFS) for 2022-25. The Capital Strategy proposed for this budget cycle provides high-level projections over a longer timeframe of 10 years. This extended timeframe is to provide extra information for additional transparency, particularly in relation to movements in the Balance Sheet, Capital Financing Requirements and Minimum Revenue Provision which all impact on the revenue budget and reserves requirement. Final progression to Council following the scrutiny process, as set out below, will align with both the TMSS and MTFS report approval.

3.9. Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Treasury Management Review Panel. The Strategic Review Panel undertakes the scrutiny role for the Financial Strategy covering the MTFS and the Capital Strategy, making recommendations back to Cabinet for onward progression to Council.

3.10. Treasury Management Strategy for the period 1st April 2022 to 31st March 2023

The strategy for 2022-23 covers two main areas:

i. Capital Issues

- the capital plans and the associated prudential indicators:
- the minimum revenue provision (MRP) policy.

ii. Treasury management Issues

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

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

4. TREASURY LIMITS FOR THE PERIOD 1st APRIL 2022 to 31st MARCH 2023

4.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

- 4.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.
- 4.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion, incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and three successive financial years, details of the Authorised Limit can be found in Appendix 3 of this report.

5. <u>CURRENT PORTFOLIO POSITION</u>

5.1 The Council's treasury portfolio position at 14th January 2022 comprised:

Investments Held With	As at 14 th January 2022 £	Average Rate of Return	Duration		
Lloyds Bank	1,790,000	0.01%	Instant Access		
Aberdeen Money Market Fund	5,000,000	Variable (0.07% on 14/01/22)	Instant Access		
Aviva Money Market Fund			Instant Access		
Blackrock Money Market Fund	4,920,000	Variable (0.05% on 14/01/22)	Instant Access		
Federated Prime Short Term Cash Money Market Fund	3,000,000	Variable (0.07% on 14/01/22)	Instant Access		
Federated Prime Cash Plus Ultra Short Dated Bond Fund	2,000,000	Variable (0.01% on 14/01/22)	Trade plus one day		
Barclays	1,000,000	0.15%	95 days notice		
Lloyds	2,000,000	0.05%	95 days notice		
Nat West Bank	3,000,000	0.05%	35 days notice		
Santander	2,000,000	0.30%	35 days notice		
Santander	1,000,000	0.40%	95 days notice		
Santander	2,000,000	0.58%	180 days notice		
Nat West Bank Certificate of Deposit (CD)	1,000,000	0.13%	Fixed to 11/06/22		
Goldman Sachs	1,000,000	0.145%	Fixed to 08/03/22		
Coventry Building Society	1,675,000	0.07%	Fixed to 17/03/22		
Coventry Building Society	1,000,000	0.07%	Fixed to 17/03/22		
Coventry Building Society	2,000,000	0.07%	Fixed to 17/03/22		
Goldman Sachs	1,000,000	0.135%	Fixed to 16/03/22		
Nat West Bank Certificate of Deposit (CD)	1,000,000	0.43%	Fixed to 06/06/22		
Standard Chartered	2,000,000	0.08%	Fixed to 09/02/22		
Standard Chartered	1,000,000	0.08%	Fixed to 09/02/22		
Total	44,385,000	(nb, balance includes circa £15m commitments to be paid in February and March, eg. to major preceptors and additional circa £9m repayments of 2020-21 Section 31 Grant) to DLUHC			

6. BORROWING REQUIREMENT

6.1 The Council's Capital Financing Requirement (CFR), its underlying borrowing requirement, is detailed below. Capital expenditure was originally approved by Council on 24th February 2021; slippage in the Capital Programme is now factored into the Prudential Indicators included in this report along with the impact of any changes to the Capital Programme proposed by Cabinet on 21st December 2021.

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement as at 31 st March	40,319	50,925	61,551	61,631	60,147	59,292

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement as at 31 st March	58,720	56,850	55,538	53,492	51,603	49,545

7. PRUDENTIAL AND TREASURY INDICATORS FOR THE PERIOD 1st APRIL 2022 to 31st MARCH 2023

- 7.1 Prudential and Treasury Indicators (as set out in Appendix 3 to this report) are relevant for the purposes of setting an integrated treasury management strategy.
- 7.2 Within the Budget Report to Council in February 2022, revised Prudential Indicators will be presented for approval (see Recommendation 2.1 of this report) if appropriate.
- 7.3 The Prudential Indicators relating to the non-treasury investments are reported separately within the Capital Strategy report.

8. BORROWING STRATEGY

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

The Council's external borrowing position at 14th January 2022 totalled £35m, detailed below; reducing to £34m on 15th March 2022 when one of the PWLB loans is scheduled for repayment.

Agenda Item No. 6

Lender	Principal	Date	Туре	Interest Rate	Maturity
PWLB	£1m	15/03/13	Fixed interest rate	2.62%	15/03/22 (9 years)
PWLB	£1m	29/07/14	Fixed interest rate	3.99%	29/07/33 (19 years)
PWLB	£1m	20/10/14	Fixed interest rate	3.54%	20/10/56 (42 years)
PWLB	£1m	02/12/14	Fixed interest rate	3.44%	02/12/39 (25 years)
PWLB	£1m	20/01/15	Fixed interest rate	2.99%	20/01/39 (24 years)
PWLB	£1m	04/02/15	Fixed interest rate	2.87%	04/02/41 (26 years)
PWLB	£1m	04/02/15	Fixed interest rate	2.80%	04/02/37 (22 years)
PWLB	£1m	08/04/15	Fixed interest rate	2.96%	08/04/35 (20 years)
PWLB	£1m	02/07/15	Fixed interest rate	3.35%	02/07/32 (17 years)
PWLB	£1m	20/07/15	Fixed interest rate	3.40%	20/07/31 (16 years)
PWLB	£1m	29/07/15	Fixed interest rate	3.13%	29/07/30 (15 years)
PWLB	£1m	06/08/15	Fixed interest rate	2.96%	06/08/28 (13 years)
PWLB	£1m	02/02/16	Fixed interest rate	2.99%	02/02/63 (48 years)
PWLB	£1m	24/06/16	Fixed interest rate	2.21%	24/06/26 (10 years)
PWLB	£1m	03/03/17	Fixed interest rate	2.42%	03/03/62 (45 years)
PWLB	£1m	26/03/18	Fixed interest rate	2.28%	26/03/64 (46 years)
PWLB	£1m	14/09/18	Fixed interest rate	2.49%	14/09/68 (50 years)
PWLB	£1m	14/09/18	Fixed interest rate	2.53%	14/09/60 (42 years)
PWLB	£1m	25/09/18	Fixed interest rate	2.59%	25/03/62 (43.5 years)
PWLB	£1m	03/12/18	Fixed interest rate	1.79%	03/12/24 (6 years)
PWLB	£1m	12/12/18	Fixed interest rate	2.47%	12/12/68 (50 years)
PWLB	£1m	17/12/18	Fixed interest rate	2.46%	17/12/66 (48 years)
PWLB	£1m	11/02/19	Fixed interest rate	2.38%	11/02/65 (46 years)
PWLB	£1m	12/03/19	Fixed interest rate	2.36%	12/03/66 (47 years)

Lender	Principal	Date	Туре	Interest Rate	Maturity	
PWLB	£1m	25/03/19	Fixed interest rate	1.82%	25/09/27 (8.5 years)	
PWLB	£1m	25/03/19	Fixed interest rate	2.29%	25/09/59 (40.5 years)	
PWLB	£1m	26/03/19	Fixed interest rate	2.20%	26/09/67 (48.5 years)	
PWLB	£1m	01/04/19	Fixed interest rate	1.80%	01/04/29 (10 years)	
PWLB	£1m	04/06/19	Fixed interest rate	1.74%	04/11/29 (10.5 years)	
PWLB	£1m	04/06/19	Fixed interest rate	2.17%	04/11/69 (50 years)	
PWLB	£1m	24/06/19	Fixed interest rate	2.13%	26/01/61 (41.7 years)	
PWLB	£1m	08/07/19	Fixed interest rate	1.86%	08/07/34 (15 years)	
PWLB	£1m	20/08/19	Fixed interest rate	1.67%	20/08/69 (50 years)	
Portsmouth City Council	£2m	30/06/20	Fixed interest rate	1.00%	30/06/22 (2 years)	
Total	£35m					

8.2 Prospects for Interest Rates: View provided by Link Group

The Council's appointed external treasury advisor are Link Group (Link). Part of the service provided is to assist the Council to formulate a view on interest rates. Link provided the following forecasts. The PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Group Interest Ra	ate View	20.12.21												
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	_	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	_	-

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

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

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2022-23 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the US and UK, an increase in world economic activity or a sudden increase in inflation risks, then

the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the Treasury Managment Panel at the next available opportunity.

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

8.5 Policy On Borrowing in Advance of Need

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

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

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

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

8.6 UK Municipal Bond Agency

The UK Municipal Bond Agency has been establised. The Chief Finance Officer will consider the use of this source of borrowing as and when appropriate. Any arrangement will be subject to compliance with the approved treasury policy in accordance with standard practice.

8.7 **Property Investment Funds**

Property funds are a vehicle for investing funds and diversifying investments. The Council currently has no investments within these types of funds, but is continuing to review the suitability of this option. Property funds should be seen as a medium to long term investment (5 years minimum) to ensure that the full benefit of the return is seen, and to also ensure that any entry fees, annual management fees and exit costs are covered over the life of the investment. Any fund of this nature incurs costs, and these vary depending on the type of fund. Property funds can provide a regular return on the initial investment amount. As a result of the increased durations required to increase yields our treasury strategy, set out in paragraph 10.3 and Appendix 5, provides the Chief Finance Officer with the flexibility to consider the use of this non-specified investment if appropriate. Any arrangement will be subject to compliance with the approved treasury policy in accordance with standard practice.

8.8 **Money Market Funds**

There are three structural options for money market funds (MMFs):

- Public Debt Constant Net Asset Value (CNAV) MMFs must invest 99.5% of their assets into government debt instruments, reverse repurchase agreements (repos) collateralised with government debt, cash, and are permitted to maintain a constant dealing net asset value (NAV). This Fund is already in existence and there is no change proposed to the current structure; this fund is not currently used due to low yields.
- Low Volatility Net Asset Value (LVNAV) MMFs permitted to maintain a
 constant dealing NAV provided that certain criteria are met, including that
 the market NAV of the Fund does not deviate from the dealing NAV by
 more than 20 basis points (bps). Funds will have amortised cost
 accounting for investments out to 75 days. This means that they can
 value such investments at par, thus these investments should not affect
 the underlying Fund's NAV. All but one of the Council's MMFs are this
 type of fund.
- Variable Net Asset Value (VNAV) MMFs Funds which price their assets using market pricing and therefore offer a fluctuating dealing NAV. No change to the current approach for Ultra Short rated Bond Funds; the Council currently uses one of this type of fund.

Note: all MMFs carry relatively low risk

These separate classes are reflected in the authority's investment criteria (see table at paragraph 10.3).

8.9 Ethical Investing – Environmental, Social and Governance (ESG) Considerations

Investment considerations will be about understanding the risks that the entity is exposed to and how well these risks can be/are managed. Evaluating on ESG performance alone without consideration of credit risk would be contrary to the cornerstone of prudential Treasury Management. Credit ratings are used generally as a way of assessing risks and all of the rating agencies are now extoling how they incorporate ESG risk alongside more traditional financial risk metrics when assessing counterparty ratings.

Governance is by far the most important of the factors when assessing potential impact on entity enterprise value in relation to treasury investments that are likely to be short term in nature. Poor governance can have an immediate impact on the financial circumstances of an entity and the potential for a default event that would impact the amount received back from an investment. Those financial institutions that are viewed as having poor/weak corporate governance are generally less well rated in the first instance or have a higher propensity for being subject to negative rating action. So, this element of ESG is of high importance to an investor that is following investment guidance with the security, liquidity and yield (SLY) principle at its core.

Link continue to look at ways in which they can incorporate Environmental, Social and Governance (ESG) factors into their creditworthiness assessment service.

The incorporation of Council policy and practices in relation to ESG considerations will be incorporated into TMP 1 under the CIPFA Treasury Management Code 2020.

9. DEBT RESCHEDULING

- 9.1 Rescheduling of current borrowing in the Council's debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.
- 9.2 The reasons for any rescheduling to take place would include:
 - the generation of cash savings and / or discounted cash flow savings,
 - helping to fulfil the treasury strategy,
 - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 9.3 Consideration would also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 9.4 Any rescheduling would be reported to the Cabinet at the earliest meeting following its action. However, rescheduling of any current borrowing is unlikely to occur as the 100 basis point increase in the PWLB rates only applied to new borrowing rates and not to premature repayment rates.

10. ANNUAL INVESTMENT STRATEGY

10.1 Investment policy – management of risk

10.1.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, which for this Council are essentially property acquisitions with multiple objectives including income generation, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options if deemed appropriate for the risk appetite of this Council.

- 10.1.2 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -
 - Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - 2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
 - Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

- 4. This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in appendix 5 under the categories of 'specified' and 'non-specified' investments.
 - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
 - ii. **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- 5. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 10.3.
- 6. Transaction limits are set for each type of investment in paragraph 10.3.
- 7. The Council has set a limit for the amount of its investments which are invested for longer than 365 days, (see Appendix 3, paragraph 1.9).
- 8. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see Appendix 6).
- 9. This Council has engaged external consultants, (see paragraph 11), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- 10. All investments will be denominated in sterling.
- 11. As a result of the change in accounting standards for 2022-23 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018 the (then) MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31st March 2023.)

10.2 Management Practices for Non-Treasury Investments

- 10.2.1 The Council has adopted the following statements covering non-treasury investments:
 - This Council recognises that investment in other financial assets and property for multiple objectives, including income generation, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.
 - This Council will ensure that all of its investments are covered in the Capital Strategy and the Strategy for the Capital Portfolio Fund and Generic Capital Fund and will set out the organisation's risk appetite and specific policies and

arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

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

10.3 **Creditworthiness Policy**

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

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

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

This modelling approach combines credit ratings and any assigned watches and outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Chief Finance Officer is satisfied that this service will continue to provide a high level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

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

5 years * (credit score 1) Yellow 5 years for Ultra-Short Dated Bond Funds (USDBF) (credit score 1.25) Dark pink 5 years for Ultra-Short Dated Bond Funds (USDBF) (credit score 1.5) Light pink Purple 2 years (credit score 2) 1 year (only applies to nationalised or semi nationalised UK Banks) Blue (credit score 3) 1 year (credit score 4) Orange 6 months (credit score 5) Red

100 days (credit score 6) Green No colour

not to be used (credit score 7+)

Local flexibilty supplementary to the base Link criteria

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

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



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

to this Council can be lound in	Colour (and long	%	Time
	term rating where applicable)	Limit	Limit
Banks *	yellow	25%	5yrs
Banks	purple	25%	2 yrs
Banks	orange	25%	1 yr
Banks – part nationalised	blue	50% (subject to a maximum value of £5m, whichever is the higher) Requires Chief Finance Officer approval if greater than 25%	1 yr
The Council's Bank	minimum green	50% But, will require prior Chief Finance Officer approval if greater than 25% or £5m, and time limit is greater than current colour	1 yr
Banks	red	25 %	6 mths
Banks	green	25 %	100 days
Other institutions limit	green	25 %	100 days
DMADF	AA	unlimited	6 months
Local authorities	n/a	25 %	5 yrs
Housing associations	green	25%	100 days
	Fund Rating	% Limit	Time Limit
Money market funds CNAV ¹	AAA	25%	Liquid
Money market funds LVNAV ²	AAA	25%	Liquid
Money market funds VNAV ³	AAA	25%	Liquid
Ultra-Short Dated Bond funds with a credit score of 1.25	Dark pink / AAA	25%	Liquid
Ultra-Short Dated Bond funds with a credit score of 1.5	Light pink / AAA	25%	Liquid
Property Funds		25%	Up to 5 years and over

¹CNAV – Constant Net Asset Value (see paragraph 8.8)

²LVNAV – Low Volatility Net Asset Value

³VNAV – Variable Net Asset Value

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

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

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

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

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

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

Creditworthiness: Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices: Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

10.4 Non UK Country Limits

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

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

10.5 **Investment Strategy**

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations: The current forecast shown in paragraph 8.2, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February 2022.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

10.6 End of Year Investment Report

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

10.7 External Fund Managers

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

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

11. POLICY ON THE USE OF EXTERNAL SERVICE PROVIDERS

- 11.1 The Council uses Link Group, Treasury Solutions (Link) as its external treasury management advisers.
- 11.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. The Chief Finance Officer will ensure that statutory Section 151 responsibilities continue to be met, in close liaison with, but without undue reliance, upon our external service providers and having regard to all available information.
- 11.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 11.4 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and also other non-financial assets that councils hold for multiple objectives, including generating a net-yield (for example property portfolios). This may therefore include property acquisitions funded from prudential borrowing that are not managed as part of the normal treasury management processes or under treasury management delegations. This Council's Capital Strategy policy requires that properties are not held primarily for commercial purposes/financial gain and must be located within the specified geographical boundary, (this is currently within district, Cabinet report 10th November 2020 refers) and acquisitions so far have all been purchased for multiple objectives including economic regeneration for the district. It is recognised that the management of risk is a key factor in this wider approach to property acquisitions and the due diligence and governance requirements include the use of specialist advisors including KPMG, Bruton Knowles, Lambert Smith Hampton, GVA Grimley and Savilles. Asset Purchase and Sale Investment advice and Asset Portfolio Management is currently provided by Jones Valerio Ltd. Ongoing Property Management is being managed by BNP Paribas.

12. SCHEME OF DELEGATION

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

13. ROLE OF THE SECTION 151 OFFICER

13.1 The Treasury Management Role of the Section 151 Officer is detailed in Appendix 8. The 2017 Treasury Management Code of Practice significantly extended the specific role of this officer to include a series of new roles in respect of the capital strategy and also a specific role in respect of investment in non-financial assets. These are also reported as part of the Capital Strategy report for transparency and cross reference.

14. MEMBER AND OFFICER TRAINING

- 14.1 The 2017 CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This applies to all Members responsible for the Treasury Management scrutiny function and officers dealing with treasury management. The Council has addressed this important issue by:
 - Annual Portfolio holder training from the Chief Financial Officer and Treasury Consultants;
 - Treasury Management Review Panel annual training updates (with additional updates as necessary);
 - Daily Officer monitoring of Treasury and Money Market information by Treasury Officers;
 - Regular attendance by Officers at professional Seminars provided by Treasury Consultants, CIPFA and DLUHC

The training needs of treasury management officers are periodically reviewed.

The 2021 Code revision amends and strengthens this requirement. Work will be undertaken during 2022-23 in advance of implementation of a skills register for individuals (officers and members) involved in the treasury management function in 2023-24.

15. LOCAL ISSUES

15.1 The Financial Strategy for 2017-20 approved in February 2017 included significant proposals to create a £25m Capital Portfolio Fund, subsequently increased to £26.5m with the aim of supporting our corporate priority of regeneration and economic development. This policy is closely allied to the Treasury Management Service Strategy. Expenditure is subject to specific approval and due diligence evidenced in each business case. More detail in relation to non-treasury investments is contained within the Capital Strategy Cabinet report to December Cabinet that will be reported for approval to February 2022 Council alongside this TMSS as part of the overall Financial Strategy.

- During the next year funds available for investment will continue to reduce as the Council realigns its financial plans and settlement is made with DLUHC for the 2021-22 Covid cashflow support grants. Inflationary and other supply chain issues, mixed recovery following 2 years of the COVID pandemic and continued uncertainty about future funding for District Councils significantly increases the risk of not being able to maintain financial sustainability. This has a consequential impact on treasury management cashflows and spending plans. The Medium-Term Financial Strategy proposed for 2022-25 continues the programme to explore and implement more shared services, alternative service delivery options and other planned transformation. Work to continue to progress localism in partnership with our Town and Parish Councils is also planned as part of this trajectory towards closing the funding gap and inevitably becoming a smaller organisation.
- 15.3 The Prudential Code suggests including Local Indicators where the information will lead to a better understanding of local circumstances. Many Councils have approved capital property acquisition schemes that promote corporate priorities whilst also generating rental streams. The strict definition of the current indicator showing financing costs as a proportion of net revenue stream excludes such rental income, thereby skewing the results. A local indicator is included within Appendix 3, to show the effect of the complete investment return upon the net revenue stream, thus demonstrating that the inclusion of these schemes still provides prudent and affordable results.

16. <u>KEY ISSUES</u>

- 16.1 The Council continues to enter into external borrowing in accordance with the current approved TMSS. Loans outstanding as at 14th January 2022 total £35million, and this will increase in line with the CFR over the period of the Financial Strategy. As approved capital projects progress, including the significant policy for the Capital Portfolio Fund, the borrowing requirement will continue to increase. Subject to timing of proposals, we will continue to utilise internal borrowing and when necessary take advantage of historically low borrowing rates, taking into account cost of carry, before they start to rise again. Full details can be found in Section 8.1 of this report.
- 16.2 The Chief Finance Officer and treasury team keep the TMPs under review with the assistance of the Council's Treasury Consultants.
- 16.3 Achieving financial sustainability is the most significant challenge facing the Council. Since leaving the EU and the COVID-19 pandemic significant uncertainty has existed due to supply chain issues, economic downturn followed by an unpredictable stop start recovery and inflationary pressures. This uncertainty is exacerbated by the absence of a clear timeline for funding reform. The Transformation Agenda continues to be actively progressed to deliver savings from both the localism work stream and Wyre Forest Forward Programme. Whilst the overall funding gap has decreased from circa £2.736m to circa £1.96m in 2023-24 it still represents a key risk to ongoing financial sustainability. This has a consequential impact on treasury management cashflows and spending plans. This Strategy manages the risks as set out in section 19. All relevant factors will be monitored and if the risks change significantly then further reports will be made to update the Treasury Strategy.

17. FINANCIAL IMPLICATIONS

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

18. <u>LEGAL AND POLICY IMPLICATIONS</u>

- 18.1 The Local Government Act 2003 supplemented by Regulations set out the current framework for a **prudential** system for local authority capital finance. This Act, together with CIPFA's Prudential Code for Capital Finance in Local Authorities, came into effect on 1st April 2004. The code, together with recent revised editions, guides decisions on what Local Authorities can afford to borrow and has statutory backing under Regulations issued in accordance with the Local Government Act 2003.
- 18.2 Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services as part of the Authority's Standing Orders and Financial Regulations, gives it the status of a "code of practice made or approved by or under any enactment", and hence proper practice under the provisions of the Local Government and Housing Act 1989.
- 18.3 This Strategy document is prepared under the 2017 revisions of the Codes. Whilst the new 2021 versions of the Codes published on 21st December 2021 apply with immediate effect; implementation of the new reporting requirements is deferred until the 2023/24 financial year.
- 18.4 The CIPFA Prudential Code and Treasury Management Code published in December 2017 introduced additional layers of control around risk in relation to investments that are not part of treasury management activity in particular where prudential borrowing is used and a commercial return is sought. The 2021 versions of the Code tighten the approach to borrowing in advance of need in order to profit from the additional sums borrowed. The code makes it clear that borrowing primarily for debt-for-yield investments is not permissible.
- 18.5 The first full year of compliance with the CIPFA Financial Management Code (FM Code) is 2021-22. This provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively.

19. RISK MANAGEMENT

- 19.1 The Council is aware of the risks of passive management of the treasury portfolio. With the support of Link Group, the Council's treasury advisors, the Council has proactively managed the portfolio over the year.
- 19.2 Shorter-term variable rates and likely future movement in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the lending list, accurately forecasting returns can be difficult.

- 19.3 In the event of a counterparty default, a formal demand for payment, to include principal, contractual interest and default interest, will be made as soon as possible. Such demand will need to meet the criteria as specified in the Insolvency Act Amendments Rules 2010.
- 19.4 One of the risks associated with the Council's Capital Programme, allied to this TMSS, is that given the current economy, planned asset disposals are not fully realised in terms of timing and valuation assumptions. This may increase external borrowing until such sales proceeds are realised and also incur additional costs, of debt repayment to those already included in Finance Strategy. For major projects, reserves are held to mitigate this risk.
- 19.5 There is no significant change proposed to the Council's counterparty criteria. The Council will continue to aim to achieve the optimum return on its investments commensurate with its investment priorities of security and liquidity. The government continues its programme of selling its stake in Royal Bank of Scotland. The investment criteria for this class of investment enables more flexibility for the use of the UK part nationalised banks (currently RBS Group) where necessary. However, this will be kept under review and investments above 25% will only be placed on an exception basis and only with advance Chief Finance Officer approval.
- 19.6 Although the rating for the Council's bank, Lloyds, is currently red (6 months) if this should deteriorate the policy allows for discretion to be exercised allowing longer investments up to 12 months to continue to be placed. The resultant risk is recognised and would be mitigated by approval on an exceptional basis only with advance Chief Finance Officer approval.
- 19.7 Proposed expenditure from the Capital Portfolio Fund and new Generic Capital Fund will be subject to specific approval and due diligence evidenced by each business case in order to minimise risk. These risks are explained in the detailed Capital Strategy 2022-32 report presented to Cabinet on 21st December 2021 and to be presented for approval at Council in February 2022.
- 19.8 The ongoing requirement to produce a Capital Strategy will ensure that there is appropriate focus on risk and longer-term affordability of capital plans and include emphasis on non-treasury investments.
- 19.9 The ongoing impact of COVID-19 and the resultant uncertainty on forecasting of future cash flows is a new risk this year. The funding provided by Government has so far mitigated the greater part of this risk. Daily Treasury Management meetings and robust budget monitoring including assessment of how this links to changes in cash flows, manages and mitigates this risk as far as possible.

20. <u>EQUALITY IMPACT ASSESSMENT</u>

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

21. CONCLUSION

21.1 See Recommendations.

22. CONSULTEES

- 22.1 Link Group (Treasury Advisors)
- 22.2 Cabinet Member for Finance and Capital Portfolio
- 22.3 CLT
- 22.4 Treasury Management Review Panel

23. BACKGROUND PAPERS

- 23.1 Local Government Act 2003.
- 23.2 CIPFA Prudential Code 2017.
- 23.3 CIPFA Code of Practice on Treasury Management 2017.
- 23.4 Local Government and Housing Act 1989.
- 23.5 CIPFA Treasury Management in the Public Services Guidance Notes 2018.
- 23.6 CIPFA Treasury Management in the Public Services Guidance Notes 2018.
- 23.7 CIPFA statement 17/10/2018 on borrowing in advance of need and investments in commercial property.
- 23.8 CIPFA Bulletin 02 Treasury and Capital Management Update October 2018.
- 23.9 Statutory investment guidance where updated in 2018 (English local authorities)
- 23.10 Statutory MRP guidance where updated in 2018 (English local authorities)
- 23.11 CIPFA Guidance on Prudential Property Investment November 2019.
- 23.12 CIPFA Financial Management Code October 2019.
- 23.13 Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2021.
- 23.14 CIPFA Prudential Code 2021.
- 23.15 Cabinet 21st December 2021 Capital Strategy 2022-32 http://www.wyreforest.gov.uk/council/docs/doc57266_20211221_cabinet_agenda.pdf

APPENDIX 1 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

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

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

For capital expenditure financed by borrowing after 1 April 2008 the Chief Finance Officer (Section 151 Officer) should determine whether an annuity or equal instalment method is adopted for certain classes of investment to ensure that the most financially beneficial method is adopted.

During 2021-22 the Council's approach to calculating a prudent minimum revenue provision has continued to be kept under review to further take account of the need to evaluate business cases for Capital Portfolio Fund acquisitions that have multiple objectives including generation of revenue income streams.

The Council is recommended to approve the following MRP Statement:

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

Regulatory Method

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

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

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

Asset Life Method

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

Longer life assets e.g. freehold land can be charged over a longer period.

• No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday').

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

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

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

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

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

Agenda Item No. 6 - Appendix 1

In accordance with the Guidance, MRP will be charged in the financial year following that in which the asset is completed or becomes operational, however the Chief Finance Officer may choose to apply a VRP in the year of acquisition in exceptional circumstances if it was deemed necessary due to the level of materiality.

MRP Overpayments

A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed for use in the budget. This policy must disclose the cumulative overpayment made each year. Up until 31st March 2021 there were no cumulative VRP overpayments.

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

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

APPENDIX 2 INTEREST RATE FORECASTS

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

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

Link Group Interest Rate View		20.12.21												
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate										Olivorcon)	-1			
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	12		-	7/2	
Syr PWLB Rate	10000			3000	100 to 10			100 100	10.0					
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	1	125		-	4.
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	62	4	(2)	84	23
25yr PWLB Rate								7477						
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	14		-		
50yr PWLB Rate			S.											
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30					

The PWLB forecasts have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

APPENDIX 3 PRUDENTIAL AND TREASURY INDICATORS

1 THE CAPITAL PRUDENTIAL INDICATORS 2022-32

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

The prudential indictors will be revised in February 2022, as part of the Council's approval of the Financial Strategy 2022 to 2025, as the indicators included within this report are based on current recommendations.

1.1 Capital expenditure

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

Capital expenditure £'000	2020-21 Actual	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Chief Executive and Solicitor to the Council	1	1	414	-	-	-
Community and Environmental Services	64	1,415	1,357	582	-	-
Economic Prosperity and Place**	4,161	14,164	27,786	10,858	1,000	1,000
Resources	173	556	325	-	-	-
Capital Portfolio Fund and Generic Capital Fund	33*	8,051*	8,000*	-	-	-
Vehicle, Equipment and Systems Renewals	473	1,002	483	607	507	1,159
Total	4,904	25,188	38,365	12,047	1,507	2,159

Capital expenditure £'000	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate	2030-31 Estimate	2031-32 Estimate
Chief Executive and Solicitor to the Council	-	1	-	-	1	1
Community and Environmental Services	-	1	-	-	1	1
Economic Prosperity and Place**	1,000	1,000	1,000	1,000	1,000	1,000
Resources	-	-	-	-	-	-
Capital Portfolio Fund and Generic Capital Fund	-	-	-	-	-	-
Vehicle, Equipment and Systems Renewals	1,495	267	842	137	296	112
Total	2,495	1,267	1,842	1,137	1,296	1,112

^{*} Whilst it is highly unlikely that the full allocations will be spent as currently estimated, these are included as maximum sums to enable the Council to take advantage of relevant opportunities to support regeneration in the wider sense as they may arise.

^{**} Capital budgets from 2022-23 onwards for Disabled Facilities Grants are subject to annual Better Care Fund allocations from Central Government.

Agenda Item No. 6 – Appendix 3

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

The tables below summarise the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £'000	2020-21 Actual	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Total	4,904	25,188	38,365	12,047	1,507	2,159
Financed by:						
Capital receipts	284	1,241	1,076	106	-	1
Capital grants	3,697	12,019	25,308	9,898	1,000	1,000
Revenue	-	109	-	-	-	-
Total net financing need	923	11,819	11,981	2,043	507	1,159
for the year						
Net financing need split as follows:						
Net financing need for the year: Capital Portfolio Fund and Generic Capital Fund	33	8,051	8,000	-	-	-
Percentage of total net financing need %	4%	68%	67%	0%	0%	0%
Net financing need for the year: Capital Programme	890	3,768	3,981	2,043	507	1,159
Percentage of total net financing need %	96%	32%	33%	100%	100%	100%

Capital expenditure	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
£'000	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Total	2,495	1,267	1,842	1,137	1,296	1,112
Financed by:						
Capital receipts	-	-	•	ı	ı	ı
Capital grants	1,000	1,000	1,000	1,000	1,000	1,000
Revenue	-	-	-	-	-	ı
Total net financing need	1,495	267	842	137	296	112
for the year						
Net financing need split as						
follows:						
Net financing need for the year: Capital Portfolio						
Fund and Generic Capital Fund	-	-	-	-	-	-
Percentage of total net	0%	0%	0%	0%	0%	0%
financing need %						
Net financing need for the year: Capital Programme	1,495	267	842	137	296	112
Percentage of total net financing need %	100%	100%	100%	100%	100%	100%

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

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life, and so charges the economic consumption of capital assets as they are used.

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

The current CFR projections are presented below:

£'000	2020-21 Actual	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate			
	Capital Fir	Capital Financing Requirement							
CFR: Capital Portfolio Fund and Generic Capital Fund	16,856	26,297	32,339	31,549	30,759	29,966			
CFR: Capital Programme	23,463	24,628	29,212	30,082	29,388	29,326			
Total CFR	40,319	50,925	61,551	61,631	60,147	59,292			
Movement in CFR	(247)	10,606	10,626	80	(1,484)	(855)			

	Movement in CFR represented by:									
Net financing need for the year (above)	923	11,819	11,981	2,043	507	1,159				
Less MRP/VRP and other financing movements	(1,170)	(1,213)	(1,355)	(1,963)	(1,991)	(2,014)				
Movement in CFR	(247)	10,606	10,626	80	(1,484)	(855)				

Agenda Item No. 6 - Appendix 3

£'000	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32			
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate			
	Capital Fir	Capital Financing Requirement							
CFR: Capital Portfolio Fund and Generic Capital Fund	29,172	28,376	27,580	26,781	25,980	25,177			
CFR: Capital Programme	29,548	28,474	27,958	26,711	25,623	24,368			
Total CFR	58,720	56,850	55,538	53,492	51,603	49,545			
Movement in CFR	(572)	(1,870)	(1,312)	(2,046)	(1,889)	(2,058)			

Movement in CFR represented by:										
Net financing need for	1,495	267	842	137	296	112				
the year (above)										
Less MRP/VRP and	(2,067)	(2,137)	(2,154)	(2,183)	(2,185)	(2,170)				
other financing										
movements										
Movement in CFR	(572)	(1870)	(1,312)	(2,046)	(1,889)	(2,058)				

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any non treasury activity in relation to the Council's overall financial position. The capital expenditure figures shown in 1.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

1.3 Affordability prudential indicators

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

1.4 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream for the period of the Medium Term Financial Strategy (MTFS).

%	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Estimate	Estimate	Estimate	Estimate
Ratio (Prudential Code)*	13.60	15.75	20.47	27.81	28.45
Ratio (Local Indicator)*	6.18	7.32	8.83	11.51	11.94

^{*} A local indicator was introduced from 2018-19 onwards to reflect the impact of the estimated rental income stream for the Capital Portfolio Fund scheme (currently excluded from the Prudential Code calculation), demonstrating that the capital investment continues to be prudent and sustainable.

The estimates of financing costs include current commitments.

1.5 Current portfolio position

The Council's treasury portfolio position (investments and borrowing) at 14th January 2022 is detailed in sections 5.1 and 8.1 of the main report.

The Council's external debt position at 31st March 2021, with forward projections for borrowing are summarised below (maximum external borrowing is shown, but there may be a varied mix of internal and external borrowing if that is deemed more advantageous by the Chief Finance Officer, depending upon interest rates and Council cash balances). The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2020-21 Actual	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
External Debt						
Gross debt at 31 st March	37,000	50,000	61,000	61,000	60,000	59,000
The Capital Financing Requirement	40,319	50,925	61,551	61,631	60,147	59,292
Under / (over) borrowing *	3,319	925	551	631	147	292

Within the above figures the level of debt relating to the Generic Capital Fund and Capital Portfolio Fund is:

	2020-21 Actual	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
External Debt for G	eneric Cap	ital Fund aı	nd Capital F	Portfolio Fu	ınd	
Actual debt at 31 March £'000	17,000	26,000	32,000	31,000	30,000	29,000
Percentage of total external debt %	46%	52%	52%	51%	50%	49%

£'000	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate	2030-31 Estimate	2031-32 Estimate
External Debt						
Gross debt at 31st March	58,000	56,000	55,000	53,000	51,000	49,000
The Capital Financing Requirement	58,720	56,850	55,538	53,492	51,603	49,545
Under / (over) borrowing *	720	850	538	492	603	545

Within the above figures the level of debt relating to the Generic Capital Fund and Capital Portfolio Fund is:

	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate	2030-31 Estimate	2031-32 Estimate
External Debt for G	eneric Cap	ital Fund aı	nd Capital I	Portfolio Fu	ınd	
Actual debt at 31 March £'000	29,000	28,000	27,000	26,000	25,000	25,000
Percentage of total external debt %	50%	50%	49%	49%	49%	51%

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022-23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

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

1.7Treasury Indicators: limits to borrowing activity

The operational boundary

This is the limit beyond which external debt is not normally expected to exceed, shown for the period of the MTFS. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £'000	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Debt	65,000	65,000	65,000	65,000
Other long term liabilities	-	-	-	-
Total	65,000	65,000	65,000	65,000

The authorised limit for external debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of

external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term, shown for the period of the MTFS.

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

Authorised limit	2021-22	2022-23	2023-24	2024-25
£'000	Estimate	Estimate	Estimate	Estimate
Debt	75,000	75,000	75,000	75,000
Other long term liabilities	-	-	-	-
Total	75,000	75,000	75,000	75,000

1.8 Maturity structure of borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2022-23					
	Lower	Upper			
Under 12 months	0%	100%			
12 months to 2 years	0%	100%			
2 years to 5 years	0%	100%			
5 years to 10 years	0%	100%			
10 years and above	0%	100%			
Maturity structure of variable interest rate	borrowing 2022-	23			
	Lower	Upper			
Under 12 months	0%	100%			
12 months to 2 years	0%	100%			
2 years to 5 years	0%	100%			
5 years to 10 years	0%	100%			
10 years and above	0%	100%			

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

1.9 Investment treasury indicator and limit

This indicator sets the limits on total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 365 days						
£m 2022-23 2023-24 2024-25						
Principal sums invested > 365 days	cipal sums invested > £2m £2m £2m					

<u>APPENDIX 4 ECONOMIC BACKGROUND (PROVIDED BY LINK GROUP (TREASURY ADVISORS))</u>

4.1 ECONOMIC BACKGROUND

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

4.2 A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the Monetary Policy Committee (MPC) to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.

- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three
 years so that it has its main monetary policy tool ready to use in time for the
 next down-turn; all rates under 2% are providing stimulus to economic
 growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.
- On 16th December 2021The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- On 10th December we learnt of the disappointing 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the

supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- Other elements of inflation are also transitory e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a surprise increase in Bank Rate from 0.10% to 0.25%. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the Consumer Price Index (CPI) figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".
- On the other hand, it did also comment that "the Omicron variant is likely to weigh on near-term activity". But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of

consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the 2% target in two years' time, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a "modest tightening" in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 - Raising Bank Rate as "the active instrument in most circumstances".
 - Raising Bank Rate to 0.50% before starting on reducing its holdings.
 - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- 4.3 United States (US). Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, CPI inflation hit a near 40-year record level of 6.8% but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Federal Reserve (Fed) is the mounting evidence of a

strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

- Shortages of labour have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential Gross Domestic Product (GDP). Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the Fed's meeting of 15th December would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn Quantitative Easing (QE) purchases announced at its November 3rd meeting, was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
- 4.4 **European Union (EU).** The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
 - November's inflation figures breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth

- remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.
- European Central Bank (ECB) tapering. The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of Omicron on the
 economy, and it stated at its December meeting that it is prepared to provide
 further QE support if the pandemic causes bond yield spreads of peripheral
 countries, (compared to the yields of northern EU countries), to rise.
 However, that is the only reason it will support peripheral yields, so this
 support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.
- 4.5 **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
 - However, the pace of economic growth has now fallen back in 2021 after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per

- month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing
 widespread power cuts to industry during the second half of 2021 and so a
 sharp disruptive impact on some sectors of the economy. In addition, recent
 regulatory actions motivated by a political agenda to channel activities into
 officially approved directions, are also likely to reduce the dynamism and
 long-term growth of the Chinese economy.
- 4.6 **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
 - The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.
- 4.7 WORLD GROWTH. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is 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 from those in prior decades.
- 4.8 **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

APPENDIX 5 SPECIFIED AND NON-SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

The Council has determined to authorise Specified Investments as follows: (All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable).

	Minimum 'High' Credit Criteria
Debt Management Agency Deposit Facility (DMADF) – UK Government	-
The Council's Own Bank – for transactional purposes	End of day balance £1m (at the discretion of the Chief Financial Officer)
The Council's Own Bank – for investment purposes	Green
Deposits – local authorities	-
Deposits – housing associations	Green
Term deposits – banks and building societies *	Green
Other Financial Instruments	Green

Term deposits with nationalised banks, banks and building societies

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
UK part nationalised banks*– currently RBS Group.	Blue	In-house	50% (subject to a maximum value of £5m, whichever is the higher). Requires Chief Finance Officer approval if greater than 25%	As per colour
The Council's Own Bank – for investment purposes	Green	In-house	50% But requires Chief Finance Officer approval if greater than 25% or £5m, and time limit is greater than current colour	1 year
Banks nationalised by high credit rated (AA+ sovereign rating) countries – non UK**. For UK revert to Link Creditworthiness Methodology	Green	In-house and Fund Managers	25%	As per colour

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):

	Minimum 'High' Credit Criteria
1a. Money Market Funds (CNAV)	AAA
1b. Money Market Funds (LVNAV)	AAA
1c. Money Market Funds (VNAV)	AAA
2a. Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA
2b. Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA
3. Bond Funds	AAA
4. Gilt Funds	UK sovereign rating

^{*} Where a bank is part of a group then the total exposure to the group will be the same as the individual exposure assigned to the parent organisation

Additional Information on Specified Investments as Detailed Above

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

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

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

Council's Own Bank – For investment purposes. The Council's own bank may be used for investment durations up to 1 year in accordance with the limits as specified in the TMSS

^{**} e.g. USA (AA+); specified list of countries approved for investing with their banks detailed in Appendix 6 (correct as at date of report)

Agenda Item No. 6 – Appendix 5

and in the table above, subject to it achieving a minimum colour rating of green with the Chief Finance Officer approval. However, where the Council's own bankers fail to meet the basic credit criteria, it shall not be used for investment purposes.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS:

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

1. Maturities of ANY period

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green	In-house	25%	As per colour
Certificates of deposit issued by banks and building societies	Green	In-house	25%	As per colour
Treasury Bills	UK sovereign rating	In-house and Fund Managers	25%	6 months
Bonds issued by multi- lateral development banks	AAA	In-house and Fund Managers	25%	As per colour
Corporate Bonds	Green	In-house and Fund Managers	25%	As per colour
Floating Rate Notes and Covered Bonds	Green	In-house and Fund Managers	25%	As per colour
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	25%	6 months
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	In-house and Fund Managers	25%	6 months
Collective Investment S	Schemes structured	as Open Ended I	nvestment Compan	ies (OEICs)
Corporate Bond Fund	-	Externally Managed	25%	Up to 5 years and over
Property Funds	-	Externally Managed	25%	Up to 5 years and over

2. Maturities in excess of 1 year

	Minimum Credit Criteria/Colour Band	Use	Max % of total investments	Max. maturity period	
Term deposits – local authorities	-	In-house	25%	As per colour	
Term deposits – housing associations	-	In-house	25%	As per colour	
Term deposits – banks and building societies	Green	In-house	25%	As per colour	
Certificates of deposit issued by banks and building societies	Green	In-house	25%	As per colour	
Collateralised deposit	Green	In-house	25%	As per colour	
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	25%	As per colour	
Bonds issued by multilateral development banks	AAA	In-house and Fund Managers	25%	As per colour	
Corporate Bonds	AAA	In-house and Fund Managers	25%	As per colour	
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)					
Bond Funds	AAA	Externally Managed	25%	Up to 5 years and over	
Gilt Funds	AAA	Externally Managed	25%	Up to 5 years and over	

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

Agenda Item No. 6 – Appendix 6 <u>APPENDIX 6 APPROVED NON UK COUNTRIES FOR INVESTMENTS (correct as</u> at date of report)

AAA

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

AA+

- Finland
- USA
- Canada

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

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

This page is correct as at 14th January 2022

APPENDIX 7 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

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

(ii) Committees/Council/responsible body – Treasury Management Review Panel

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

(iii) Body/person(s) with responsibility for scrutiny – Treasury Management Review Panel

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

APPENDIX 8 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, nonfinancial investments and treasury management, with a long term (20 year) timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake
 a level of investing which exposes the authority to an excessive level of risk compared
 to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that

Agenda Item No. 6 - Appendix 8

- appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Agenda Item No. 7

Overview & Scrutiny Committee

Briefing Paper

Report of: Ian Miller, Chief Executive; Helen Ogram, Head of

Resources and Steve Brant, Head of Community and

Environment

Date: 3 February 2022

Open

CAR PARKING CHARGES 2022-23: CONSIDERATION OF CALL IN REQUEST

1. Summary

1.1 1 For the Overview and Scrutiny Committee to consider the call in request signed by the three members of the Liberal Democrat group (appendix 1).

2. Background

- 2.1 On 21 December 2021, the Leader took decisions on the reports that had been issued for the Cabinet meeting which was due to have been held on that date. In the event, because of the concerns around the Omicron variant, the formal Cabinet meeting was replaced with an on line meeting at which Cabinet and other members were able to comment on the reports prior to "strong leader" decisions by the Leader, which were published on 22 December.
- 2.2 The relevant report is at the link. See the recommendation in paragraph 2.6 (page13 of the pdf), paragraph 7.1(d) (page 31) and the scale of charges in Appendix 4.2 (pages 90 and 91):

doc57266_20211221_cabinet_agenda.pdf (wyreforest.gov.uk)

The decision notice is at this link: doc57296_20211222_cabinet_decision_report.pdf (wyreforest.gov.uk)

2.3 Before turning to the issues raised in the call in request, it is appropriate to provide relevant facts and figures and also to remind the Committee of the wider context and background to the decision.

Scheme of charges for parking and permits prior to 2020

2.4 The system of car parking charges and permits was the subject of significant changes that took effect in April 2020, with a view to simplifying and rationalising the charging structure and also to secure greater contributions from longer staying visitors to Bewdley and Stourport in the principal tourist season. The new regime that was implemented in April 2020 was the subject of a detailed report and extensive scrutiny by the Committee on 5 December 2019:

Open (wyreforest.gov.uk) (pages 12 to 26 of the pdf) www.wyreforest.gov.uk/council/docs/doc55364_20191205_o_and_s_minute.p

The minutes record that the Overview and Scrutiny Committee supported the proposed approach, which was then agreed by the Cabinet later in December 2019. The consideration by the Committee lasted the best part of an hour and a half, as the departure of a number of members from the meeting is recorded at 7.31pm. The changes that were agreed in December 2019 were expected to have a positive impact on the MTFS of £165k in 2020-21 rising to £183k in 2022-23, as set out in paragraph 4.1 of the report to the overview and scrutiny committee. The financial implications, together with sensitivity analysis, were set out in detail in that conclusion.

- 2.5 Historically, the Council has tended to increase fees and charges each year, the long-standing justification being that users of discretionary services should pay for them rather than be subsidised by the generality of council tax payers. Prior to 2020, the increases for car parking charges were based on CPI+2% subject to a 5% cap. For well over a decade, the Council has, without exception, rounded car parking charges to multiples of 10 pence.
- 2.6 In some cases, the charges that had been levied prior to 2020 were higher than those that will be charged from April 2022 in accordance with the strong leader decision (subject to the formal process of notification of charges that will be put in hand).

Table 1: comparison of charges from 2019-20 to 2022-23

	Charge in 2019- 20	Charge in 2020- 21 and 2021-22	Charge in 2022- 23 (Proposed)
One hour	£1.40 (zero in a few car parks)	£1.00	£1.10
Two hours	£2.00	£2.00	£2.20
Three hours	£2.80	£3.00	£3.30
Full season ticket	£706	£400	£600
Senior citizen ticket	£176	£175	£200
Bromsgrove St ticket	£250	£300	£350

2.7 In particular, it is noteworthy that the price of one hour will be 30p lower in 2022-23 than it was in 2019-20. This represents a reduction of 21% in cash terms, an even greater reduction in real terms. The full season ticket will be £106 lower than it was in 2019-20, a reduction of 15% in cash terms, more in real terms. Where there are increases compared to 2019-20, they are generally somewhat ahead of inflation across the period from April 2019 to November 2021, which is about 6% as measured by the Consumer Prices Index or about 9% as measured by the Retail Prices Index. Note however that further increases in inflation are expected in the period to April 2022 and

therefore the comparison is not looking at exactly the same periods; and that, if the approach used prior to 2020 had continued, an additional 2% each year would have been added to CPI increases.

Table 2: percentage changes in charges from 2019-20 to 2022-23

	Charge in 2019- 20	Charge in 2022- 23 (proposed)	Percentage (decrease)/ increase between 2019-20 and 2022-23
One hour	£1.40	£1.10	(21.4%)
Two hours	£2.00	£2.20	10.0%
Three hours	£2.80	£3.30	17.8%
Full season ticket	£706	£600	(15.0%)
Senior citizen ticket	£176	£200	13.6%
Bromsgrove St ticket	£250	£350	40.0% (half of this increase occurred in 2020)

2.8 The approach adopted by Cabinet in December 2019, and reflected in the underpinning assumptions for the medium term financial strategy that was adopted by full Council in February 2020, was that there would be no changes in April 2021 following the substantial changes made in April 2020; but that there would be increases in April 2022 and beyond producing extra income of at least £50k in 2022-23 and £50k a year thereafter. This can be seen in the "MTFS 2020-23" line in car parking, Table 3, with income expected to grow from £1.142m in 2021-22 to £1.192m and so on. Subsequent strategies have increased the income target but the principle of an increase in charges in 2022 and subsequent years was set back in 2020.

Table 3: assumptions about income in successive medium term financial strategies

Car Parking									
MTFS	2018-19 RE	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
MTFS 2019-2022	-1,124,560	-990,000	-1,014,750	-1,064,250	-1,113,750	-1,163,250			
MTFS 2020-2023		-990,000	-1,142,250	-1,142,250	-1,192,250	-1,242,250	-1,292,250		
MTFS 2021-2024			-1,142,250	-850,000	-1,192,250	-1,292,250	-1,392,250	-1,492,250	
MTFS 2022-2025				-850,000	-1,214,500	-1,329,200	-1,450,900	-1,450,900	-1,450,900
Season Tickets									
MTFS 2019-2022	-72,500	-92,250	-94,500	-96,750	-101,250	-105,750			
MTFS 2020-2023		-92,250	-120,000	-120,000	-120,000	-120,000	-120,000		
MTFS 2021-2024			-120,000	-90,000	-120,000	-120,000	-120,000	-120,000	
MTFS 2022-2025				-90,000	-122,300	-127,300	-133,600	-133,600	-133,600

2.9 The numbers of permits expected to be sold in the current financial year is set out in Table 4.

Table 4: number of permits (estimated outturn, January 2022)

		J = 0 = 0 = 0 = 0 = 0 = 0 = 0 = 0 = 0 =	<u> </u>
	12 month	6 month	1 month
Full season ticket	195	25	295
Senior citizen ticket	46	N/A	N/A
Bromsgrove St season ticket	74	19	188

There are thus the equivalent of c. 220 full season ticket holders and c. 90 Bromsgrove St season ticket holders. This assumes that all 6 month and 1 month permits are bought by people who use them instead of buying an annual ticket. The total number of season ticket holders represents a very small proportion of the local population, if they all live in Wyre Forest (about 0.3%). While the comparison is not precise because there was a different structure of season tickets prior to 2020, in 2018-19 there were an estimated c.40 full season ticket holders; c.240 restricted season ticket holders; c.140 senior citizen ticket holders and c.50 Bromsgrove St ticket holders. The data suggest that some restricted season ticket holders instead now buy full season tickets while a smaller number have switched to Bromsgrove St tickets. There has been a significant reduction in senior citizen ticket holders.

- 2.10 Permits represent exceptional value for money in comparison with paying on a daily basis. Based on proposed April 2022 prices, a full season ticket works out at the equivalent of about £3/day for someone who works in one of the town centres on, say, 200 days a year less than the price of buying a ticket for three hours on each of those days. For someone who works full time in one of the town centres, and would therefore have to pay £5.50 to park for a full day, the season ticket provides a discount of over 45% (again based on someone who uses it for 200 days a year).
- 2.11 In addition, such a permit can in fact be used all day, every day in any WFDC car park, subject to a two hour limit in short stay car parks. For example, for a resident who buys a permit in order to park daily in a WFDC car park, the season ticket works out at less than £1.65 a day.
- 2.12 The senior citizen ticket can be used in any car park for up to 4 hours a day, subject to a two hour limit in short stay car parks. The proposed price of £200 can offer excellent value for money compared to paying for each stay. For example, assuming usage twice a week for three hours on each visit, the permit cost of £200 is significantly lower than paying £343.20 for individual visits (52 x 2 x £3.30). It is to be expected that those eligible for a senior citizen ticket will work out, based on their own likely usage patterns, whether such a ticket would continue to represent value for money if it would not, it is reasonable to assume that they would pay instead for each usage of a WFDC car park. In other words, it is unlikely that increasing the price of the senior citizen ticket will result in a binary choice for users of buying a senior citizen ticket or not using WFDC car parks at all. The same is likely to be true of the full season ticket.

2.13 It remains the case that no data are held that demonstrate a conclusive linkage between the level of car parking charges and the level of footfall in town centres or (more particularly) the level of spend in town centres. In the case of any individual user, there is no certainty that freezing charges in 2022 would result in any extra expenditure with town centre businesses; or, conversely, that increasing charges by the relatively modest amounts proposed (e.g. 10p for one hour, 30p for three hours (40p in seasonal car parks), £1 for 24 hours) will result in corresponding reduced expenditure with town centre businesses. Nor is there certainty that freezing charges will suddenly result in additional footfall. It tends to be the "offer" within a location that is the primary determinant of its attractiveness, rather than the level of car parking charges.

3. Key Issues

3.1 The issues listed on the call-in are:

"All our Town Centres have suffered severely due to Covid and many businesses are really struggling..... The 50% increase in full Season Ticket prices is likely to lead to even more town centre workers parking their cars in neighbouring residential areas such as Offmore Rd., George St., Park St., and Wood St. causing even more problems for local residents."

3.2 The call in proposes "Ideally a one year freeze at current prices to allow recovery from Covid" and suggests that the Cabinet member should "Survey current Season Ticket Holders and ask them for their views on Season Ticket price increases; survey businesses in our three towns and ask for their views; survey all members of the Council for their views".

Commentary on the issues raised

- 3.3 The suggestions in the call would fail to meet the extra income expectations set out in the MTFS agreed in 2020. The data in appendix 2 shows actual and budgeted car park income for the period from 2019-20 onwards. As is to be expected, income levels fell below 2019-20 as a result of the pandemic and the first lockdown in the latter part of March 2020 and have recovered only in 2021-22. Overall, as at November 2021, cumulative income for the financial year stood at £796k compared to £712k in November 2019 demonstrating that in large part the additional income that was expected as a result of the April 2020 changes has been secured. However, with the impact of lockdowns being felt into the summer of 2021, it is possible that income levels have been higher than in a "normal" year.
- 3.4 Within the overall income figures, growth between 2019-20 and 2021-22 has come almost entirely from Bewdley and Stourport, which will be a result of a combination of the seasonal charging structure and the impact of "staycations". In contrast, cumulative income in Kidderminster stood at £286k in November 2021, barely unchanged from £285k in November 2019.

3.5 The Council still has a large financial gap to close of £2m in 2023-24. Reneging on the approach to car parking charges agreed in 2020 would add to that financial gap. Instead the proposed increases that were agreed by the Cabinet in December 2021 are expected to make a modest but growing contribution to reducing the gap:

Table 5: contribution of increases charges to the MTFS, 2022-2025

	2021/22 (£)	2022/23 (£)	2023/24 (£)	2024/25 (£)
Current MTFS	850,000	1,192,250	1,292,250	1,392,250
Proposed charges, April 2022	1,103,132	1,214,563	1,329,198	1,451,068
Variance to MTFS	(253,132)	(22,213)	(36,948)	(58,818)

- 3.6 The growth in 2023 and beyond comes from assumed, further 10p/year increases in the charges. Not progressing the Cabinet's decision would add to the financial gap by an estimated £111k in 2022-23. Likewise freezing charges in 2023 would also add to the financial gap by an estimated £226k in 2023-24 onwards. Given the Council's financial position, it would seem financially irresponsible not to proceed with the marginal changes in charging rates.
- 3.7 While it is factually correct that the full season ticket price is proposed to increase by 50%, the increase for the Bromsgrove St ticket is a more modest 17%. The call in ignores that the full season ticket used to cost much more than £600 as recently as 2019-20: see paragraphs 2.6 and 2.7. In Kidderminster, the option of the Bromsgrove Street ticket at £350 compared to £600 for a full season ticket means that regular users have a cheaper option available to them. Whatever level of charges the Council imposes, some drivers may choose to park in residential areas near to the town centre. If local residents are concerned about congestion caused by on street parking, they can ask the County Council to implement a residents only parking permit scheme as has happened in Lea Street.
- 3.8 The suggestion of a survey of season ticket holders is not felt to be workable. It can be predicted that anyone who is asked whether they would like to pay more than they currently pay for something is likely to provide a negative answer. A survey of businesses would result in an equally predictable answer calling for charges not to be increased or to be reduced or removed even though no evidence has been advanced of a link between car park charges, levels of footfall and levels of spend. In respect of members, this is an executive function and decisions fall to the Cabinet. Because the meeting on 21 December was held on line rather than face to face, it is likely that more members than usual were able to attend to observe. Eight members who are not members of the Cabinet were present but only one spoke in any detail about car parking charges. This consideration by the Committee gives all members a further opportunity to share their views if they wish and it is not felt that a survey is needed as well.

4. Options

4.1 The Committee is invited to consider the information in this report. It is invited: either a) to support the Cabinet decision that has already been taken in respect of car parking charges for 2022-23; or b) to note the information in this report and not to take any further steps; or c) to make such recommendations to Cabinet as it considers appropriate.

5. Consultation

5.1 CLT

6. Related Decisions

- 6.1 Strong leader decisions, Leader, 22 December 2021 (in respect of reports issued for Cabinet meeting on 21 December)
- 6.2 Current charging structure: Cabinet, 17 December 2019 following consideration by Overview and Scrutiny committee, 5 December 2019

7. Relevant Council Policies/Strategies

7.1 Medium Term Financial Strategy 2020-2023, adopted February 2020.

8. Implications

8.1 The implications of the changes are felt primarily within the Council's finances. Gradual increases to car parking charges are considered to support the Council's declaration of a climate emergency by challenging road users to think about whether all journeys are necessary.

9. Equality Impact Needs Assessment

9.1 No Equality Impact Assessment has been undertaken as these are marginal changes to fees and charges: the fundamental structure of the fees and charges was agreed in 2019 and has not been changed. All charges apply equally to users of car parks, with the exception of Blue Badge holders who are exempt.

10. Wards affected

10.1 All wards

11. Appendices

- 11.1 Appendix One Strong leader decision notice, 22 December 2021 Call-In Request
- 11.2 Appendix Two Income from car parks, April 2019 to November 2021

12. Background Papers

As listed in the report.

Officer Contact Details:

Name Ian Miller

Title Chief Executive

Contact Number Ext 2700

WYRE FOREST DISTRICT COUNCIL

CALL IN REQUEST

Cabinet Decision Minute No.: Strong Leader Decision Notice

Decision Date: 22 December 2021

Decision Subject: Decisions that would otherwise have been taken at Cabinet meeting on 21 December 2021 Medium Term Financial Strategy 2022-25 – Car parking charges

2022-23

For consideration by the relevant Scrutiny Committee

REASON FOR CALL IN (please tick as appropriate)

Ш	The decision would result in a significant change in agreed policy objectives
	The decision would have a significant budgeting impact
	The decision would stimulate significant public interest or controversy
	The decision would raise important legal issues

Specify below why you feel the above is a valid reason for the item to be 'called in'

All our Town Centres have suffered severely due to Covid and many businesses are really struggling. The Cabinet Proposals have already received a considerable amount of adverse publicity and I believe a full Scrutiny into the Proposals and their impact is needed. The 50% increase in full Season Ticket prices is likely to lead to even more town centre workers parking their cars in neighbouring residential areas such as Offmore Rd., George St., Park St., and Wood St. causing even more problems for local residents.

Please state your alternative proposal. (N.B. There is no requirement for you to have considered/developed an alternative proposal)

Ideally a one year freeze at current prices to allow recovery from Covid.

To assist the efficient operation of the meeting, please set out below specific questions that you would like the Cabinet Member to address at the meeting. Is there any information that you would like to be obtained/researched by the Cabinet Member before the meeting?

(N.B. This will not prevent you raising other questions/issues at the Scrutiny Committee itself)

I would like the Cabinet Member to:

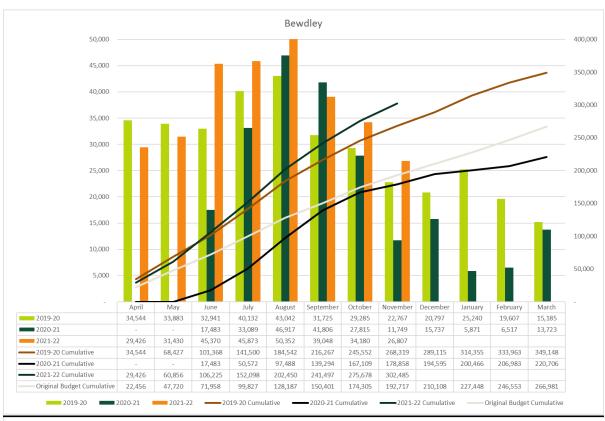
Survey current Season Ticket Holders and ask them for their views on Season Ticket Price Increases.

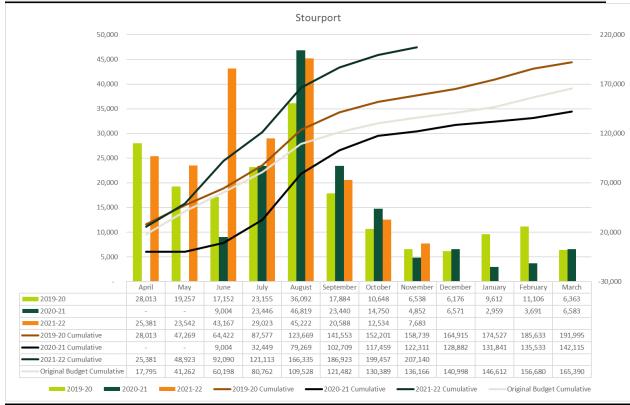
Survey Businesses in our three towns an ask for their views.

Survey ALL members of the Council for their views.

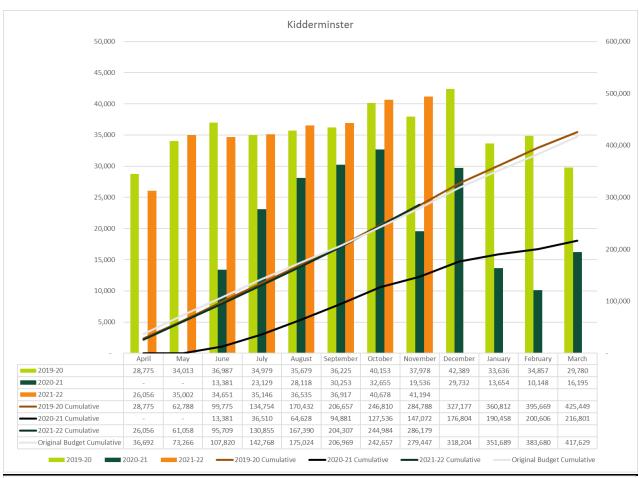
1. Non-Cabinet Member			
Signed	Name (Printed) Cllr Fran Oborski MBE		
2. Non-Cabinet Member			
Signed	Name (Printed) Cllr Alan Totty		
3. Non-Cabinet Member			
Signed	Name (Printed) Cllr Shazu Miah		
4. Chairman of the Overview and Scrutiny Committee			
Signed	Name (Printed) CIIr M Hart		

Performance of car park income to November 2021





Agenda Item No. 7 - Appendix 2





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 Electric Vehicle Chargepoint Business Case (Recs to November Cabinet) Capital Portfolio Fund Quarterly Performance Report Qtr 3 - EXEMPT Appendix

2 December 2021

Update on Future High Streets Fund Programme delivery Update on the Levelling Up Fund Update from the Firework Review Panel

20 December 2021 (Sub Committee)

Acquisition of a property in Kidderminster

February 2022

"How are we doing?" Q3 update
Treasury Management Strategy 2022-23 & recs from the TMRP 31-01-2022
Car parking charges 2022-23: Consideration of call in request

March 2022

Annual review of the North Worcestershire Community Safety Partnership 2021/22 Recommendations from the Fireworks Review Panel Kidderminster Market - Delegation to Kidderminster Town Council