

CITY OF
WOLVERHAMPTON
COUNCIL

Our Council Scrutiny Panel

4 September 2019

Time 6.00 pm **Public Meeting?** YES **Type of meeting** Scrutiny

Venue Committee Room 3 - Civic Centre

Membership

Chair Cllr Paula Brookfield (Lab)

Vice-chair Cllr Jane Stevenson (Con)

Labour

Cllr Alan Bolshaw
Cllr Caroline Siarkiewicz
Cllr Payal Bedi-Chadha
Cllr Milkinderpal Jaspal
Cllr Susan Roberts MBE
Cllr Dr Paul John Birch J.P.
Cllr Roger Lawrence
Cllr Hazel Malcolm

Conservative

Cllr Simon Bennett

Quorum for this meeting is three Councillors.

Information for the Public

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Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS

- 1 **Apologies**
- 2 **Declarations of interest**
- 3 **Minutes of previous meeting (12 June 2019)** (Pages 3 - 8)
[To approve the minutes of the previous meeting as a correct record]
- 4 **Matters arising**
[To consider any matters arising from the minutes]

DISCUSSION ITEMS

- 5 **Cllr Louise Miles, Cabinet Member for Resources - Portfolio Holder Session**
[Cllr Louise Miles, Cabinet Member for Resources - Portfolio Holder Session]
- 6 **Strategic Asset Plan 2018-23 - progress report** (Pages 9 - 22)
[Julia Nock, Head of Assets, to present progress report]
- 7 **Treasury Management-Annual Report 2018-2019 and Activity Monitoring Quarter One 2019-2020** (Pages 23 - 46)
[Alison Shannon, Chief Accountant, to present report]
- 8 **Review of the assumptions in the MTFS in relation to Corporate Resources**
(Pages 47 - 54)
[Claire Nye, Director of Finance, to present briefing on preparation for budget scrutiny]
- 9 **Our Council Panel - Draft Work Programme 2019 20** (Pages 55 - 58)
[Earl Piggott-Smith, Scrutiny Officer, to present report.]

Our Council Scrutiny Panel

Agenda Item No: 3

Minutes - 12 June 2019

Attendance

Members of the Our Council Scrutiny Panel

Cllr Alan Bolshaw
Cllr Caroline Siarkiewicz
Cllr Payal Bedi-Chadha
Cllr Milkinderpal Jaspal
Cllr Jane Stevenson (Vice-Chair)
Cllr Susan Roberts MBE
Cllr Simon Bennett
Cllr Dr Paul John Birch J.P.
Cllr Paula Brookfield (Chair)
Cllr Roger Lawrence
Cllr Hazel Malcolm

In Attendance

Cllr Louise Miles, Cabinet Member Resources

Witnesses

Helen Child (Chief Officer, Citizens Advice Wolverhampton)

Employees

Julia Cleary
Tracey Richards
Lisa Taylor
Claire Nye

Systems and Scrutiny Manager
Recovery Manager
Head of Service Improvement
Director of Finance

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies**
Resolved: There were no apologies for the meeting.
- 2 **Declarations of interest**
Resolved: There were no declarations of interest recorded.
- 3 **Minutes of previous meeting (10 April 2019)**
Resolved: That the minutes of the previous meeting be agreed as a correct record.

4 Matters arising

The Panel noted the implications of the change in method of calculation detailed on page 4 of the minutes, which stated that the new maximum period of useful economic life should be reduced from 99 years to 50 years.

The Panel noted that specific training was being arranged by Organisational Development to address the responsibility of the panel to scrutinise the treasury management strategy document. The panel also noted that general finance training was included as part of the induction training being developed for Councillors.

It was also confirmed that work on the kitchen for Digital Print Services was progressing.

5 Enforcement Agents Council Tax

The report was introduced by Cllr Louise Miles, Cabinet Member for Resources.

The Panel welcomed Tracey Richards (Recovery Manager), Helen Child (Chief Officer, Citizens Advice Wolverhampton) and Claire Nye (Director of Finance) to the meeting.

The report provided an overview of the collection process for council tax in accordance with the collection and debt strategy and highlighted the current initiatives.

The report also described the use of enforcement agents in the collection process.

The Panel understood that there was national concern regarding collection and debt strategies and what appropriate action should be. The Panel noted that there had been a debate in the House of Commons around the issue.

The Panel considered which area it would be best to focus attention on. The Director for Finance stated that the original remit had been around debt recovery and possibly the use of enforcement agents. It was suggested that there be an initial focus on Council Tax as this was of interest and was a general strategy and could be widened out.

The Panel considered the problem with taking a person to court for being in debt as this often just increased their debt further.

The Panel considered that any budgeting advice provided should also include representatives from Wolverhampton Homes, noting that they were not regulated to provide debt advice.

If the Council were unable to collect all of the council tax in the year it becomes due, then this directly affects the Council's budgets. It was however stated that most of the monies not collected in Year 1 were collected by Year 5.

The Panel agreed that there was a need to ensure that the Council respected the problems that people had so debt support was absolutely crucial. There were however also cases where people with adequate resources did not pay.

The Recovery Manager stated that the Council was reviewing the way it communicated with customers regarding council tax, recognising that customer behaviour was changing. Some authorities had reported an increase in customer engagement using texting, emailing and automated voice messages, which was being considered initially as a pilot by the Council.

The City of Wolverhampton Council was one also of 29 local authorities undertaking a pilot where council tax data was matched with Her Majesty's Revenues and Customs (HMRC) to identify employment and latest address information. This would enable deductions to be taken directly from their earnings where vulnerability was not identified. The pilot was for 4,000 accounts which had a combined arrears value of £8.5 million. The Recovery Manager suggested a progress report on the impact of the HMRC pilot scheme could be presented to a future meeting of the panel.

The Cabinet Member agreed that collection was a balancing act and she was keen to look at whether the Council was signposting people effectively to the help that was available.

The panel expressed concern regarding liability orders and stated that when the cost of the enforcement agent was passed onto the debtor, then the original debt could grow quickly. The Recovery Manager advised the panel that there is a compliance charge of £75 for each liability order passed to the enforcement agents, with additional costs charged if progressed to enforcement stage.

The panel commented that it was thought correct that they should be charged but that it would be a kinder approach if people knew they would be charged from the start. People were often in debt for a reason. People did not generally withhold funds because then wanted to but because they could not pay, and the Council needed to consider how it could help these people to pay and to stop them getting into further debt.

Cllrs considered that early prevention was best and that it would be useful to understand which actions resulted in successful collection.

It would also be useful to see the outstanding balance over a longer time period to see if this was going up or down and why.

The Panel queried whether there was any work being done to support people who were not claiming their entitlements as this could add to numbers going into debt.

The Cabinet Member stated that the government had given the Council the power to raise income through council tax, so it was the Council's responsibility to collect it. It was often the same households year on year who were not able to pay.

The Recovery Manager stated that when the level of debt is at a lower level, there were reduced fees when issuing the summons, so that it was proportionate to the level of debt. The aim was to try and get people into the habit of paying; it was a priority debt and there were high repercussions for a household if they did not pay.

The Panel noted that attachment orders were a good idea as they could consider earnings and expenses. The Recovery Manager confirmed that there was a priority for attachment orders.

Some Cllrs considered that it might be useful to look at collection rates and debt recovery for people owing business rates as well as.

Mrs Child explained that the Citizens Advice Bureau was looking at both in work and out of work indebtedness as volatility of income was one of the main determinants along with zero-hour contracts and flexible working.

It was stated that it was generally the same households that were unable to pay with people with multiple years of council tax debt. This debt was the single biggest debt both in value and in the number of people who approach Citizens Advice. The change in council tax benefit to a council tax reduction scheme had made the system more complex and the spike continued to rise as universal credit made it even more complicated (about 50% of those in debt were also claiming universal credit); there was often nothing left after paying the bills to meet basic needs.

Housing costs were also wrapped up in universal credit, so people were not making a claim when they could, and it was one of the biggest unclaimed entitlements. There was a need to try and get social landlords to help education tenant regarding this. It was confirmed that advice was included in the council tax demands to encourage people to seek support and claim reductions.

The Panel considered the issue of Houses in Multiple Occupation where students did not have to pay council tax. The Panel considered that this could be an issue as landlords made extra money by splitting houses up and not paying council tax. The Director for Finance confirmed that this was national policy but that the Council was aware of where all of these properties were.

It was noted that the Local Government Association was looking into this issue.

The Recovery Manager confirmed that the Council did work with Wolverhampton Homes, through the money smart team, around discretionary housing payments.

The Panel considered that it might be interesting to look at where multiple debts occurred with a focus on council tax and business rates.

Resolved:

1. That the arrangements included in the Collection and Debt Strategy for council tax arrears be noted.
2. The Recovery Manager to present a report to the panel on key findings from the HMRC pilot and also work done to support people with multiple debts, including business rates, to a future meeting.

The chair requested that if the Panel had any recommendations for the format of the budget scrutiny papers that they feed them into the clerk or herself.

The Panel considered that there was a need to understand the context within which the budget was set and the chair confirmed that for this Panel it was important to have the whole budget rather than an excerpt.

Resolved: That the workplan be noted.

7

Customer Services Update

The Panel welcomed Lisa Taylor, Head of Customer Services, to the meeting.

Every day on average, Customer Services received 2500 calls (Mondays were busiest and regularly exceed 3000 calls), 350 emails and 450 visitors to reception.

It was noted that the call-back process had been stopped from December 2018 following feedback from customer service officers.

During the period when charges were introduced for the garden waste collection service call demand had increased by 150% but that demand was now back to business as usual. It was stated that on average a customer services officer would take between 60-80 calls per day.

Contact data had been reviewed across all contact channels to ensure that resources were targeted to demand. A family group model had also been implemented from 1 May 2019 with services and resources grouped by demand and skill sets.

The Panel noted that phase 2 of the restructure had now been completed and work was continuing with services based on new style knowledge structures and business rules. Performance information was also being shared across the contact centre.

The next stages would include recruitment to a new Senior Customer Service Officer post, the introduction of new style knowledge base business rules, service liaison meetings lead by team leaders, the physical co location of family groups and a review of the email process to identify efficiencies.

The Panel expressed some concern regarding the senior officer post, and it was thought that resources would be spent on employee answering the phones.

It was clarified that the new role would still include answering the phones, dealing with emails and working on reception but would also have a little bit more responsibility.

The Panel queried what the targets were as some panel members considered a 5% improvement in calls offered and handled was low over a 12-month period. It was stated that the target abandonment rate was 15% and that the contact centre was maintaining this. Regarding the performance rate; each individual target varied depending on the area they were working in.

Some Cllrs considered that 5% was good and that marginal gains were significant.

The Panel queried how the Council monitored whether calls were being handled correctly by the departments once they had been answered.

It was stated that this would depend on the service area.

The Panel queried whether steps had been taken regarding technology to allow customer services staff to work at home. The Head of Customer Services confirmed that she had met with telephone providers and that this was an aspiration. Staff were able to work from home at the moment and could answer emails but could not take phone calls.

The Panel expressed some concerns around data protection and requested that any proposals come to scrutiny in the first instance, it was discussed that Cllrs often got phone calls at home and dealt with them.

The Panel agreed that it was important to avoid the danger of micro managing customer services. There was an aspiration to have a very good customer services operation and to monitor the outcomes of the transformation.

Resolved: That the update be noted.

8 Exclusion of press and public

Resolved: That the press and public be excluded.

9 Outturn report on 2018-19 Disposal Programme

The Panel welcomed Julia Nock (Head of Assets) to the meeting.

A report was presented to provide the outturn for 2018-2019, an update on the general fund capital receipts from property disposals for 2019-2020 and further outline the steps being taken to establish a future disposals pipeline from 2020-2021 onwards.

Capital receipts from property disposals were a critical part of the Medium-Term Financial Strategy. It was important that the Council had a predictable and resilient plan to accurately predict the time and amount of future receipts and demonstrate that best value was being achieved.

The Panel congratulated the Head of Asset's team the work that had been undertaken and was continuing.

Resolved: That the briefing note be received.

Strategic Asset Plan Action Plan Update

4 September 2019

Julia Nock

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Agenda Item No: 6

Strategic Asset Plan

Structured into three logical parts:

- **Asset Management Policy**
 - establishes a clear Mission and supporting principles for the management of land and buildings
- **Asset Management Strategy**
 - provides an overview of the CWC land and property estate, together with the main priorities for managing and developing it over the next five years
- **Asset Management Action Plan**
 - supports the Policy and Strategy documents

Asset Management Principles

- To plan and manage property as a corporate resource for the benefit of the people of the City of Wolverhampton
- To provide the right property, fit-for-purpose, and in the right place to meet current service needs and to plan for the future
- To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities from the rationalisation and disposal of land and buildings
- To use land and buildings to stimulate development and growth, together with supporting local business needs and encouraging new business to the area
- To promote joint-working where it will provide benefit for service delivery and in securing new efficiencies

Achievements - Strategic

- Establishment of a Wolverhampton Public Sector Asset Management Board (CAMPUS WM), attended by all public sector partners
- One Public Estate – three successful bids delivering feasibilities for public sector co-location and collaboration
- Establishment of Project Management Office (PMO) targeting asset investment / disinvestment through scrutiny of running costs and operational requirements.

Achievements - Operational

- Advanced programme of commercial lease renewals and rent reviews is underway to maximise the income to the council from the commercial portfolio.
- Asset data cleansing and development of the Corporate Property Database (SAM) e.g. response maintenance, compliance, asset challenge
- New Compliance Team within Assets Service created and recruitment underway
- Procuring a Commercial Property Management Partner
- Loss of Facilities Plan implemented

Achievements – Service Improvement

- Wolverhampton Homes relocated from Hickman Avenue
- Children's Services relocated from Beldray building
- Asset identified for the relocation of the Youth Offending Team from Beckminster
- Vacation of offices at Culwell Street
- Community Association leases nearing completion

Forward Plan

- Disposal Enquiry Process
- Production of Corporate Landlord Service Guide
- Full understanding of future maintenance investment requirements
- Rationalisation / reconfiguration / redevelopment of council assets to create small/medium term housing infill sites
- Utilisation of Council assets to facilitate Extra Care development schemes
- City Learning Quarter – Disposal Strategy
- Support WV Living in identifying assets for residential conversions
- Future occupation and refurbishment of Civic Centre (public sector partnering)
- One Public Estate – future funding bids (Round 8)
- Identification of an asset for House Project (care leavers)

Scrutiny Comments / Questions

- Community Asset Transfer Strategy
- Asset Challenge / Rationalisation / Investment
- Community interests

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C. Action Plan Monitor | Service Improvement

				Key Milestones						
Action Reference Number	Action Description	Key Asset Management Strategy Objective	SMART Objective	2018/19	2019/20	2020/21	2021/22	Update as at Sept 2019	Accountability	Resource Implications
Existing SAP Actions										
C1	Support rationalisation of Wolverhampton Homes portfolio - including development of HQ building	To provide the right property, fit for purpose, in the right place, to meet current service needs and plans for the future	By March 2020 relocate Wolverhampton Homes HQ from it's current location to approved new location	Develop business case for relocation of Wolverhampton Homes HQ Agree and seek approval for new location for Wolverhampton Homes HQ Commission designers for fit-out/new-build of new location	Commence physical works and relocate to new location			Wolverhampton Homes HQ now relocated and have dispersed into their existing portfolio (Low Hill Area Office, Bilston Town Hall and Tarmac Road).	Corporate Landlord Service Wolverhampton Homes	Internal and External Resource
C2 Page 19	Relocation of Youth Offending Team and Looked After Children services	To provide the right property, fit for purpose, in the right place, to meet current service needs and plans for the future	By March 2019 relocate both services to either a shared site or individual sites	Identify new location(s) and seek approval to proceed Undertake required physical adaptations and relocate services	Progress the disposal of Beldray to support the Council's disposal programme	Progress the disposal of Beckminster to support the Council's disposal programme		Beldray vacant and is due for disposal during 2019/20. Relocation of YOT to be completed by March 2020. Disposal of Beckminster House to be completed in 2020/21.	Corporate Landlord Service Childrens Services	Internal Resource
C3	Review of Community Facilities - including Community Centres, Community Hubs, Bilston Town Hall, etc	To provide the right property, fit for purpose, in the right place, to meet current service needs and plans for the future	By March 2019 review services delivered from community buildings, to understand net cost and enhance the offering to communities	Completion of net cost analysis Review of occupation and associated service level agreements with community organisations	Complete the Community Association leases			Community Association leases are in the process of being finalised formalising a 50% running cost contribution from each CA. Community Centres are being considered as part of the Asset Challenge process	Corporate Landlord Service	Internal and External Resource

C4	Future use of former Dudley Road School	To plan and manage property as a corporate resource for the benefit of the people of the City of Wolverhampton	By March 2019 finalise proposals for the future of former Dudley Road School	<p>Feasibility study of available options for the future use of Dudley Road School</p> <p>Continue working with existing occupiers, in support of their development proposals</p> <p>Seek approval for option for future use of Dudley Road School</p>				Former Dudley Road School currently under development by community group on short 'milestone' lease. Further consideration is being given to the long term lease which will necessitate the achievement of grant funding from any interested parties. Current long-term plan is for long-term lease or community asset transfer.	Coporate Landlord Service	Internal and External Resource
C5	Future use of former Parkfields School	To plan and manage property as a corporate resource for the benefit of the people of the City of Wolverhampton	By March 2019 finalise proposals for the future of former Parkfields School	<p>Develop business case and seek approval to redevelop the vacant part of former Parkfields School site for housing development</p> <p>Seek external grant funding for ground remediation and demolitions</p> <p>Identify relocation option for the Education Library Service</p> <p>Support Education</p>	As per 2018/19 milestones	Demolish vacant parts of the site for future development		WV Living have submitted a LEP Funding application to develop part of the site for housing. Special Education Needs Service are reviewing future PRU provision across the estate and this will determine how much space is required from the Parkfield Site.	Corporate Landlord Service	Internal Resource
C6	Support relocation of Meals Service and Central Youth Theatre from former Stowheath Day Training Centre	To plan and manage property as a corporate resource for the benefit of the people of the City of Wolverhampton	By June 2019 identify relocation options and relocate services to release the current location for disposal	<p>Identify relocation options</p> <p>Seek approval for agreed relocation option(s) for each service</p>		Relocate services to new location(s)	Dispose of asset	Meal on Wheels service currenty being reviewed by Head of Facilities Management for alternate delivery models. Central Youth Theatre is being assisted to relocate from Stowheath. Both parties to be vacated from asset by March 2021. Asset to be disposed of during 2021-22	Corporate Landlord Service	Internal Resource

C7	Support Children's Services on identifying a suitable base for House Project	To provide the right property, fit for purpose, in the right place, to meet current service needs and plans for the future	By March 2020 identify and relocate the House Project into a fit for purpose building to enable the House Project to independently operate		Undertake an asset option appraisal for identifying a suitable asset for the House Project and provide regular updates to the Steering Group			A number of options are currently being considered and costed. Consideration is also being given to collaboration with public sector partners and their asset portfolios.	House Project Steering Group	Internal
C8	Support WV Living to identify Council owned assets that may lend themselves to residential conversion. An option appraisal is underway for Bond House	To plan and manage property as a corporate resource for the benefit of the people of the City of Wolverhampton	By March 2020 complete option appraisal on Bond House with regards to potential office conversion to apartments		Complete the option appraisal on Bond House and explore other opportunities			Regular reports are presented to Corporate Landlord Board on the option of residential conversion	WV Living Board Corporate Landlord Board	Internal and External Resource

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Our Council Scrutiny Panel

4 September 2019

Report title	Treasury Management – Annual Report 2018-2019 and Activity Monitoring Quarter One 2019-2020	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Wards affected	All	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Alison Shannon Tel Email	Chief Accountant 01902 554561 Alison.Shannon@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Cabinet Council	25 June 2019 10 July 2019 17 July 2019

Recommendation for action or decision:

The Scrutiny Panel is recommended to:

1. Consider the activity undertaken throughout 2018-2019 and quarter one of 2019-2020.

Recommendations for noting:

The Scrutiny Panel is asked to note:

1. The Council operated within the approved Prudential and Treasury Management Indicators, and also within the requirements set out in the Council's approved Treasury Management Policy Statement during 2018-2019.
2. That a revenue net overspend of £2.2 million for the General Revenue Account and an underspend of £195,000 for the Housing Revenue Account were generated from treasury management activities in 2018-2019.

3. That during 2018-2019, it was projected that there would be an overspend against the General Revenue Account Treasury Management budget in the region of £2.0 million, primarily as a result of an increase in Minimum Revenue Provision charges following a review. Cabinet (Resources) Panel approved that the overspend could be met by a further draw down from the Treasury Management Equalisation Reserve, however, due to other underspends across the Corporate Directorate this additional draw down was not required.
4. That £1.4 million was drawn down from the Treasury Management Equalisation Reserve in 2018-2019 in line with the approved budget.
5. A break-even position for the General Revenue Account and an underspend of £910,000 for the Housing Revenue Account are forecast from treasury management activities in 2019-2020.

1.0 Purpose

- 1.1 To bring to the Panel's attention, information about the Council's treasury management activity that has been reported to Cabinet on 10 July 2019.

2.0 Background

- 2.1 The treasury management activities of the Council are underpinned by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice. The Code requires a nominated body be responsible for ensuring effective scrutiny of the Council's treasury management strategy and policies, the Our Council Scrutiny Panel fulfils this role.
- 2.2 On 10 July 2019 Cabinet received the report 'Treasury Management – Annual Report 2018-2019 and Activity Monitoring Quarter One 2019-2020'. This report can be found in Appendix A.
- 2.3 The Scrutiny Panel are asked to consider the activity outlined in this report.

3.0 Financial implications

- 3.1 The financial implications are detailed in the Cabinet report of 10 July 2019. [SH/08082019/G]

4.0 Legal implications

- 4.1 The legal implications are detailed in the Cabinet report of 10 July 2019. [TS/08082019/Q]

5.0 Equalities implications

- 5.1 The equalities implications are detailed in the Cabinet report of 10 July 2019.

6.0 Environmental implications

- 6.1 The environmental implications are detailed in the Cabinet report of 10 July 2019.

7.0 Human resources implications

- 7.1 The human resources implications are detailed in the Cabinet report of 10 July 2019.

8.0 Corporate landlord implications

- 8.1 The Corporate Landlord implications are detailed in the Cabinet report of 10 July 2019.

9.0 Health and Wellbeing Implications

9.1 The health and wellbeing implications are detailed in the Cabinet report of 10 July 2019.

10.0 Schedule of background papers

10.1 Treasury Management – Annual Report 2018-2019 and Activity Monitoring Quarter One 2019-2020, report to Cabinet, 10 July 2019

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 10 July 2019
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Report title	Treasury Management – Annual Report 2018-2019 and Activity Monitoring Quarter One 2019-2020	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
	Tel	01902 554561
	Email	Alison.Shannon@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	25 June 2019
	Council	17 July 2019
	Our Council Scrutiny Panel	4 September 2019

Recommendations for decision:

The Cabinet is recommended to recommend that Council notes:

1. The Council operated within the approved Prudential and Treasury Management Indicators, and also within the requirements set out in the Council's approved Treasury Management Policy Statement during 2018-2019.
2. That a revenue net overspend of £2.2 million for the General Revenue Account and an underspend of £195,000 for the Housing Revenue Account were generated from treasury management activities in 2018-2019.
3. A break even position for the General Revenue Account and an underspend of £910,000 for the Housing Revenue Account are forecast from treasury management activities in 2019-2020.

Recommendations for noting:

The Cabinet is recommended to:

1. Note that £1.4 million was drawn down from the Treasury Management Equalisation Reserve in 2018-2019 in line with the approved budget.
2. Note that during 2018-2019, it was projected that there would be an overspend against the General Revenue Account Treasury Management budget in the region of £2.0 million, primarily as a result of an increase in Minimum Revenue Provision charges following a review. Cabinet (Resources) Panel approved that the overspend could be met by a further draw down from the Treasury Management Equalisation Reserve, however, due to other underspends across the Corporate Directorate this was not required.

1.0 Purpose

- 1.1 This report sets out the results of treasury management activities carried out in 2018-2019, together with performance against the Prudential Indicators previously approved by Council. It also provides a monitoring and progress report on treasury management activity for the first quarter of 2019-2020, in line with the Prudential Indicators approved by Council in March 2019.

2.0 Background

- 2.1 The treasury management activities of the Council are underpinned by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. For further information on the requirements of the Code please refer to the Treasury Management Strategy 2019-2020 report which can be accessed online on the Council's website [here](#).
- 2.2 Treasury management is defined 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."
- 2.3 The system of controls on local authority capital investment is based largely on self-regulation by local authorities themselves. At its heart is CIPFA's Prudential Code for Capital Finance.
- 2.4 Cabinet / Cabinet (Resources) Panel received quarterly reports during 2018-2019 to monitor performance against the strategy and Prudential Indicators previously approved by Council.
- 2.5 The Council continued to use Link Asset Services as treasury management advisors throughout 2018-2019 and 2019-2020 to date. Link provides market data and intelligence on which the Council can make decisions regarding all aspects of treasury management activities and, in particular, managing the risks associated with investing surplus cash.

3.0 The strategy and outturn for 2018-2019

- 3.1 The strategy for 2018-2019 was to maintain cash balances at a reduced level, therefore, keeping to a minimum the credit risk incurred by holding investments and to avoid the higher costs of external borrowing compared to interest foregone on cash balances, thereby generating revenue savings.
- 3.2 During 2018-2019, the Council followed the recommendations as set out in the Treasury Management Strategy 2018-2019.

- 3.3 The Treasury Management outturn for 2018-2019 compared to budget is shown in Table 1.

Table 1 – Treasury management budget and outturn 2018-2019

	Revised Budget £000	Outturn £000	Variance £000
General Revenue Account	26,663	28,832	2,169
Housing Revenue Account	10,431	10,236	(195)
Total before use of reserve	37,094	39,068	1,974
Approved use of the Treasury Management Equalisation Reserve	(1,430)	(1,430)	-
Total after use of reserve	35,664	37,638	1,974

- 3.4 Overall, there was a revenue net overspend of £2.2 million for the General Revenue Account and an underspend of £195,000 for the Housing Revenue Account (HRA) for 2018-2019. For the General Revenue Account the main reasons are as previously reported; an increase in Minimum Revenue Provision (MRP) charges for the year, following a review of MRP, offset against an underspend due to a reduced borrowing need in year because of re-phasing in the capital programme.
- 3.5 In order to ensure that the revenue implications of the capital programme do not impact adversely on the revenue budget the Council utilises a Treasury Management Equalisation Reserve (TMER). This specific reserve can be called on as and when required to support the revenue costs associated with re-phasing in the capital programme. In 2018-2019, £1.4 million was transferred from this reserve in line with budget approvals. Cabinet (Resources) Panel approved a further draw down from this reserve to meet the forecast overspend during 2018-2019, however, due to other underspends across the Corporate Directorate this was not required. The current balance remaining on the TMER is £3.0 million.
- 3.6 No institutions in which investments were made had any difficulty in repaying investments or interest in full during the year and no arrangements had to be made to prematurely withdraw funds from any investments as a result of a downgrade in their respective credit rating. There was also no debt rescheduled in 2018-2019.
- 3.7 Table 2 shows the average rate of interest payable and receivable in 2017-2018 and 2018-2019.

Table 2 – Average interest rate payable and receivable in 2017-2018 and 2018-2019

	2017-2018 Actual	2018-2019 Actual
Average Interest Rate Payable	3.74%	3.75%
Average Interest Rate Receivable	0.27%	0.65%

Borrowing outturn for 2018-2019

- 3.8 The average debt interest rate increased marginally from 3.74% in 2017-2018 to 3.75% in 2018-2019. The Council undertakes borrowing only when necessary to maintain sufficient cash flow balances and after monitoring the market to take advantage of the best available rates. A summary of the borrowing and repayment activities is shown below with the average interest rates; this activity has resulted in a slightly higher overall average rate for the year.

Table 3 – Summary of borrowing and repayment activities

	PWLB Loans £000	Average Rate %	Temporary Loans £000	Average Rate %	Total Loans £000
New Loans Raised	74,000	2.55%	-	-	74,000
Repayment of Loans	-	-	(6,000)	1.30%	(6,000)
Net movement	74,000		(6,000)		68,000

- 3.9 The Council's need to borrow and the rates available continue to be monitored in order to achieve optimum results. The Council's medium term forecast is regularly updated to reflect actual borrowing that takes place along with any revisions to future anticipated borrowing.
- 3.10 The Council's Capital Financing Requirement (CFR) increased from £876.5 million to £893.4 million throughout 2018-2019. This reflects a net increase in the Council's underlying need to borrow for capital purposes. This was split between the General Revenue Account and Housing Revenue Account at a rate of 71.8% and 28.2% respectively (2017-2018: 71.0% and 29.0%).
- 3.11 Table 4 shows how the increase in actual external borrowing arose during the year.

Table 4 – Increase in actual external borrowing 2018-2019

	£000
Opening balance at 1 April 2018	672,947
Less: Repayments	
- Temporary loans	(6,000)
Total repayments	(6,000)
Add: New Borrowing	
- PWLB	74,000
Total new borrowing	74,000
Net borrowing 2018-2019	68,000
Closing balance at 31 March 2019	740,947

- 3.12 Appendix 1 shows a summary of this position along with a detailed breakdown of new loans and repayments made throughout the year.

Investment outturn for 2018-2019

- 3.13 The actual interest rate earned from investments increased from 0.27% in 2017-2018 to 0.65% in 2018-2019. This is due to improved interest rates available on the Council's Money Market Funds.
- 3.14 The approach during the year was to continue to use cash balances to finance capital expenditure so as to keep cash balances low. This minimised counterparty risk on investments and also mitigated treasury management costs as investment rates were much lower than most new borrowing rates.
- 3.15 The Council manages its investments in-house and invests only in the institutions listed in the Council's approved lending list, which is reviewed each time a counterparty is subject to a credit rating amendment. The Council's strategy allows for investments for a range of periods from overnight to five years, depending on the Council's cash flows, its interest rate view and the interest rates on offer. However, in order to maintain sufficient liquidity whilst total investment levels are relatively low, most investments have been placed for shorter durations.

4.0 2019-2020 forecast

- 4.1 It should be noted that in order to provide a timely report, only investment activities up to and including 31 May 2019 have been included. Borrowing activities include the month of June. The forecast outturn for treasury management activities in 2019-2020 compared to budget is shown in Table 5.

Table 5 – Treasury management budget and forecast outturn 2019-2020

	Approved Budget £000	Forecast Outturn £000	Variance at Quarter one £000
General Revenue Account	33,683	33,683	-
Housing Revenue Account	10,868	9,958	(910)
Total	44,551	43,641	(910)

- 4.2 Overall, a break even position for the General Revenue Account and a forecast underspend of £910,000 for the HRA are projected for the year 2019-2020.
- 4.3 Appendix 2 shows a comparison of the latest estimates of Prudential and Treasury Management Indicators over the medium term period with the equivalent figures which were approved by Council in March 2019.

Borrowing forecast for 2019-2020

- 4.4 Table 6 shows the average rate of interest payable in 2018-2019 and forecast for 2019-2020.

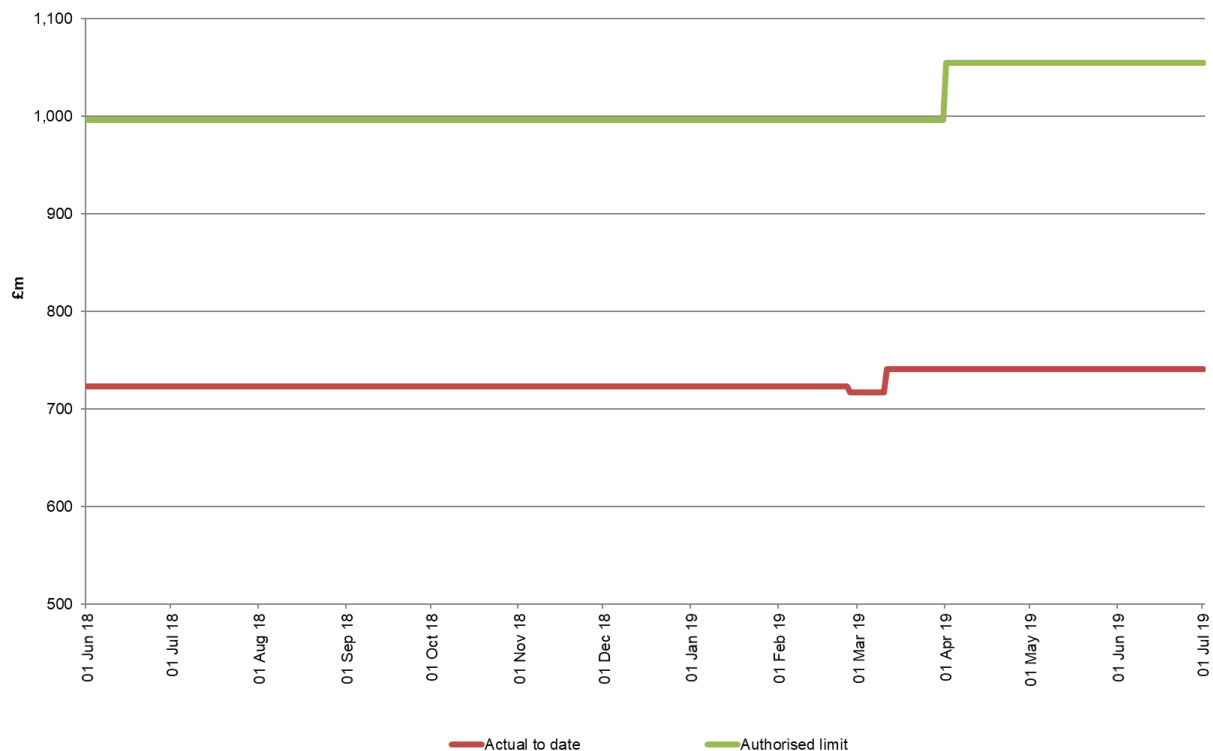
Table 6 – Average interest rate payable in 2018-2019 and 2019-2020

	2018-2019 Actual	2019-2020 Forecast
Average Interest Rate Payable	3.75%	3.70%

- 4.5 The average rate of interest payable by the Council is estimated to be slightly decreased from 3.75% to 3.70% for 2019-2020.
- 4.6 Each year it is necessary to raise new loans to finance capital expenditure and to replace existing maturing borrowing. The Council's policy is to prioritise the use of capital receipts to finance capital expenditure. Balances which are set aside to meet credit liabilities (i.e. to repay borrowing) are used to reduce the external borrowing requirement. Decisions to take borrowing will be made by the Director of Finance when it is judged that rates are likely to be at their lowest levels, and probably about to rise according to market indications, and only when an inflow of funds is required to meet imminent cash flow commitments. This will keep overall surplus cash balances to a minimum, in line with the current strategy. Appendix 3 shows the maturity profile of external borrowing.
- 4.7 As always, the Council needs to be mindful that the opportunity to secure short term efficiencies by postponing longer term borrowing requirements takes into account the risk of long term rates increasing in the future. The Director of Finance will continue to keep actual and forecast rates under close review.

- 4.8 The Council's borrowing profile continues to operate within the overall limits previously approved by Council, as shown in Chart 1.

Chart 1 – Comparison of borrowing within approved borrowing limits over the previous 12 months



- 4.9 The level of borrowing at 30 June 2019 is £740.9 million, appendix 1 shows a summary of this position. During quarter one no new loans or repayments have occurred, £8.0 million of existing borrowing is due to be repaid between quarters two to four.
- 4.10 In March 2019, Council approved a net borrowing requirement for 2019-2020 of £206.8 million. The forecast net borrowing requirement for 2019-2020 is £134.1 million, as shown in appendix 4. This appendix also shows the details for the disclosure for certainty rate, which enables the Council to access discounted borrowing at 0.20% below normal PWLB rates.

Investment forecast for 2019-2020

- 4.11 The approach during the year is to continue to use cash balances to finance capital expenditure so as to keep cash balances low.
- 4.12 Table 7 shows the total amount of surplus funds invested as at 31 March 2019 and in order to provide a timely report, 31 May 2019.

Table 7 – Total amounts invested 2019-2020

	31 March 2019 £000	31 May 2019 £000
Business Reserve Accounts	912	112
Money Market Funds	24,400	32,335
	25,312	32,447
Average cash balance for the year to date	21,180	35,225

- 4.13 Money Market Funds and Business Reserve Accounts are the main investments used as these have high credit ratings and instant access.
- 4.14 The Council's cash flow balance for the first quarter of the current financial year has moved between a low of £23.4 million and a maximum of £45.2 million. The average cash balance for the quarter being £35.2 million.
- 4.15 Table 8 shows the budgeted average rate of interest receivable in 2019-2020 and the forecast for the year.

Table 8 – Average interest rate receivable in 2019-2020

	2019-2020 Budget	2019-2020 Forecast
Average Interest Rate Receivable	0.60%	0.74%

- 4.16 Due to the continuing low interest rates on offer, a prudent percentage was used for budgeting purposes, as can be seen a slightly higher rate is forecast based on rates achieved up to 31 May 2019.
- 4.17 The approved Treasury Management Code of Practice sets out the criteria to be used for creating and managing approved counterparty lists and limits. As a result of any changes to credit criteria, the Director of Finance is authorised to make changes to the list of approved counterparties. In the event that any of these counterparties fall below the Council's minimum lending criteria, activity in that account will temporarily cease and any balance withdrawn immediately. Appendix 5 shows the Council's current specified investments lending list.
- 4.18 In quarter one 2019-2020 the Director of Finance has not been required to use her discretion to temporarily exceed any upper limits with approved counter-parties.

5.0 Evaluation of alternative options

- 5.1 As this is a monitoring report of treasury management activities undertaken in line with the approved Treasury Management Strategy for 2018-2019 and 2019-2020, there are no alternative options available.

6.0 Reasons for decisions

- 6.1 This report provides an update on treasury management activities undertaken in line with the approved Treasury Management Strategy for 2018-2019 and 2019-2020.

7.0 Financial implications

- 7.1 The financial implications are discussed in the body of this report.

[SH/14062019/Y]

8.0 Legal implications

- 8.1 The Council's treasury management activity must be carried out in accordance with the requirements of the Local Government Act 2003. In addition the Local Government and Housing Act 1989 sets out requirements for local authorities in respect of capital controls, borrowing and credit arrangements. The Council is also required to comply with the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.
- 8.2 Treasury management relates to the management of the Council's cash flow, borrowing and cash investments. This involves seeking the best rates of interest for borrowing, earning interest on investments, whilst managing risk in making financial decisions and adopting proper accounting practice.
- 8.3 The area is heavily regulated. The Local Government and Housing Act 1989 regulates the operation of the Housing Revenue Account. The 'CIPFA Code of Practice for Treasury Management in the Public Services', contains treasury management indicators and advice on treasury management strategy. Investment strategy is regulated by 'MHCLG Guidance on Local Government Investments' issued initially in 2004 and reissued in 2010 and 2018. Part 2 of this Guidance is statutory guidance.

[TS/31052019/S]

9.0 Equalities implications

- 9.1 There are no equalities implications arising from this report.

10.0 Environmental implications

- 10.1 There are no environmental implications arising from this report.

11.0 Human resources implications

11.1 There are no human resources implications arising from this report.

12.0 Corporate landlord implications

12.1 There are no corporate landlord implications arising from this report.

13.0 Health and Wellbeing Implications

13.1 There are no health and wellbeing implications arising from this report.

14.0 Schedule of background papers

14.1 Treasury Management Strategy 2018-2019, Report to Cabinet, 20 February 2018

14.2 Treasury Management Activity Monitoring – Mid Year Review 2018-2019, Report to Cabinet, 21 November 2018

14.3 Treasury Management Activity Monitoring Quarter Three 2018-2019, Report to Cabinet (Resources) Panel, 5 March 2019

14.4 Capital programme 2018-2019 to 2022-2023 quarter three review and 2019-2020 to 2023-2024 budget strategy, Report to Cabinet, 20 February 2019

14.5 Treasury Management Strategy 2019-2020, Report to Cabinet, 20 February 2019

15.0 Appendices

Appendix 1 – Borrow type, borrowing and repayments

Appendix 2 – Prudential and Treasury Management Indicators

Appendix 3 – Borrowing maturity profile

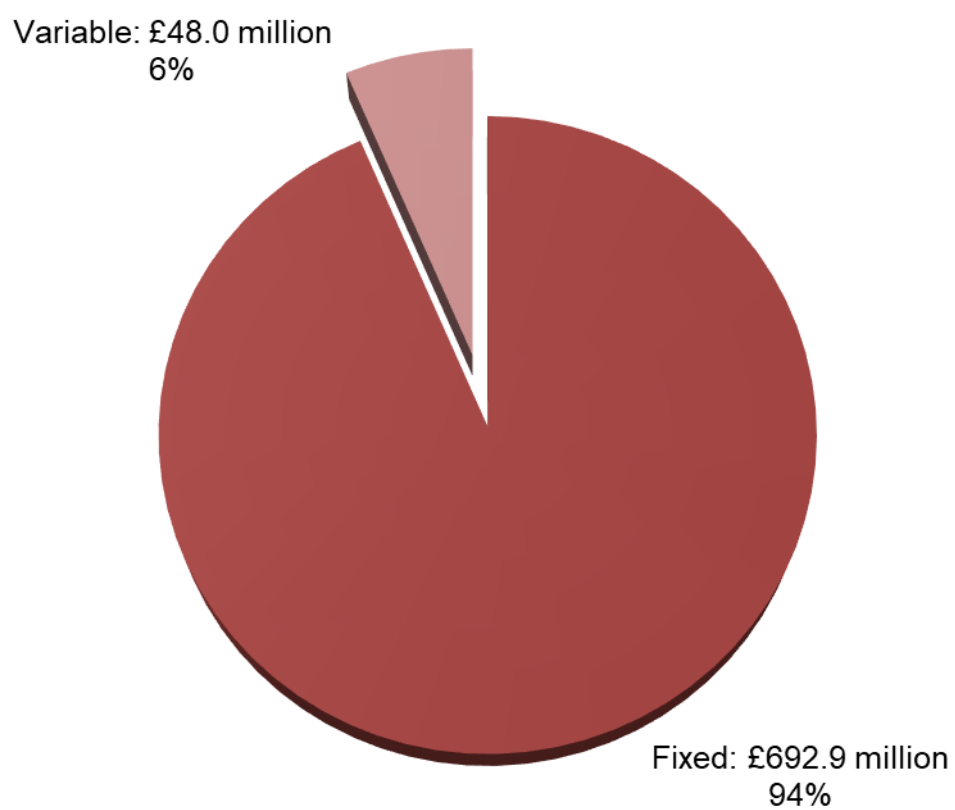
Appendix 4 – Disclosure for certainty rate

Appendix 5 – Lending list

Borrowing: Graphical Summary

Borrowing by Type

As at 31 March 2019



Borrowing and Repayments in 2018-2019

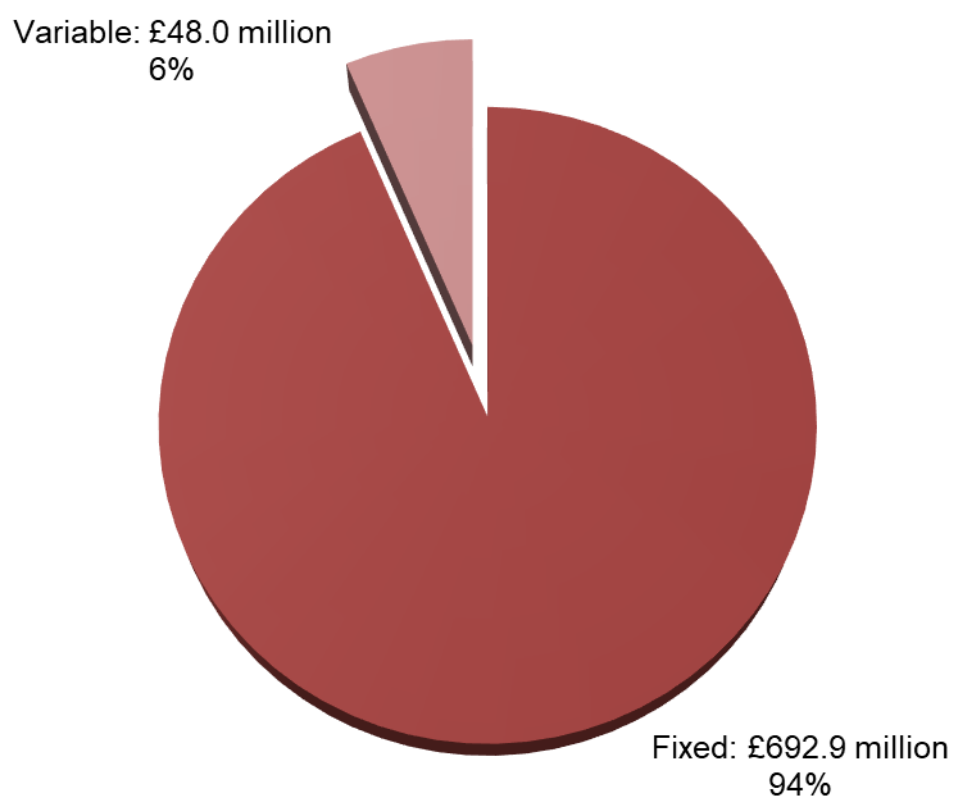
	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
2018-2019 Borrowing						
PWLB Fixed Maturity:				years		
507271	30/04/2018	30/04/2028	20,000	10	2.40%	480
507272	30/04/2018	30/04/2034	10,000	16	2.66%	266
507273	30/04/2018	30/04/2054	20,000	36	2.61%	522
508699	11/03/2019	11/03/2045	24,000	26	2.54%	610
Sub total for PWLB			74,000		2.55%	1,878
Temporary Loans:						
No activity in 2018-2019						
Sub total for Temporary Loans			-			-
Grand total borrowing			74,000			1,878

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
2018-2019 Repayments						
PWLB Fixed Maturity:						
No activity in 2018-2019						
Sub total for PWLB			-			-
Temporary Loans:				years		
West Sussex County Council	26/02/2016	26/02/2019	6,000	3	1.30%	78
Sub total for Temporary Loans			6,000		1.30%	78
Grand total repayments			6,000			78
Net movement			68,000			1,800

Borrowing: Graphical Summary

Borrowing by Type

As at 30 June 2019



Prudential Indicators (PI) required by The Prudential Code

PI for Prudence - Ensuring that external debt is sustainable and compliance with good professional practice are essential features of prudence.

PI 1 - Estimates and actual capital expenditure.

Full details of capital expenditure plans and funding can be found in the outturn 2018-2019 quarter one capital budget monitoring 2019-2020 report.

	Approved by Council 6 March 2019				As at 30 June 2019			
	2018-2019	2019-2020	2020-2021	2021-2022	2018-2019	2019-2020	2020-2021	2021-2022
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
General *	100,525	170,756	59,398	7,152	76,471	183,108	67,496	7,152
HRA	49,772	99,350	90,770	77,660	42,832	83,039	99,302	84,660
	150,297	270,106	150,168	84,812	119,303	266,147	166,798	91,812
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	15,515	17,000	17,350	-	6,958	25,557	17,350	-

PI 2 - Estimates and actual capital financing requirement General Fund and HRA.

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose.

	Approved by Council 6 March 2019				As at 30 June 2019			
	2018-2019	2019-2020	2020-2021	2021-2022	2018-2019	2019-2020	2020-2021	2021-2022
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
General *	651,714	729,726	745,447	729,723	640,981	706,027	722,962	686,926
HRA	257,200	308,896	356,087	392,946	252,405	282,313	333,664	372,809
Total capital financing requirement	908,914	1,038,622	1,101,534	1,122,669	893,386	988,340	1,056,626	1,059,735
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	25,325	36,286	25,763	25,068	16,767	34,971	42,483	20,573
Movement in capital financing requirement represented by:								
New borrowing for capital expenditure	65,336	166,189	100,479	57,866	53,517	136,251	109,649	43,366
Less minimum revenue provision/voluntary minimum revenue provision	(32,944)	(36,481)	(37,567)	(36,731)	(36,653)	(41,297)	(41,363)	(40,257)
Movement in capital financing requirement	32,392	129,708	62,912	21,135	16,864	94,954	68,286	3,109

PI 3 - Authorised limit for external debt.

These limits apply to the total external debt gross of investments and separately identify borrowing from other long term liabilities such as finance leases including Private Finance Initiatives (PFI).

	Approved by Council 6 March 2019			
	2018-2019	2019-2020	2020-2021	2021-2022
	Limit £000	Limit £000	Limit £000	Limit £000
Borrowing	996,745	1,054,931	1,138,865	1,185,714
Other Long Term Liabilities	90,754	86,553	82,275	79,663
Total Authorised Limit *	1,087,499	1,141,484	1,221,140	1,265,377
Actual and Forecast External Debt as at 30 June 2019	831,596	953,551	1,045,836	1,048,945
Variance (Under) / Over Authorised limit	(255,903)	(187,933)	(175,304)	(216,432)
* Commercial activities / non-financial investments included within this figure.	18,237	40,306	46,092	44,005

PI 4 - Operational boundary for external debt.

This is based on the same estimates as the authorised limit but directly reflects the Director of Finance's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included.

	Approved by Council 6 March 2019			
	2018-2019	2019-2020	2020-2021	2021-2022
	Limit £000	Limit £000	Limit £000	Limit £000
Borrowing	964,873	1,013,398	1,113,771	1,171,325
Other Long Term Liabilities	90,731	86,545	82,268	79,656
Total Operational Boundary Limit *	1,055,604	1,099,943	1,196,039	1,250,981
Actual and Forecast External Debt as at 30 June 2019	831,596	953,551	1,045,836	1,048,945
Variance (Under) / Over Operational Boundary Limit	(224,008)	(146,392)	(150,203)	(202,036)
* Commercial activities / non-financial investments included within this figure.	17,048	35,655	44,005	44,005

Prudential Indicators (PI) required by The Prudential Code

PI 5 - Gross debt and the capital financing requirement.

"In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

	Approved by Council 6 March 2019				As at 30 June 2019			
	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000	2018-2019 Actual £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,101,535	1,122,670	1,123,546	1,123,546	1,056,627	1,059,736	1,064,620	1,064,620
Gross Debt	881,513	1,038,222	1,101,133	1,122,269	831,596	953,551	1,045,836	1,048,945
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

PI for Affordability - These indicators are used to ensure the total capital investment of the Council is within a sustainable limit and the impact of these decisions are considered with regard to acceptable council tax and housing rent levels.

PI 6 - Estimates and actual ratio of financing costs to net revenue stream.

This represents the cost of financing capital expenditure as a % of net revenue for both the General Fund and HRA.

	Approved by Council 6 March 2019				As at 30 June 2019			
	2018-2019 Forecast	2019-2020 Forecast	2020-2021 Forecast	2021-2022 Forecast	2018-2019 Actual	2019-2020 Forecast	2020-2021 Forecast	2021-2022 Forecast
General *	12.5%	14.3%	17.2%	17.5%	12.6%	14.4%	16.5%	16.9%
HRA	33.8%	34.5%	35.5%	35.8%	29.4%	29.1%	30.2%	31.3%
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	0.4%	0.7%	0.7%	0.6%	0.3%	0.7%	1.0%	0.7%

Treasury Management Indicators (TMI) required by The Treasury Management Code

TMI 1 - Upper limits to the total of principal sums invested over 365 days.

This details the maximum amount which can be invested for up to 5 years (as per paragraph 1.5 of the Annual Investment Strategy). It has been determined that a maximum of 50% of total investments with a cap of £35.0 million could be prudently committed to long term investments should the Director of Finance decide it is appropriate to.

	Approved by Council 6 March 2019			
	2018-2019 Limit £000	2019-2020 Limit £000	2020-2021 Limit £000	2021-2022 Limit £000
Upper limit for more than 365 days	35,000	35,000	35,000	35,000
Actual and Forecast Invested at 30 June 2019	-	-	-	-
Variance (Under) / Over Limit	(35,000)	(35,000)	(35,000)	(35,000)

TMI 2 - Upper and lower limits to the maturity structure of its borrowing.

These limits relate to the % of fixed and variable rate debt maturing. Upto 2018-2019 this indicator only included fixed rate debt, the new Code of Practice issued December 2017 changed this requirement to include variable debt from 2018-2019.

	Approved by Council 6 March 2019		As at 30 June 2019	
	Upper Limit	Lower Limit	2018-2019 Actual Borrowing	2019-2020 Forecast Borrowing
Under 12 months	25%	0%	1.08%	0.91%
12 months and within 24 months	25%	0%	1.69%	7.49%
24 months and within 5 years	40%	0%	2.33%	1.98%
5 years and within 10 years	50%	0%	7.08%	5.99%
10 years and within 20 years	50%	0%	17.80%	15.07%
20 years and within 30 years	50%	0%	19.28%	25.59%
30 years and within 40 years	50%	0%	22.83%	19.33%
40 years and within 50 years	50%	0%	27.91%	23.64%
50 years and within 60 years	50%	0%	-	-

2018-2019 Outturn for Local Prudential Indicators (LPI) no longer required by City of Wolverhampton Council

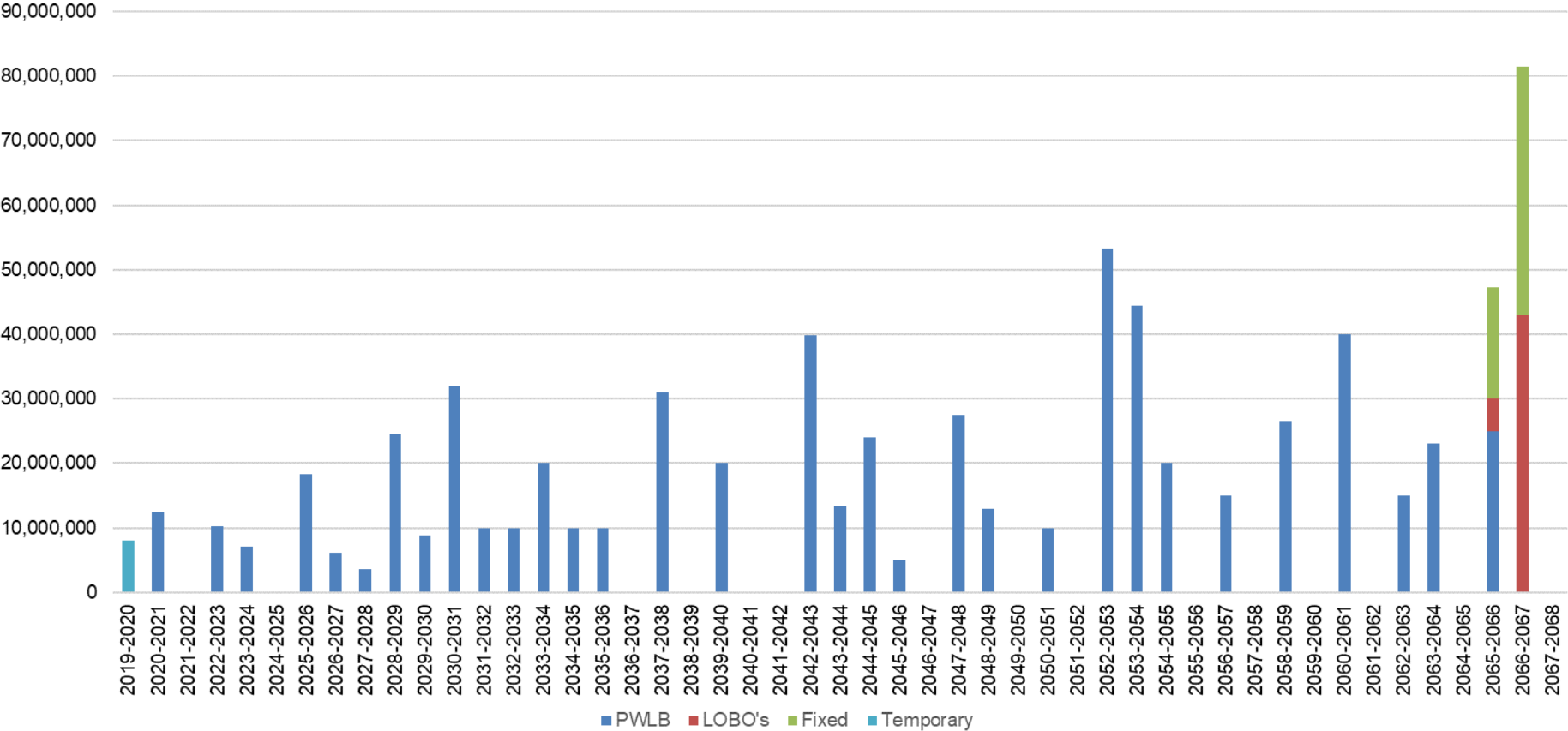
LPI 1 - Estimates of the incremental impact of capital investment decisions on the council tax and housing rents.

The Council could consider different options for its capital investment programme in relation to their different impact on the council tax and housing rents. Negatives reflect a reduction in total capital expenditure.

	Approved by Council 7 March 2018				As at 30 June 2019			
	2018-2019 Forecast £	2019-2020 Forecast £	2020-2021 Forecast £	2021-2022 Forecast £	2018-2019 Actual £	2019-2020 Forecast £	2020-2021 Forecast £	2021-2022 Forecast £
Financial year impact								
Implications of the capital programme for year:								
For Band D council tax	82.48	215.17	277.34	326.34	48.98	-	-	-
For average weekly housing rents	0.74	3.44	6.79	10.04	1.55	-	-	-
Marginal impact to previous quarter								
Implications of the capital programme for year:								
For Band D council tax	(47.56)	(45.46)	2.78	21.68	(15.31)	-	-	-
For average weekly housing rents	(0.06)	0.33	0.78	1.17	(0.09)	-	-	-

Borrowing Maturity Profile at 30 June 2019

Page 44



Disclosure for Certainty Rate

Certainty Rate

This table details the information that is required to enable the Council to submit a return for 2019-2020.

	Approved by Council 6 March 2019				As at 30 June 2019			
	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000	2018-2019 Actual £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000
Net Borrowing Requirement:								
Borrowing to finance planned capital expenditure	65,239	166,129	100,373	57,554	53,420	136,191	109,543	43,054
Existing maturity loans to be replaced during the year	87,682	73,000	62,500	50,000	53,294	35,000	89,500	50,000
Less:								
Minimum Revenue Provision for debt repayment	(12,012)	(15,445)	(18,247)	(18,910)	(12,012)	(16,208)	(17,797)	(18,372)
Voluntary debt repayment	(17,013)	(16,850)	(14,937)	(14,897)	(20,702)	(20,903)	(19,183)	(18,961)
	(29,025)	(32,295)	(33,184)	(33,807)	(32,714)	(37,111)	(36,980)	(37,333)
Loans replaced less debt repayment	58,657	40,705	29,316	16,193	20,580	(2,111)	52,520	12,667
Net Advance Requirement	123,896	206,834	129,689	73,747	74,000	134,080	162,063	55,721

Lending List

2019-2020 Specified Investments as at 31 May 2019

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Australia & New Zealand Banking Group Ltd	Australia (AAA)	10,000	6 mths
Bank Nederlandse Gemeenten	Netherlands (AAA)	20,000	12 mths
Commonwealth Bank of Australia	Australia (AAA)	10,000	6 mths
DBS Bank Ltd	Singapore (AAA)	10,000	6 mths
HSBC Bank plc	UK (AA)	10,000	6 mths
National Australia Bank Ltd	Australia (AAA)	10,000	6 mths
National Bank of Abu Dhabi	Abu Dhabi (U.A.E) (AA)	5,000	3 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
Westpac Banking Corporation	Australia (AAA)	10,000	6 mths
Nationalised Banks			
Royal Bank of Scotland Group plc			
National Westminster Bank plc	UK (AA)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AA)	10,000	3 mths
Money Market Funds		Fund Rating	
Invesco STIC Account	Fitch AAmmf	20,000	Instant Access
Aberdeen Liquidity Fund (LUX) Class 2	Fitch AAmmf	20,000	Instant Access
Federated Short-Term Sterling Prime Fund	Fitch AAmmf	20,000	Instant Access
Black Rock Sterling Liquidity Fund	Moody's Aaa-mf	20,000	Instant Access
Scottish Widows Sterling Liquidity Fund	Moody's Aaa-mf	20,000	Instant Access

Non-rated Institutions

County Councils, London Boroughs, Metropolitan Districts and Unitary Authorities - limits £6m and 12 months.
 Shire District Councils, Fire and Civil Defence Authorities, Passenger Transport Authorities and Police
 Authorities - limits £3m and 12 months.

Briefing Note

CITY OF
WOLVERHAMPTON
COUNCIL

Title: Medium Term Financial Strategy - Corporate Resources **Date:** 27.08.2019

Prepared by: Alison Shannon

Job Title: Chief Accountant

**Intended
Audience:**

Internal ☐

Partner organisation ☐

Public ☒

Confidential ☐

Purpose

The purpose of this briefing note is to allow Scrutiny Panel to review and comment on the assumptions built into the Medium-Term Financial Strategy (MTFS) for Corporate Resources.

Background

The 2019-2020 budget is the final year of the Comprehensive Spending Review 2015, which covers the parliamentary period to 2019-2020. The Government originally planned to undertake a Comprehensive Spending Review and Fair Funding Review during 2019-2020 in order to inform the level of funding beyond 2019-2020.

In July 2019 we reported that the Local Government Association and financial research organisations envisage that the Comprehensive Spending Review 2020 would be delayed due to the extension of ongoing negotiations surrounding Brexit and the Leadership election process for a new Prime Minister, and therefore local authorities are likely to receive a one-year settlement.

On 8 August 2019, the Chancellor announced that a fast-tracked one-year Spending Round to set departmental budgets for 2020-2021 will be completed in September, with a full spending review will be held in 2020.

Due to the uncertainty the Council currently faces, it is particularly challenging to establish a medium-term financial strategy beyond 2019-2020, however work has been ongoing to project a forecast medium-term position to 2023-2024.

The Budget and MTFS 2019-2020 to 2023-2024 was presented to Full Council for approval on 6 March 2019. The Council was able to set a balanced budget for 2019-2020 without the use of General Fund reserves.

However, it is projected that the Council would be faced with finding further estimated budget reductions totalling £27.3 million in 2020-2021 rising to £40 – £50 million over the medium term to 2023-2024.

The Draft Budget and MTFS 2020-2021 to 2023-2024 was presented to Cabinet on 31 July 2019 which provided an update on the progress towards addressing the budget deficit for 2020-2021 to 2023-2024. This report included a number of assumptions in relation to the level of resources that will be available to the Council.

MTFS assumptions on Corporate Resources

Corporate resources are the funding sources available to the Council to spend on local services. Corporate Resources comprise of Council Tax, Business Rates and general grants.

The table below details the assumptions around Corporate Resources built into the current MTFS as reported to Full Council in March 2019 along with the proposed changes reported to Cabinet in July 2019.

Appendix 1 shows the financial implications of these changes.

Corporate Resources	Description	Approved Assumptions - March 2019	Updated Projected Assumptions – July 2019
Council Tax	<p>This is a tax paid by residents to the Council, based on the value of their property.</p> <p>The level of council tax we receive is influenced by increases in the Council Tax Charge per property and the number of properties in the City (known as the Council Tax Base).</p> <p>The Government set a referendum limit (expressed as a percentage) at which local authorities can increase Council Tax. The tax is set locally and approved by Full Council on an annual basis.</p>	<p>In the provisional settlement for 2018-2019 the Government announced it would change the Council Tax referendum limit in 2018-2019 and 2019-2020 from 1.99% to 2.99%.</p> <p>The MTFS approved in March assumed the referendum limit reverts back to 1.99% from 2020-2021.</p> <p>Growth in the Council Tax base (number of properties) has been assumed to be 1.8% for 2020-2021, and 1% annually thereafter.</p>	<p>In July it was recommend that if the Government retain the current referendum limits at 2.99%, that the Council increases Council Tax by this amount (a further 1% above previous projections)</p> <p>This would generate an additional £1 million in 2020-2021.</p>
Adult Social Care Precept	In the Autumn Spending Review 2015 the Government	The assumptions in the current MTFS assumes that the	In July it was proposed that, if the Government continue

Corporate Resources	Description	Approved Assumptions - March 2019	Updated Projected Assumptions – July 2019
	announced that local authorities with adult social care responsibilities could raise an additional 2% through Council Tax to fund adult social care. This is in addition to the Council Tax referendum limit.	Adult Social Care Precept is not levied beyond 2019-2020.	to allow local authorities to raise an additional 2% through Council Tax, that the Council considers this as part of the 2020-2021 budget consultation process. This would generate an addition £2.1 million in 2020-2021.
Business Rates	<p>Businesses across the country have to pay business rates. The Government set how much businesses should pay and local authorities collect the money.</p> <p>The City of Wolverhampton, under the business rates retention pilot scheme, keeps 99% of the business rates raised in the area with the balance of 1% going to the West Midlands Fire Service.</p> <p>The level of business rates we receive is influenced by changes in rateable values, the business rates multiplier and the number of business properties in the City.</p>	<p>The MTFS assumptions were based on an increase on the multiplier of 2% (the multiplier is usually increased by government in line with RPI increases)</p> <p>We have assumed no growth in the number of business properties.</p>	There are no proposed changes in to the current assumptions
Top Up Grant	Some local authorities collect a lot more business rates than others. In order to equalise out the opportunity to collect rates and to encourage growth in all areas whatever	The February MTFS assumed the continuation of this grant at the level received in 2019-2020	There are no proposed changes in to the current assumptions

Corporate Resources	Description	Approved Assumptions - March 2019	Updated Projected Assumptions – July 2019
	<p>their starting position the rates retention scheme includes a system of top ups and tariffs.</p> <p>Whether a local authority is a tariff or a top-up authority is determined by comparing each individual local authority's baseline funding level and individual authority business rate baseline. A local authority must pay a tariff each year if its business rate baseline was greater than its baseline funding level. Conversely, a local authority will receive a top-up each year if its business rate baseline was less than its baseline funding level.</p> <p>Wolverhampton is a top up authority and therefore receives top up grant.</p>		
Section 31 Grant	The Government compensate local authorities for offering centrally designed discounts on certain properties. This is called a Section 31 grant.	The current MTFS assumes the continuation of this grant at the level received in 2019-2020	There are no proposed changes in to the current assumptions
New Homes Bonus	The New Homes Bonus is a Government scheme which is aimed at encouraging local authorities to grant planning permission	In the 2019-2020 final settlement the Government confirmed that the New Homes Bonus baseline for growth	In the 2019 final settlement the Government provided illustrative New Homes Bonus allocations to 2022-2023. The

Corporate Resources	Description	Approved Assumptions - March 2019	Updated Projected Assumptions – July 2019
	for the building of new homes in return for additional revenue grant.	would be retained at 0.4% in 2019-2020. No further growth was assumed beyond 2019-2020.	Government announced it remains committed to incentivising housing growth. If the existing methodology were to be rolled forward it is anticipated that an additional £250,000 would be received each year from 2020-2021.
Adult Social Care – improved Better Care Fund (iBCF)	In 2016-2017 the Government announced iBCF allocations for 2017-2018 to 2019-2020. In the Spring Budget 2017, a further grant was announced for the period of 2017-2018 to 2019-2020 called the additional iBCF	The MTFS assumes the original iBCF allocation continues at the 2019-2020 level. There is no assumption that the additional iBCF continues.	There are no proposed changes in to the current assumptions
Adult Social Care – Winter Pressures	Over the past few years the Government have awarded one-off grants to support winter pressures within adult services.	The February MTFS assumed that these grants will cease after 2019-2020.	Taking account of historical trends it is anticipated that the local authorities will receive adult social care winter pressures grant funding for 2020-2021 onwards of £1.4 million.

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Description	February 2019 Budget Report					Working Assumptions					Total				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council Tax															
Council Tax- increase at 2.99% (2019-2020 only), 1.99% future years	(94.486)	(98.103)	(101.205)	(104.402)	(107.697)						(94.486)	(98.103)	(101.205)	(104.402)	(107.697)
Council Tax- impact of increase from 1.99% to 2.99%						-	(1.045)	(2.164)	(3.360)	(4.638)	-	(1.045)	(2.164)	(3.360)	(4.638)
Council Tax - Growth in base (2019-2020 @ 1.8%, future years @ 1.0%)	(1.557)	(0.981)	(1.012)	(1.044)	(1.077)						(1.557)	(0.981)	(1.012)	(1.044)	(1.077)
Council Tax - Adult Social Care Precept (2%)	(7.443)	(7.517)	(7.593)	(7.669)	(7.745)	-	(2.090)	(4.328)	(6.722)	(9.282)	(7.443)	(9.607)	(11.921)	(14.391)	(17.027)
Council Tax - increase in base from ASC (2%) & impact on increase 2.99%								(0.063)	(0.197)	(0.408)	-	-	(0.063)	(0.197)	(0.408)
Total Council Tax	(103.486)	(106.601)	(109.810)	(113.115)	(116.519)	-	(3.135)	(6.555)	(10.279)	(14.328)	(103.486)	(109.736)	(116.365)	(123.394)	(130.847)
Business Rates															
Business Rates (assumes annual increase @ 2.0%)	(72.465)	(73.914)	(75.393)	(76.900)	(78.438)						(72.465)	(73.914)	(75.393)	(76.900)	(78.438)
Growth in NNDR Tax Base											-	-	-	-	-
Contribution to WMCA	0.500	1.010	1.010	1.010	1.010						0.500	1.010	1.010	1.010	1.010
Total Business Rates	(71.965)	(72.904)	(74.383)	(75.890)	(77.428)						(71.965)	(72.904)	(74.383)	(75.890)	(77.428)
Enterprise Zone Business Rates	(2.800)	(2.700)	(1.530)	(1.490)	(1.450)						(2.800)	(2.700)	(1.530)	(1.490)	(1.450)
Collection Fund Deficit / Surplus	0.034										0.034	-	-	-	-
Grants															
Levy Account Surplus allocation from 2018-2019 (one off)	(1.200)										(1.200)	-	-	-	-
Top Up Grant	(26.152)	(26.152)	(26.152)	(26.152)	(26.152)						(26.152)	(26.152)	(26.152)	(26.152)	(26.152)
Section 31 Grant	(10.611)	(10.611)	(10.611)	(10.611)	(10.611)						(10.611)	(10.611)	(10.611)	(10.611)	(10.611)
New Homes Bonus	(2.080)	(1.326)	(0.568)	(0.265)			(0.250)	(0.250)	(0.250)	(0.250)	(2.080)	(1.576)	(0.818)	(0.515)	(0.250)
Adult Social Care Grants															
Improved Better Care Fund (original allocation)	(11.000)	(11.000)	(11.000)	(11.000)	(11.000)						(11.000)	(11.000)	(11.000)	(11.000)	(11.000)
Additional to Improved Better Care Fund (Spring Budget 2017)	(1.947)										(1.947)	-	-	-	-
Winter Pressures - ASC	(1.376)						(1.400)	(1.400)	(1.400)	(1.400)	(1.376)	(1.400)	(1.400)	(1.400)	(1.400)
Social Care Grant - Adults and Childrens	(2.351)										(2.351)	-	-	-	-
Total Resources	(234.934)	(231.294)	(234.054)	(238.523)	(243.160)	-	(4.785)	(8.205)	(11.929)	(15.978)	(234.934)	(236.079)	(242.259)	(250.452)	(259.138)
Use of Capital Receipts Flexibility and other one of funding	(3.000)														
less impact on Treasury Management Costs							(10.000)	(5.000)	0.600	0.600	(3.000)	(10.000)	(5.000)	-	-
								0.600	0.600	0.600	-	-	0.600	0.600	0.600
Total including Capital Receipts Flexibility	(237.934)	(231.294)	(234.054)	(238.523)	(243.160)	-	(14.785)	(12.605)	(11.329)	(15.378)	(237.934)	(246.079)	(246.659)	(249.852)	(258.538)

Council Tax assumptions

% Increase in growth on base	1.8%	1.0%	1.0%	1.0%	1.0%
Number of band D equivalent (@ 78% of actual properties)	1,037	640	646	653	659
Estimate number of actual properties	1,329	821	828	837	845

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Our Council Scrutiny Panel – Draft Work Programme 2019-2020

The Panel has responsibility for Scrutiny functions as they relate to, Strategic Financial Services, Revenues and Benefits, Strategic Procurement, The HUB, Audit, Human Resources, Corporate Administration, Democracy, Corporate Landlord, Transformation and ICT

Date of Meeting	Item Description	Lead Report Author	Notes
4 September 2019	<ul style="list-style-type: none"> Treasury Management-Annual Report 2018-2019 and Activity Monitoring Quarter One 2019-2020 	Alison Shannon, Chief Accountant	Information about the Council's treasury management Activity
	<ul style="list-style-type: none"> Cabinet Member for Resources - Portfolio Holder Briefing Session – Cllr Louise Miles 	Claire Nye, Director of Finance	Briefing on current work and questions from the panel.
	<ul style="list-style-type: none"> Review of the assumptions in the MTFS in relation to Corporate Resources 	Claire Nye, Director of Finance	Claire Nye, Director of Finance Preparation for budget scrutiny
	<ul style="list-style-type: none"> Strategic Asset Plan 2018-23 – progress report 	Julia Nock, Head of Assets	The Head of Assets to present progress report
20 November 2019	<ul style="list-style-type: none"> Chair of Audit and Risk Committee – Annual Report - Cllr Alan Butt 		Briefing on the adequacy application and reliability of key internal controls to ensure identified risks are sufficiently mitigated against and current priorities. Presentation of annual report

	<ul style="list-style-type: none"> • Draft Budget and Medium-Term Financial Strategy 2020 -2021 • Rapid Development Platform 	<p>Claire Nye, Director of Finance</p> <p>Andy Hoare Digital Transformation Director</p>	Briefing on the system, current progress and the benefits of the platform and next steps and why.
15 January 2020	<ul style="list-style-type: none"> • Digital Printing Service – update • Treasury Management Activity Monitoring - Mid Year Review 2019-2020 • Review of assumptions in the MTFS about growth and inflation' 	<p>Gail Rider – Head of ICT</p> <p>Claire Nye, Director of Finance</p> <p>Claire Nye, Director of Finance</p>	<ol style="list-style-type: none"> 1. Review the opportunities and competitiveness of providing print services outside of the local authority, operating on a commercial basis 2. Put in place mechanisms to secure all internal printing requirements are provided in-house, removing the opportunity for staff to commission print work outside of the authority 3. Improve the kitchen facilities for DPS in line with the rest of the authority's amenities <p>Budget scrutiny overview</p>

January 2020 (tbc)	<ul style="list-style-type: none"> Specific Reserves Working Group (date to confirmed) 	Claire Nye, Director of Finance	<p>1. To receive a detailed report on specific reserves.</p> <p>2. To review and scrutinise the balances and movements of the council's specific reserves to ensure that they are appropriately established and required.</p> <p>To make recommendation or comment to Cabinet on matters arising from the review and scrutiny of specific reserves.</p>
11 March 2020	<ul style="list-style-type: none"> Treasury Management 	Claire Nye, Director of Finance	

Future Items – dates tbc

1. Assessment and evaluation of the Smart Working Policy Denise Pearce, Head of Human Resource. That the Scrutiny Panel undertake an assessment and evaluation of the Smart Working Policy. Information on performance management and data on appraisals should also be included as part of the report – date tbc.
2. Community Asset Transfer: Policy and Strategy Review: Julia Nock, Head of Assets – due to be presented to Cabinet on 16.10.19.
3. Council Tax - General indebtedness and Business Rate collection rates.
4. Briefing on Universal Credit – update on transition - Heather Clarke, Service Development Manager
5. HMRC pilot report interim findings March 2020 and more detailed findings September 2020 - Tracey Richards, Recovery Manager

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