

CITY OF  
WOLVERHAMPTON  
COUNCIL

# Our Council Scrutiny Panel

## 29 September 2021

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

**Venue** Council Chamber

### Membership

**Chair** Cllr Zee Russell (Lab)

**Vice-chair** Cllr Udey Singh (Con)

#### Labour

Cllr Milkinderpal Jaspal

Cllr Christopher Burden

Cllr Jaspreet Jaspal

Cllr Rupinderjit Kaur

Cllr John Reynolds

Cllr Clare Simm

Cllr Tersaim Singh

Cllr Jacqueline Sweetman

#### Conservative

Cllr Paul Appleby

Cllr Jonathan Crofts

Quorum for this meeting is three Councillors.

### Information for the Public

If you have any queries about this meeting, please contact the Democratic Services team:

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Wolverhampton WV1 1RL

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# Agenda

## Part 1 – items open to the press and public

*Item No.*    *Title*

**1            Welcome and Introductions**

[The Chair to welcome everyone to the meeting. The Scrutiny Officer will then read out a list of those invited to the meeting to confirm who is in attendance.]

**2            Meeting procedures to be followed**

[The Chair will explain how the meeting will proceed, how questions are to be asked and any matters of meeting etiquette.]

### MEETING BUSINESS ITEMS

**3            Apologies**

**4            Declarations of interest**

**5            Minutes of previous meeting (Pages 3 - 10)**

[To approve the minutes of the previous meeting as a correct record]

### DISCUSSION ITEMS

**6            Our Assets Programme (Pages 11 - 24)**

[Julia Nock MRICS, Head of Assets, to present report]

**7            Housing Strategy - Landlord Services Report (Pages 25 - 36)**

[Jenny Lewington, Service Manager - Housing Strategy & Policy, to present report]

**8            Update on Cyber Security (Pages 37 - 40)**

[Charlotte Johns, Director of Strategy, and Jai Ghai, Head of Digital and IT, to jointly present report]

**9            Treasury Management (Pages 41 - 94)**

[Claire Nye, Director of Finance, to present report]

**10          Council Contract Management (report to follow)**

[Parvinder Uppal, Head of Commercial and Claire Nye, Director of Finance, to jointly present report]

**11          Specific Reserves Working Group (Pages 95 - 96)**

[Earl Piggott-Smith, Scrutiny Officer, to present report]

**12          Our Council Scrutiny Panel 2021 22 Draft Work Programme (Pages 97 - 106)**

[Earl Piggott-Smith, Scrutiny Officer, to present report]

## Attendance

### Members of the Our Council Scrutiny Panel

Cllr Zee Russell  
Cllr Udey Singh  
Cllr Jaspreet Jaspal  
Cllr Tersaim Singh  
Cllr Jacqueline Sweetman  
Cllr Jonathan Crofts

### Members of the Our Council Scrutiny Panel in attendance via Teams

Cllr Clare Simm  
Cllr Milkinderpal Jaspal  
Cllr Christopher Burden

### Employees

Earl Piggott-Smith	Scrutiny Officer
David Pattison	Director of Governance
Jin Takhar	Equality, Diversion and Inclusion Manager
Paulette Chattwood	Co-Chair Race, Religion and Belief
Jane Ciftci	Chair Rainbow Forum
Solomon Scott	Co-Chair Race Religion and Belief Forum
Glenn Watts	Co-Chair Disability and Age Forum
Martin Stevens	Scrutiny Officer
Julia Cleary	Scrutiny and Systems Manager

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## Part 1 – items open to the press and public

*Item No.*      *Title*

### 1      **Welcome**

Cllr Zee Russell, Chair, welcomed everyone to the virtual meeting and advised it was being live streamed to the press and public. A recording of the meeting would be available for viewing on the Council's website.

### 2      **Meeting procedures to be followed**

Earl Piggott-Smith, Scrutiny Officer, explained the protocol to be followed during the meeting for asking questions and reminded everyone that microphones should be muted and cameras off, unless have been invited to speak by the Chair.

**3 Apologies**

Apologies were received from the following:

Cllr John Reynolds  
Cllr Paul Appleby  
Cllr Rupinderjit Kaur

**4 Declarations of interest**

The were no declarations of interest recorded.

**5 Minutes of previous meeting 17 March 2021**

The panel approved the minutes of the meeting held on 17 March 2021 as being a correct record.

**6 Draft Equality, Diversity and Inclusion Strategy Approach**

Cllr Zee Russell invited David Pattison, Director of Governance, to present the report to the panel.

David Pattison, Director of Governance, made a few introductory comments outlining the progress made and key achievements during the year.<sup>3</sup> The Director of Governance advised that Jin Takhar, Head of Equality Diversity and Inclusion, would give a detailed presentation to the panel on the draft Council's Equality Diversity and Inclusion Strategy.

The Director of Governance commented that the Staff Equality Forum Chairs would also be in attendance to share their experiences of working with senior managers in taking forward issues of concern.

The Director of Governance commented that the progress made in respect of equalities work was a proud personal achievement. The Director of Governance commented that the Council is making a difference on the issue of equalities which is becoming embedded across the Council and that it is comfortable with being uncomfortable on equalities issues and happy to be challenged.

The Director of Governance invited questions and challenge from the panel about what more the Council could do to help Wolverhampton become a fair and inclusive city and considered that it was on the right path. The Director of Governance commented that a key factor in the progress made has been because of the contributions from Staff Equality Forum Chairs and referred to the action taken by the Council in response to the issues raised. The Chairs of the equality forums attend meetings of senior management and Strategic Executive Board on a weekly basis and their contributions are valued and encouraged.

The Head of Equality Diversity and Inclusion gave a summary of the approach taken to develop the Equality Diversity and Inclusion Strategy. The Head of Equality and Diversity commented in detail about the Plan on a Page slide which gave a summary of the context, key objectives and priorities of the strategy. The panel were advised that a more detailed 15-page document has been produced linked to this document which sets out the vision, commitment, aspirations of the strategy, and how the priorities listed were developed.

The panel were given an assurance of the Council's commitment to inclusion, fairness, and inclusivity and the commitment across Corporate Services to make substantial progress in this area. The Head of Equality Diversity and Inclusion invited the panel to comment and shape the draft strategy which will be included in the planned wider consultation on the document towards the end of July 2021.

The Head of Equality Diversity and Inclusion commented on the key achievements during the previous 12 – 18 months and the focus on building on this progress.

The Head of Equality Diversity and Inclusion commented that there had a major change in the way in the Council as a whole, considers issues of equalities. A key element was the development of partnership working between senior management and employees across the organisation, as well as community leaders in helping to develop and shape the priorities in the strategy.

The Head of Equality Diversity and Inclusion commented on the specific pledges made by some Council directorates linked to their respective equality action plans, for example City Environment Direct made a commitment that 100% of their workforce will be digitally connected to enable them to be more engaged in shaping policies.

The Head of Equality Diversity and Inclusion commented on the diversity of the population of the City and the Council's commitment to work towards being an inclusive employer reflecting the communities served. There is a desire to achieve change at a faster pace to ensure that employees can take up opportunities for career development and training.

The Head of Equality Diversity and Inclusion outlined details of plans to achieve the Diversity and Inclusion Strategy Workforce Representation 2030 Vision, the overall aim being for the Council to be to be reflective of the communities served. An analysis of the profile of the Council workforce in respect of the protected characteristics, compared to Census data from 2011 was presented to the panel.

The panel were advised of the possible changes to the profile of the City's population when the new Census data is published which is likely to show an increase to about 45 percent in the ethnic minority population and compared this with profile of the Council's workforce, and specifically number of posts held at Grade 9. The Head of Equality Diversity and Inclusion accepted that there was more work needed to improve representation at senior levels and highlighted the benefits of diversity at senior levels across the Council will bring in terms of improved decision making.

There is a commitment to create a culture whereby colleagues feel respected, valued and have opportunities to flourish and to be themselves. Examples were given of the range of specific initiatives which are focused on improving training and development opportunities and the recruitment offer.

The Head of Equality Diversity and Inclusion advised the panel that there are 10 equality and diversity action plans which will help drive the vision and commitment as indicated in the strategy. Examples of the specific initiatives to both support employees and to change the culture within the Council were outlined to the panel, such as assessments, wraparound support and support staff forums. The Head of

Equality Diversity and Inclusion agreed to share details of the leadership pledges with the panel at a future meeting.

The Head of Equality Diversity and Inclusion advised the panel of changes to the current recruitment process which is needed if the targets in the vision are to be met by 2030. The change will look offer alternatives to the traditional approaches to advertising vacancies to help the Council reach out a wider pool of potential candidates, for example using non-traditional professional journals and also being more creative in the messaging with a focus on wanting talented, skilled people, irrespective of their protected characteristics.

In addition, further action is proposed to create organisational career development opportunities, better flexible career pathways and the removal of hidden barriers in terms of qualifications length of experience, by challenging their relevance. The Head of Equality Diversity and Inclusion commented on introduction of the 'extended offer' to employees at Grade 7 and 8.

This work will be supported by changes in the Council publicity and branding to make the Council more welcoming to potential candidates. This would include providing a site for Forum Chairs to share and talk about their experiences.

The Head of Equality Diversity and Inclusion briefed the panel on the next steps in taking forward the strategy and invited comments on corporate approach to developing the strategy and highlighted the need to continue working in a collaborative way with different communities.

The Head of Equality Diversity and Inclusion invited the Staff Equality Forum Chairs to share their experiences with the panel.

Jane Ciftci, Chair Rainbow Forum, outlined the progress made during the previous 12 – 18 months. The Chair commented that the impact of the pandemic has led to increased levels of engagement from people who may not have felt comfortable attending a meeting at the Civic Centre but who are happy to take part in meetings remotely in their own home.

The Chair commented on the increased levels of confidence arising from this change among group members, for example writing articles for City People and there are more visible role models from the LGBT community. The Chair commented on the range of activities and events to celebrate and raise awareness of LGBT issues and the higher levels of engagement from members of the LGBT community. A bid is being submitted to Stonewall for funding to further support this work and show a commitment to equalities.

The Chair commented on plans for a conference which will look at the issue of rainbow retirement issues and health and social care matters affecting the LGBT community. The Chair commented on the commitment to ensure that the group is inclusive and not exclusive, and the work done to address some of the inequalities about the issue of digital exclusion. The Chair commented on the confidence of the members to hold forum leaders to account to keep them updated on progress and to challenge where necessary where change is needed. The Chair commented on the feelings of pride in part of an organisation which is supportive of the LGBT community.

The Head of Equality Diversity and Inclusion invited Paulette Chattwood, Co-Chair Race Religion and Belief Forum, to brief the panel. The Chair commented on the progress made and added that members of the group feel part of the organisation, which has changed from the position 12 months earlier. The Chair welcomed the changes that have been introduced in the Council such as safe spaces and mentoring opportunities for people from diverse backgrounds. There is a commitment that the group is inclusive and not exclusive. The Chair commented on the work being done to address inequalities issues within the Council around the issue of digital exclusion. The Chair added that members of the group feel more confident to share their views and to challenge them on progress.

The Head of Equality Diversity and Inclusion invited Glen Watts, Co-Chair of the Disability and Age Forum, to brief the panel on the work of the group.

The Co-Chair advised the panel that he has been chair of the group for about 18 months and commented on the major changes that have taken place in the work of the forum over the last 12 months, particularly in terms of the level of engagement.

The Co-Chair commented that the impact of Covid 19 and the move to remote working has had a positive impact on the level of engagement and the number of people reported that they have felt more comfortable to talk about issues using Teams. The Co-Chair commented on increased levels of confidence among group members, who have felt able to share their personal stories.

The Co-Chair commented on the work done to raise awareness of the issue of people with hidden disabilities and the publicity material which has been produced. The symbol of the sunflower has used to raise awareness about the issue. The group has been supported by Charlotte Johns, Director of Strategy, acting as a sponsor for the group. The Co-Chair commented on the positive contributions made to the progress made by the Director's willingness to take forward and respond to the concerns of the group.

The Head of Equality Diversity and Inclusion invited Solomon Scott, Co-Chair Race Religion and Belief Forum, to brief the panel.

The Co-Chair referred to the comment made by Director of Governance about the biggest achievement of the Council being comfortable with the uncomfortable. The Co-Chair commented on the progress made during the previous 12 months and highlighted the example of the number of people sharing positive experiences of the changes that have been seen. The forum has given members space to be honest and speak openly about issues of race and equality.

The Co-Chair advised the panel that he had recently been appointed as Equality and Diversity Inclusion Adviser, which has given further insight into priority that the Council gives to the issue of equalities. In the role the Co-Chair represents Wolverhampton on West Midlands, Local Authorities Equalities Network and considers that Wolverhampton is performing better than other local authorities in terms of equality, diversity and inclusion.

The panel thanked the presenters for their report to the panel.



The panel queried how the strategy intends to respond to concerns about the educational performance of white working-class children compared to other groups and asked for details of specific actions planned.

The Head of Equality Diversity and Inclusion acknowledged the historical issue of the disadvantages experienced by white working-class population. The panel were advised that this issue is being considered as part of the directorate equality action plan, specifically around the educational attainment for this group. A request has been made to get data on attainment levels.

In addition, data held by the Council is being reviewed to able to measure the impact our services are having on sections of the community and white working-class British families. The Head of Equality Diversity and Inclusion advised the panel that there are plans to engage with a whole range of groups with protected characteristics. This will also include consulting with different groups and the needs of working-class communities in Wolverhampton during the second week of July 2021.

This work will be supported by the launch of City Allies initiative from the 23 July 2021 and the aim will be get representation across all communities to get involved. The Head of Equality Diversity and Inclusion reassured the panel of the awareness of the disparities that exists for young white working-class boys and the plans to respond to the concerns expressed.

The Panel Chair thanked the speakers for their presentations.

The panel invited forum chairs to share their views about what is not working and what can be done better in achieving the aims detailed in the Council's Equality Diversity and Inclusion Strategy.

Paulette Chattwood, Co-Chair Race, Religion and Belief, responded that the forum has achieved a lot during the last 12 months, but accepted that there were still things to do and achieve, for example, improved training opportunities. There are monthly meetings of the forum which provide the opportunity for members to raise issues and to get feedback on progress. The forum is well supported by EDR team and the forum can respond quickly when issues are raised, which shows members are valued and listened to within the organisation.

Jane Ciftci, Chair Rainbow Forum, was not aware of any specific issues that suggest that action was needed to respond to any concerns of the group. The issue of lack of visibility of LGBT people at senior management levels was highlighted but there was acceptance that this is a process that will take time.

The Chair welcomed the work done to widen the pool of potential candidates and to promote the message to underrepresented groups that the Council is an attractive employer. The Chair also welcomed the planned consultation for the Rainbow City and the information that be provided by the community which will be used to take forward issues highlighted.

Glen Watts, Co-Chair Disability Forum, commented on the positive progress made to take forward issues and the pace of change was welcomed. The Chair highlighted the increased workload demands which on average requires an extra 20 hours a month to take forward issues of the group.



The Co-Chair commented on the extra support which is needed when people with a disability start working for the Council as they become used to the new environment. The Director of Governance commented that the work of done by all forum chairs should not be extra to their normal day job and supports them be given time to fulfil their role.

The Director of Governance advised the Chairs to raise any workload concerns with their manager and if where necessary with Directors directly given the importance of equalities issues. The issue of equalities should be seen as a fundamental part of the Council's business.

The panel requested that the findings of the consultation which is due to start of 11 July 2021 be reported to a future meeting for consideration. The Head of Equality Diversity and Inclusion agreed to the request.

The panel discussed the issue of people with hidden disabilities, such bi-polar and queried if such groups were also included in the strategy and the definition of disability upon which it is based.

The Head of Equality Diversity and Inclusion commented the definition of disability used in the strategy is based on the social model, which would include people with a mental health condition. The Head of Equality Diversity reassured the panel about the support offered to employees with mental health conditions and that data is also being collected to help improve the support offered.

The panel queried the policy of offering guaranteed interviews and how such a policy would help to recruit the best talent. The Head of Equality Diversity and Inclusion reassured the panel that focus of the strategy is about recruiting the best person with the right skills, irrespective of protective characteristic in terms of guaranteed interviews. An offer of a guaranteed interviews to candidates offered where a person has disclosed that they have a disability.

The Head of Equality Diversity and Inclusion outlined other measures, such as anonymising personal details and focusing on the skills and behaviours required for the role. The application process has also been simplified and streamlined.

The panel thanked the presenters for the report.

Resolved:

1. The panel comments on the Council's Equality Diversity and Inclusion Strategy to be included in the report to Cabinet.
2. The Head of Equality Diversity and Inclusion to present the findings of the public consultation to a future meeting of the panel for comment and discussion.

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### **Our Council Scrutiny Panel - Draft work programme 2021- 2022**

The Chair invited Earl Piggott-Smith, Scrutiny Officer, to present the report.

The Scrutiny Officer briefed the panel on selection criteria to be used when choosing items for the panel work programme and opportunity to take different approaches to

reviewing topics of interest, such as small group meetings with key employees. The panel were invited to suggest possible topics for the work programme.

The panel suggested a report on restructure of senior management scheduled for Cabinet should ideally have been sent to the panel for pre-decision scrutiny to assess the possible impact on achieving the objectives detailed in the Re-Lighting Our Council plan. The panel suggested that this would ensure that it met its responsibilities and given an opportunity to review how the new strategy was developed and the impact monitored.

The panel suggested the each of the key themes detailed in the strategy be considered in detail by the panel during the year. The reports to be presented to the panel in timely manner so that its contributions can help to inform and shape the strategy. The panel commented on proposed changes the governance arrangements and suggested this should be included in the work programme.

The Director of Governance reassured the panel that the Director of Strategy would be happy to attend a future meeting of the panel to update members about the strategy and respond to questions and comments.

The Director of Governance added that there are no changes planned to the current Leader Cabinet model in the Council.

Resolved:

1. The panel agreed to note the report.
2. The panel to receive an early report from the Director of Strategy on the changes to senior management restructuring and the implications for the delivery of the Re-Lighting Our City strategy.
3. The key themes in the Re-Lighting Our City strategy to be added to the panel work programme for review and discussion.

# Our Assets

Our Council Panel  
29 September 2021

Head of Assets – Julia Nock

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CITY OF  
WOLVERHAMPTON  
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Our mission:  
Working as one to  
serve our city



Agenda Item No. 6

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# Our Assets – Context

- Our Assets is incorporated into the Relighting Our Council programme
- Agile and flexible working is now happening more than ever
- All employees have been classified as either having Field, Fixed or Flexible working patterns
- This fundamentally changes the future demand for built assets
- Will result in changes of use and occupancy of some buildings - and exiting others altogether (potential commercial opportunities)



# Our Assets – Approach

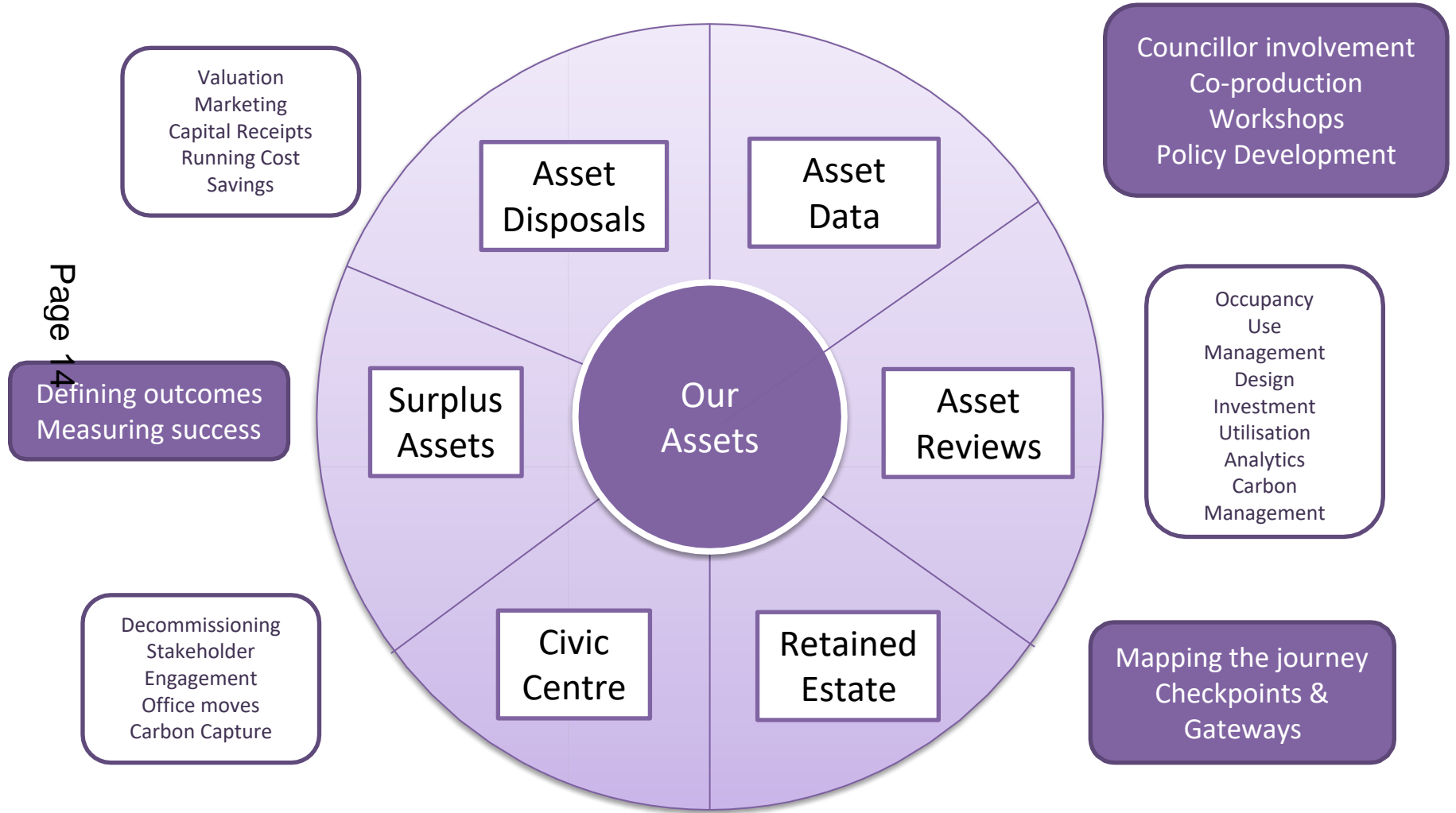
- Our Assets will ensure the Council pro-actively reviews and rationalises our property portfolio - saving money; reducing carbon; and improving the outcomes for our communities

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Assumption that there will be a need for physical/ built assets across the City – though these needs may differ from community to community

- The right solutions will be reached by involving City partners and our communities
- All land and property assets are in scope for review - the future operating model of the Council will rely upon all property asset types for the delivery of services

# Programme Design



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# Our Assets Programme Mandate

- A property estate which delivers better outcomes for Wolverhampton residents, employers, partners & communities
- Ensuring the right Council land and property assets are in the right place, and are being used in the right ways to benefit people in the City
- A property portfolio fully aligned with, and enabling of the future operating models

# Proposed Accommodation Strategy

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1. Civic Centre is our organisational Headquarters and will be the base for City-wide services
2. Locations other than the Civic Centre will be a service base only where there is a community/ place based need
3. Other buildings/ sites across the City will be used for touchdown and collaboration work opportunities
4. These buildings will be multi-service use/ occupancy and managed corporately by City Assets (unless agreed otherwise owing to the function e.g. Libraries; WV Active)
5. Implementation will be through a phased approach across Short/ Medium/ Long term periods
6. Critical to agree clear narrative for the continued use of any retained buildings for short to medium term

# Proposed Review Groupings

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1. Corporate offices
2. Other buildings/ sites in active use for the delivery of services (e.g. Libraries; WV Active sites; Strengthening Family Hubs) and include office space (Place based opportunities)
3. Commercial estate
4. Land; Monuments and other sites

**Target date for completion of the asset reviews:**

**31<sup>st</sup> December 2021**

# Asset Review Criteria (approved by Our Assets Board)

- Community Outcomes/ opportunities and contribution to service delivery as part of Place-Based working
- Location relative to purpose (i.e. distribution across the City)
- Regeneration potential
- CO2 Emissions/ Net Zero status
- Statutory Compliance
- Condition & Suitability (including accessibility)
- Capital Expenditure requirements for 2021-2024 MTFS
- Revenue expenditure (including utilities)

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# Business Case approach

- A robust business case approach will be adopted with evidence informing any investment/divestment in the estate, and/or considering third-party use of our buildings.
- Business cases will consider both financial and non-financial factors (such as benefits to communities; creating space for more housing; employment etc.)
- Benefits will be clearly identified with explicit links back to stated Council priorities, and alignment with Relighting Our City/ Relighting Our Council.

# Defining our timeline

## Short Term

- The period up until the end of October 2021

## Medium Term

- The period up until the end of March 2022

## Long Term

- The period from April 2022 onwards



# Phased Approach – Short Term (to October 2021)

1. Next phase of Civic Centre – From Monday 13 September a set number of desks, meeting rooms and collaboration spaces were made available for all employees to book
2. Review the portfolio and identify assets that will be recommended for re-opening to support the Civic Centre for touchdown and collaborative working across the City
3. All Strengthening Families Hubs to reopen by end of October with touchdown/ collaborative use by Childrens' and Adults' services where possible
4. Collaboration working - Clinical Commissioning Group and MHCLG (temporary) are in occupation of the Civic Centre

## Phased Approach – Medium Term (up until March 2022)

1. Continuing to increase the occupancy of the Civic Centre (within social distancing and other covid measures) aligning with the Relighting Our Council programme and new operating models
2. Following the office portfolio review, progress the repurposing/rationalisation of other offices that are no longer required for operational service delivery (subject to approval)  
Understand potential opportunities and impact at community level  
Work with city partners on joined up City wide estates solutions (including Wolverhampton Homes) identifying and mapping customer contact points alongside transport infrastructure (including Cycle Hire/ EV Charging Points)
5. Establish a network of connected spaces – better meeting employee needs identifying suitable accommodation for field workers
6. Set out the benefits of the proposals; the timescales for delivery, clearly communicating the planned approach to ensure understanding and facilitate co-production across all stakeholders

## Phased Approach – Long Term (from April 2022 onwards)

1. Monitor utilisation and demand of operational buildings to feed into the continued review of assets
2. Continued review of assets to identify investment/divestment options
3. Use of Health and Social Care Facilities and other corporate assets for touchdown/ collaborative use as part of City Wide accommodation strategy

# In summary

- We have an opportunity to re-shape our property estate and to ensure this more directly benefits communities across our City

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There is a will - and mandate - to work across the council and with partners, as part of the Relighting Our City/ Relighting Our Council to get it right

- Successful programme delivery will depend on an inclusive and collaborative approach – facilitating creative thinking and actions

# Our Council Scrutiny Panel

## 29 September 2021

<b>Report title</b>	<b>Housing Strategy – Landlord Services Report</b>	
<b>Cabinet member with lead responsibility</b>	Councillor Bhupinder Gakhal City Assets and Housing	
<b>Wards affected</b>	All	
<b>Accountable director</b>	Ross Cook, Director of City Housing and Environment	
<b>Originating service</b>	Housing	
<b>Accountable employee(s)</b>	Jenny Lewington	Service Manager – Housing Strategy & Policy
	Tel	01902 554845
	Email	Jenny.lewington@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	City Housing & Environment Leadership Team	31 August 2021

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### Recommendation(s) for action or decision:

The Scrutiny Panel is recommended to:

1. Consider the report and provide comment and feedback to the Council's Housing Strategy Landlord Services Team.
2. Receive an annual report to provide continued oversight of the housing management functions carried out by the Housing Managing Agents on behalf of the City of Wolverhampton Council.

## 1.0 Purpose

- 1.1 The report has been produced to provide oversight of the monitoring arrangements of the management of the Council's housing stock carried out by the Housing Managing Agents, Wolverhampton Homes and three Tenant Management Organisations, under the management agreements and to outline the steps being taken to ensure the Council is able to respond to increasing regulation and inspection by the Regulator of Social Housing.
- 1.2 The report outlines the steps being taken by Housing Strategy Landlord Services to ensure the City of Wolverhampton Council has the necessary oversight and monitoring of the housing management functions carried out on their behalf by its Housing Management Agents, Wolverhampton Homes, Bushbury Hill Estate Management Board, Dovecotes Tenant Management Organisation and New Park Village Tenant Management Cooperative in order to respond to the Government's Charter for Social Housing White Paper, including the Consumer Standards and any inspection that the Regulator of Social Housing carries out of the City of Wolverhampton Council as landlord of its housing stock.

## 2.0 Background

- 2.1 The management of the Council's housing stock was transferred to its newly formed Arms Length Management Organisation (ALMO), Wolverhampton Homes in 2005 to help with the delivery of the Decent Homes programme, to improve the condition of council housing in the City. Tenant Management Organisations (TMOs) were also formed; New Park Village in 1993, Bushbury Hill Estate Management Board in 1998 and Dovecotes in 2006. The management functions carried out by the managing agents is governed by the Management Agreements (Modular Management Agreements in the case of the TMOs) that exist between the Council and the managing agents. The next break clause in the management agreement between the Council and Wolverhampton Homes, who manage the majority of the Council's housing stock is in 2023.
- 2.2 The areas of management that are covered by the management agreements include: tenancy management, estate management, repairs, maintenance and concierge services, lettings and voids, collection of rents, leasehold and other charges, housing advice, right to buy, tenant participation and asset management. A number of other services are delivered by Wolverhampton Homes on behalf of the Council, under separate service level agreements rather than under the management agreement. This includes the city-wide anti-social behaviour service, Housing Options (homelessness services), housing assistance including the delivery of disabled facilities grants, telecare and the out of hours service.
- 2.3 In November 2020 the Government published its White Paper, The Charter for Social Housing Residents. This document followed the release of the Social Housing Green Paper in 2018, which was developed in the wake of the Grenfell Tower tragedy, as the



Government sought to set out the issues facing social housing tenants and the actions that could be taken to ensure they are safe, protected, listened to and able to influence how their homes are managed.

- 2.4 One of the most significant commitments within the White Paper is the strengthening of the Regulator of Social Housing, moving from a reactive service to a proactive consumer regulatory regime.

The changes set out to deliver proactive oversight of Consumer standards and will provide the Regulator with greater oversight of the performance of local authorities' landlord function. The Regulator will introduce mandatory periodic inspection of landlords with 4000+ homes, in relation to performance against the Consumer Standards. This will include the City of Wolverhampton Council, which has close to 22,000 units.

- 2.5 Whilst it has always been important for the Council's landlord service to ensure the homes we manage and tenants we serve are safe and receive a good quality service, for the reasons set out in point 2.4, it is timely to review the monitoring arrangements between the Council, Wolverhampton Homes and the TMOs. It is important that there is sufficient assurance on the delivery of core services to tenants, especially where safety is a feature, commensurate with the risk to the local authority if something goes wrong for which it is held accountable.
- 2.6 The responsibility for monitoring and ensuring this compliance needs to be led by the landlord; the Council. It should also be noted that specifically Councillors are responsible for ensuring that the landlords services are managed effectively and comply with the regulatory requirements. Much of what has been outlined in the Bill will be dependent on the passing of primary legislation, which the White Paper commits the Government to do as soon as parliamentary time allows. Nevertheless, the Regulator of Social Housing has been very clear that this increased regulation is coming and that landlords need to act now to ensure they are compliant.

### **3.0 Progress**

#### **3.1 The Consumer Standards**

The Consumer Standards are set out in chapter five of The Regulatory Framework for Social Housing in England from April 2012 and the Housing Strategy team have always monitored performance against these Consumer Standards.

The four consumer standards set by the Regulator of Social Housing (RSH) are the:

- Home Standard
- Tenancy Standard
- Neighbourhood and Community Standard
- Tenant Involvement and Empowerment Standard

Housing Provider Boards, and in the case of a local authority, Councillors are responsible for ensuring that registered housing providers meet the Consumer Standards. This is a fundamental part of a registered provider's commitment to co-regulation. Registered providers should have the systems and processes in place to provide assurance to their Boards and Councillors that the standards are being met, with the responsibility remaining solely with the Council, not the managing agents that are delivering services.

### 3.2 Current scrutiny and monitoring by the Council of its Housing Managing Agents

The Council currently has oversight of the performance of its managing agents through a number of means, which include:

- Wolverhampton Homes Delivery Plan Quarterly Monitoring Group
- Asset Management Group
- Financial Issues Group
- Delivery Plan Technical Officers Group
- Annual Delivery Plan and annual performance and outturn report
- Reporting to Fire Safety Compliance Scrutiny
- Councillors form part of the Wolverhampton Homes and Dovecotes TMO Boards.
- Monthly monitoring meetings on performance between the Council's Client Relationship Manager and Wolverhampton Homes Performance Officers, reporting on agreed key performance indicators (appendix 1).
- Monthly monitoring meetings between the Council's Client Relationship Manager and TMO Chief Officers.
- Quarterly performance meeting between the Council's Client Relationship Manager and TMO Chief Officers.
- Quarterly Managing Agents forum bringing together the Council, Wolverhampton Homes and TMO officers.
- The Council's Client Relationship Manager attendance at WH and TMO board meetings, AGMs and receiving copies of board reports.
- Internal audits from the Council's Audit team and governance audits from the Housing Strategy team.
- Quarterly report of managing agents' performance presented to Cabinet

### 3.3 Each Managing Agent has been required to complete a self-assessment of its complaint's procedures against the Housing Ombudsman's Complaint Handling Code. This has been published on the Council's website and will be reviewed at least annually to ensure that the Managing Agents and the Council as Landlords are equipped to respond to tenant complaints effectively and fairly. The key areas that the Code expects complaints processes to cover are:

- To include a universal definition of a complaint
- Provide easy access to the complaints procedure and ensuring residents are aware of it, including their right to access the Housing Ombudsman Service
- The structure of the complaint's procedure, there are only two stages necessary and clear timeframes set out for responses within that

- Ensuring fairness in complaint handling with a resident-focused process
- Taking action to put things right and appropriate remedies
- Creating a positive complaint handling culture through continuous learning and improvement
- Demonstrating learning in Annual Reports.

To improve and strengthen the Council's understanding of the housing managing agents' compliance with the Consumer Standards, the Housing Strategy Team commissioned Savills to undertake a review. The review began in February 2021 and concluded in May 2021. The review focus mainly on those services delivered by Wolverhampton Homes (WH), being the primary deliverer of housing management services Savills have provided advice and assurance on the Council's performance against the Consumer Standards and any potential breaches of standards which could be deemed as meeting the 'serious detriment' threshold.

The review included:

1. Contextual Analysis and Accountability - an initial summary overview of the standards, previous cases of breaches and serious detriment and underlying causes. The aim is to ensure full understanding of the purpose of the Consumer Standards and how this relates to service delivery and accountability to properly discharge landlord obligations and meet the standards through third parties.
2. Risk Based Assessment and Gap Analysis - a high level assessment of gaps or weaknesses across the four standards which might lead to regulatory breaches and the possibility of serious detriment. The approach will ensure greatest focus and depth on areas of highest risk.
3. Home Standard Compliance Review - including stock investment/Asset Management and compliance.
4. Tenancy Standard / Neighbourhood and Community Standard / Tenant Involvement and Empowerment Standard compliance review

## Findings of the Review

The review broadly aimed to consider this key question, from the perspective of the regulator:

*To what extent can CWC demonstrate that it has assurance that it complies with the RSH Consumer Standards in respect of Council-owned homes which are managed on its behalf by WH?*

Savills concluded that;

*For most areas CWC/WH has an adequate policy framework in place to ensure compliance against the RSH Consumer Standards, however, there are discrete areas that require material improvement primarily Repairs (part of the Home Standard) and Tenant Involvement and Empowerment.*

Notably and arguably the most important, the Home Standard (Landlord Compliance), which covers the health and safety element of the regulations, including the 'big 6 risks' (Gas, Electrical, Fire, Asbestos\*, Water, Lifts) was identified as having some very strong indications of a robust, fit-for-purpose approach to Landlord Compliance and tenants Health and Safety operating at Wolverhampton Homes – with performance in this area the strongest of the 3 'strands' under the Homes Standard.

The review also completed an evidence map against the required outcomes and specific expectations of the four standards.

### **Next Steps**

The findings of the review will be included in an action plan for the Council and Wolverhampton Homes along with the TMOs to work through. Internal Audit will review compliance against the consumer standards and progress against the action plan during 2022-23.

A City of Wolverhampton Council Director will be required to be named as the person responsible for Building Safety.

An annual report will be produced and presented to the Council's Our Council Scrutiny Panel.

## **4.0 Questions for Scrutiny to consider**

4.1 The Panel are asked to consider the measures that have been taken and outlined in this report by the Housing Strategy Landlord Services Team to provide oversight of the housing management functions on its behalf by the Housing Managing Agents to ensure it provides sufficient assurance of compliance with the requirements of the Regulator of Social Housing's Consumer Standards and the Social Housing White Paper.

4.2 The panel are also recommended to note the responsibilities of Councillors with regard to the Consumer Standards, in particular the requirements to:

- Maintain an oversight of the housing stock
- Understand the performance of the managing agents
- Understand the compliance and legislative requirements
- Receive annual reports on performance and compliance
- Quarterly monitoring to Cabinet

And to raise any concerns regarding performance or compliance with Housing Strategy.

## **5.0 Financial implications**

- 5.1 There are no direct financial implications associated with this report. Housing Management services are funded through existing Housing Revenue Account budgets. [JM/02092021/H]

## **6.0 Legal implications**

- 6.1 Failure to comply with the Regulator of Social Housing's Consumer Standards may lead to the Regulator taking intervention and enforcement action including penalties against the Council. [TC/14092021/D]

## **7.0 Equalities implications**

- 7.1 This report has no direct equalities implications.

## **8.1 Climate change and environmental implications**

- 8.1 There are no direct climate change or environmental implications for this report, however, the delivery of estate and property-based programmes by the Housing Managing Agents will contribute to the improvement of living conditions and enhance the visual appearance of neighbourhoods. Improvements to the energy efficiency of Council owned housing stock will contribute to the Council's Climate Change Net Zero Agenda.

## **9.0 Health and Wellbeing Implications**

- 9.1 There are no direct health and wellbeing implications for the report, however the Housing Managing Agents and the Council's Housing Strategy team account for and work to improve the health and wellbeing of the tenants whose homes they manage, as part of their day to day delivery of housing management services and their interactions with the Council services and other statutory organisations with whom they may work in partnership, make referrals to and sign post tenants to.

## **10.0 All other implications**

- 10.1 There are no other implications associated with this report.

## **11.0 Schedule of background papers**

- 11.1 The Charter for Social Housing Residents White Paper (2020)

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Department	PI Code
Contracts & Compliance	COM1
	COM2
	COM3a
	COM3b
	COM4
	COM5
	COM6
Human Resources	BS-HR1
People & Community	BS-PC1
	BS-D3
Customer Experience	BS-CF1
Home Sales & Leases	H-HSL1
Income Management	H-IM1a
	H-IM1b
	H-IM2

	H-IM3
	STATIS TIC
Homes Direct	H-HD1
	H-HD3
	STATIS TIC
ASB	H-ASB1
Housing Solutions	CI-LT1
	CI-LT3
	CI-LT4
	STATIS TIC
	STATIS TIC
	STATIS TIC
	STATIS TIC
Repairs	P-R1
	P-R2
	P-R3
	P-R5
	P-R7
	P-R8
	STATIS TIC
Voids	P-V1
	P-V2

Performance Indicators
% of valid Landlord Gas Safety Records for tenanted properties
% of domestic properties with EICR certificates up to five years old.
% of Passenger lifts serviced within timescale
% of Passenger lifts availability
% of Sites where a risk assessment has been carried out for control of Legionella Bacteria in domestic water systems within a 2 year period
The management of fire risk assessments; the percentage re-inspected within timescale (Regulatory Reform (Fire Safety) Order 2005)
The Duty to Manage Asbestos – the percentage re-inspected within timescales (Regulation 4 - Non Domestic Premises - Control of Asbestos Regulations (CAR) 2012)
Average number of working days lost through sickness
Number of people supported into provision (work exp, voluntary, into work, into training)
% availability of Northgate Systems
% of complaints enquiries responded to within timescales
% of Service Charges inc Ground Rent collected from Leaseholders
% of rent collected (City Wide)
% of rent collected (WH Only)
% rent arrears of current tenants as a proportion of rent roll (GNPI 29) (WH only)

% rent arrears of former tenants as a proportion of rent roll
Tenants Evicted for Rent Arrears
Homes Direct: % of Customers calls answered within 80 seconds
Homes Direct: % of calls abandoned
Number of Calls Answered
% satisfied with the way their ASB complaint was dealt with
Average time taken to relet properties (ready to let to new Tenancy Start)
% rent lost from empty properties
% new tenants satisfied with the allocation & lettings process
Rent and service charges that could not be collected during the period due to empty dwellings (snapshot)
Number of Allocation & Lettings Surveys Sent Out / Returned (Sent By Tenancy Officers)
Number of social housing lettings completed in the month
Number on the Waiting List
% Responsive repairs during period for which an appointment was made/kept
% of Planned repairs completed within timescales
% Total response repairs completed within target
Satisfaction with response repairs - Under Review
Emergency Repairs completed within 24 Hours
Average End to End Non-Urgent Response Repair Time
Outstanding Repairs (exc TMO's) - Total
Average time taken to repair voids: In House - Standard (Minor) voids
Average time taken to repair voids: In House - Major Voids

# Briefing Note

**Title:** Cybersecurity Update **Date:** 20/09/2021  
**Prepared by:** Jai Ghai **Job Title:** Head of Digital and IT

**Intended Audience:** Internal  Partner organisation  Public  Confidential

## 1.0 Purpose

1.1 The purpose of this report is to provide information and assurance regarding how the City of Wolverhampton Council (CWC) manages the strategic risk in relation to cyber security.

## 2.0 Background

2.1 Recently there has been a significant increase in cyber-attacks, including ransomware, targeting public sector organisations. In response, the NCSC (National Cyber Security Centre) have emphasised the urgent need to take steps to mitigate the ransomware threat to the sector and increase cyber security awareness and efforts.

2.2 Several steps have been taken by CWC to increase local security and to put appropriate measure in place for prevention and remediation, if the worst does happen, ensuring our data, workforce and technical architecture is protected.

## 3.0 City of Wolverhampton Council's Approach

3.1 Cyber security is a key priority for the Council and monitored rigorously through the strategic risk register. The City of Wolverhampton Council are one of the few councils in the country that are **Cyber Essential Plus certified**, an accreditation process that involves auditing and testing of digital and IT systems and controls by a 3rd party. Alongside this, the Council maintains its **Public Sector Network (PSN) accreditation** which allows it to transact safely with public sector and health organisations.

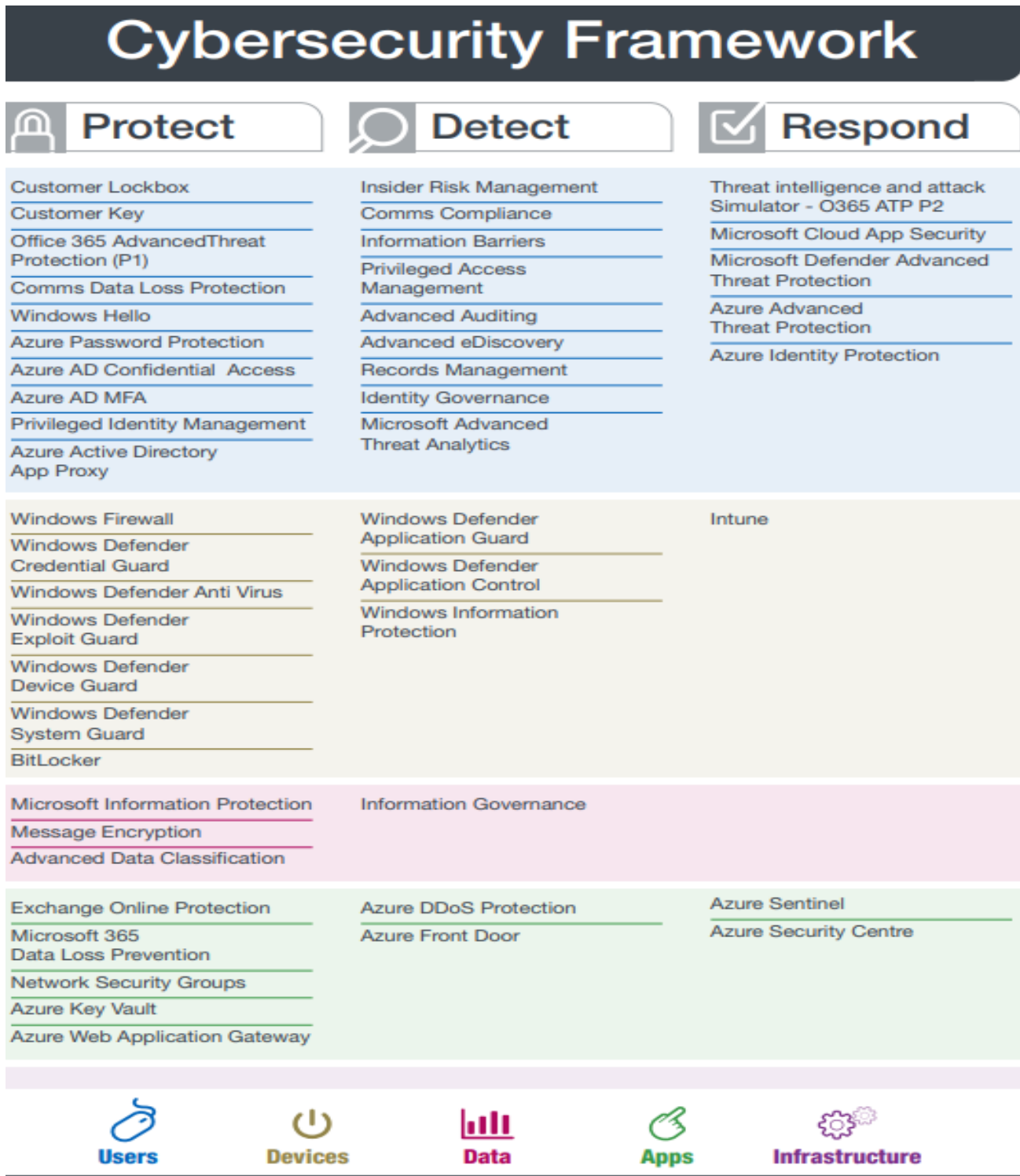
3.2 CWC has a robust Information and Cyber Security Policy, and the key areas of focus in relation to cyber security are:

- Identity and access management
- Information protection
- Threat protection
- Compliance and Governance

- 3.3 Best practice guidance from the NCSC have already been adopted into digital and IT solutions. New procedures implemented include non-functional and functional requirements to ensure 3<sup>rd</sup> parties and solutions meet stringent guidelines to safeguard the Council and its data. All proposed new solutions and the upgrade of existing solutions go through the Digital and IT's internal Technical Design Authority (TDA) ensuring necessary controls and processes are in place, to ensure our network and data are maintained before being procured and post procurement. TDA provides strict governance, guidance and advice.
- 3.4 To reduce the impact of cyber-attacks, in particular ransomware and to maintain our security status, Digital and IT continue to deliver against the following key actions, which are resourced in the MTFS:
- Measures continue to be adopted Council wide to maintain good security controls e.g. multi-factor authentication, locking devices when moving away from screens etc.
  - Issues highlighted by 3<sup>rd</sup> party audits are implemented quickly to reduce exposure to attacks e.g. the requirement for complex passwords and blocking the use of common words.
  - 3<sup>rd</sup> party Office 365 backup solution to reduce the impact of a ransomware attack against data hosted in the Microsoft Cloud.
  - 3<sup>rd</sup> party offsite back solution to reduce the impact of a ransomware attack against on-premise data e.g. Agresso.
  - Data loss prevention measures are implemented which include the tagging of documents and emails such that the use of these can be controlled based on the classification.
  - Increase the Audit log retention for compliance monitoring from 3 to 6 months.
  - Increase capability in the secondary datacentre to active-active.
  - As part of a continued programme of investment in cyber security, the Council will continue to deploy **Protect**, **Detect** and **Respond** solutions across its estate. Further detail on this is provided in appendix 1.

## Appendix 1

In order to maintain a leading edge in cyber security, investment has been made in Microsoft to provide a set of integrated solutions to keep CWC safer from cyber-attacks, as follows:



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## Our Council Scrutiny Panel

29 September 2021

<b>Report title</b>	Treasury Management	
<b>Cabinet member with lead responsibility</b>	Councillor Ian Brookfield Leader of the Council	
<b>Wards affected</b>	All	
<b>Accountable director</b>	Tim Johnson, Chief Executive	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee(s)</b>	Claire Nye	Director of Finance
	Tel	01902 550478
	Email	Claire.Nye@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>		

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### Recommendations for noting:

Members of the Our Council Scrutiny Panel are asked to note the contents of the report.

## **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 either Cabinet (Resources) Panel or Cabinet since the last report to the panel including:

- Treasury Management Activity Monitoring Quarter Three 2020-2021
- Treasury Management – Annual Report 2020-2021 and Activity Monitoring Quarter One 2021-2022

## **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 17 March 2021 Cabinet (Resources) Panel received the report 'Treasury Management Activity Monitoring Quarter Three 2020-2021'. This report can be found in Appendix A.

2.3 On 7 July 2021 Cabinet received the report 'Treasury Management – Annual Report 2020-2021 and Activity Monitoring Quarter One 2021-2022'. This report can be found in Appendix B.

2.4 The Scrutiny Panel are asked to note the activity outlined in the reports.

## **3.0 Financial implications**

3.1 These are detailed within the individual reports to Cabinet (Resources) Panel and Cabinet.  
[SH/14092021/P]

## **4.0 Legal implications**

4.1 These are detailed within the individual reports to Cabinet (Resources) Panel and Cabinet.  
[SZ/15092021/P]

## **5.0 Equalities implications**

5.1 These are detailed within the individual reports to Cabinet (Resources) Panel and Cabinet.

## **6.0 All other implications**

6.1 These are detailed within the individual reports to Cabinet (Resources) Panel and Cabinet.

## **7.0 Schedule of background papers**

7.1 Treasury Management Activity Monitoring Quarter Three 2020-2021, report to Cabinet (Resources) Panel, 17 March 2021

7.2 Treasury Management – Annual Report 2020-2021 and Activity Monitoring Quarter One 2021-2022, report to Cabinet, 7 July 2021

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet (Resources) Panel</b> 17 March 2021
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<b>Report title</b>	Treasury Management Activity Monitoring Quarter Three 2020-2021	
<b>Decision designation</b>	AMBER	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	All Wards	
<b>Accountable Director</b>	Tim Johnson, Chief Executive	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Claire Nye	Director of Finance
	Tel	01902 550478
	Email	Claire.Nye@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board	1 March 2021
	Our Council Scrutiny Panel	TBC

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### Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. That the Council is continuing to operate within the Prudential and Treasury Management Indicators approved by Council, and also within the requirements set out in the Council's approved Treasury Management Strategy for 2020-2021.
2. That revenue underspends of £2.4 million for the General Revenue Account and £800,000 for the Housing Revenue Account (HRA) are forecast from treasury management activities in 2020-2021, arising as a result of re-phasing of the capital programme and lower interest rates forecast on borrowing due to the impact on the economy of Covid-19.
3. That two of the three credit rating agencies have downgraded the UK's credit rating. If the remaining credit rating agency follows suit the Director of Finance will lower the minimum sovereign rating in the Annual Investment Strategy in line with the delegated authority approved by Council on 17 July 2020.

## **1.0 Purpose**

- 1.1 This report provides a monitoring and progress report on treasury management activity for the third quarter of 2020-2021 and highlights the revised Prudential Indicators which were approved by Council on 3 March 2021.

## **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 2020-2021 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 receives quarterly reports throughout the year to monitor performance against the strategy and Prudential Indicators that have previously been approved by Council.
- 2.5 The Council continues to use Link Group as its treasury management advisors throughout 2020-2021. 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.
- 2.6 On 1 February 2021 CIPFA announced two consultations on proposed changes to the Treasury Management Code and the Prudential Code. This is to reflect the changing environment in treasury management and following recommendations from the Public Accounts Committee. Both consultations will close on 12 April 2021 with the results published towards the end of 2021-2022 and full adoption expected from 2022-2023. The Council will review the consultations in detail and consider any potential impact it may have and report back to Councillors as and when required.

## **3.0 2020-2021**

- 3.1 The forecast outturn for treasury management activities in 2020-2021 compared to budget is shown in Table 1.

**Table 1 – Treasury management budget and forecast outturn 2020-2021**

	<b>Approved Budget £000</b>	<b>Forecast Outturn £000</b>	<b>Variance at Quarter three £000</b>
General Revenue Account	36,835	34,463	(2,372)
Housing Revenue Account	10,923	10,123	(800)
<b>Total</b>	<b>47,758</b>	<b>44,586</b>	<b>(3,172)</b>

- 3.2 Overall, underspends of £2.4 million for the General Revenue Account and £800,000 for the HRA are projected for the year 2020-2021.
- 3.3 The main reasons for the underspend for the General Revenue Account are a reduced borrowing need in year arising as a result of re-phasing of the capital programme and lower interest rates forecast on borrowing due to the impact on the economy of Covid-19. This is offset by a reduction in treasury income receivable. Due to the uncertain economic climate caused by Covid-19, it is likely that the outturn forecast will be subject to change during the financial year.
- 3.4 The forecast underspend will be considered more fully and in context of the whole General Fund budget in the 'Revenue Budget Monitoring 2020-2021' report also on the agenda for this meeting.
- 3.5 The Council's strategy is to continue to use cash balances to finance capital expenditure rather than external borrowing. Borrowings are actively managed to achieve savings wherever possible.
- 3.6 Appendix 1 to this report shows the revised Prudential and Treasury Management Indicators over the medium term period. These indicators are the same figures as those seen by Cabinet on 17 February 2021 and approved by Council on 3 March 2021 except for 'PI 6 – Estimates and actual ratio of financing costs to net revenue stream'. This indicator has been updated for revised interest rates received by the Council since the Cabinet report was published.

#### **4.0 Borrowing forecast for 2020-2021**

- 4.1 The main source of borrowing for local authorities is the Public Works Loan Board (PWLB). During 2019-2020, HM Treasury increased the margin that applies to new loans from the PWLB by one percentage point and undertook a consultation on the future lending terms. This was in response to an increase in borrowing by local authorities to buy commercial assets primarily for yield. On 25 November 2020, the Chancellor announced the conclusion of the consultation, resulting in the one percentage point increase being removed. However, the PWLB will no longer lend to local authorities that intend to buy commercial assets primarily for yield. The Council does not believe this restriction will affect its capital investment programme and its ability to access PWLB.

- 4.2 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.
- 4.3 Table 2 shows the average rate of interest payable in 2019-2020 and forecast for 2020-2021.

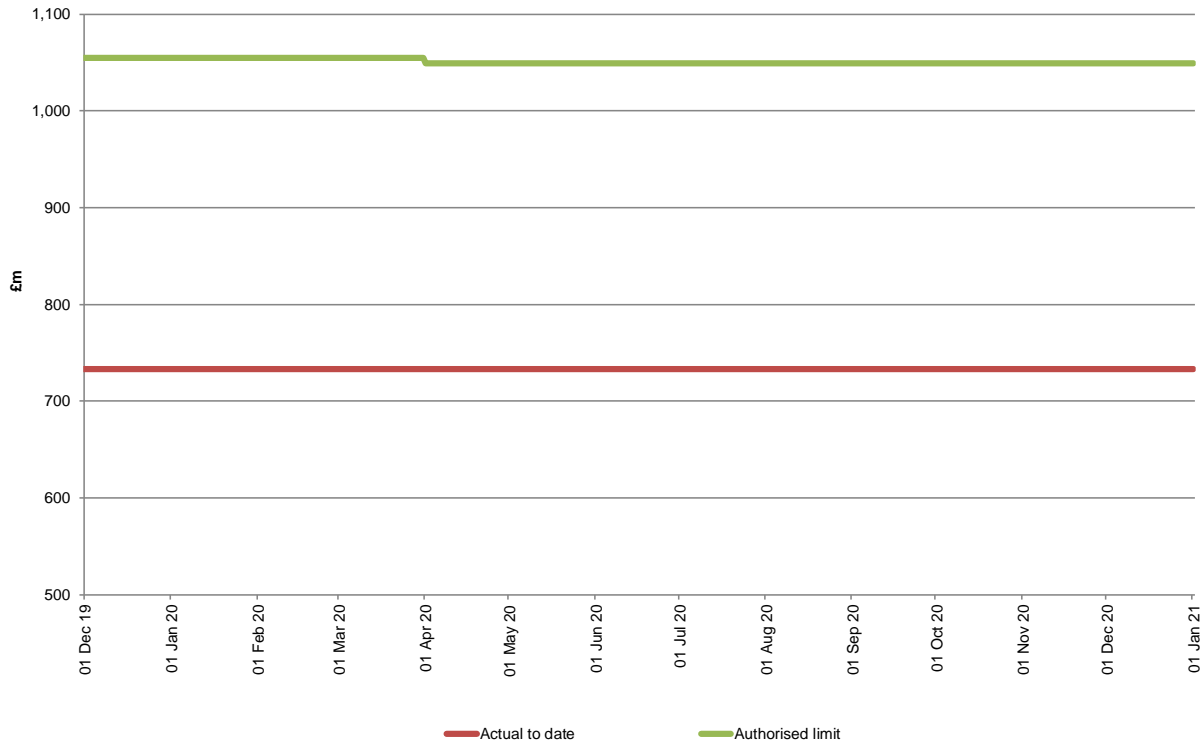
**Table 2 – Average interest rate payable in 2019-2020 and 2020-2021**

	<b>2019-2020 Actual</b>	<b>2020-2021 Forecast</b>
Average Interest Rate Payable	3.74%	3.76%

- 4.4 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.
- 4.5 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 2 to this report shows the maturity profile of external borrowing.
- 4.6 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. Appendix 3 to this report includes the Link Group interest rate forecast for quarter three 2020-2021 which forecasts that interest rates across all periods will slowly increase up to March 2024. The Director of Finance will continue to keep actual and forecast rates under close review.
- 4.7 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**



4.8 The level of borrowing at 31 December 2020 is £732.9 million, appendix 4 to the report shows a summary of this position. During quarter three no new loans or repayments have occurred, £12.5 million of existing borrowing is due to be repaid in quarter four.

4.9 In March 2020, Council approved a net borrowing requirement for 2020-2021 of £154.7 million. The forecast net borrowing requirement for 2020-2021 is £60.9 million, as shown in appendix 5. 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.

## 5.0 Investment forecast for 2020-2021

5.1 The approach during the year is to continue to use cash balances to finance capital expenditure so as to keep cash balances low.

5.2 Table 3 shows the total amount of surplus funds invested as at 30 September 2020 and 31 December 2020.

**Table 3 – Total amounts invested 2020-2021**

	<b>30 September 2020</b>	<b>31 December 2020</b>
	<b>£000</b>	<b>£000</b>
Business Reserve Accounts	293	7,815
Money Market Funds	3,150	13,000
<b>Total invested</b>	<b>3,443</b>	<b>20,815</b>
Average cash balance for the year to date	29,918	28,605

- 5.3 Money Market Funds and Business Reserve Accounts are the main investments used as these have high credit ratings and instant access.
- 5.4 The Council's cash flow balance for the third quarter of the current financial year has moved between a low of £12.9 million and a maximum of £44.0 million. The average cash balance for the quarter being £28.7 million.
- 5.5 Table 4 shows the budgeted average rate of interest receivable in 2020-2021 and the forecast for the year.

**Table 4 – Average interest rate receivable in 2020-2021**

	<b>2020-2021</b>	<b>2020-2021</b>
	<b>Budget</b>	<b>Forecast</b>
Average Interest Rate Receivable	0.70%	0.15%

- 5.6 At the time the budget was set a prudent percentage was used for budgeting purposes, however, since the Covid-19 pandemic the interest rates available for investments has decreased significantly. With the current uncertainties it is increasingly difficult to forecast future investment rates that could be achieved, in order to be prudent, a lower rate is forecast based on the decreasing rates achieved up to 31 December 2020. The impact of this reduction will be monitored throughout the year; however, this loss of income will be offset against the savings generated by avoiding the cost of borrowing, due to re-phasing in the capital programme and lower borrowing interest rates.
- 5.7 In recent months there has been some discussion in the financial market regarding negative interest rates, which encourages lending and discourages investments. This has not impacted on our investments.
- 5.8 The last monitoring report highlighted that Fitch and Moody's (two of the three credit rating agencies) had downgraded the UK's sovereign rating from AA to AA-, or equivalent, due to the unprecedented impact of the Covid-19 pandemic on the economy. The Council's Annual Investment Strategy sets the minimum sovereign rating of AA with regard to the Council's investment lending list. As the other credit rating agency

(Standard & Poors) had kept their UK sovereign rating equivalent to AA the Annual Investment Strategy did not require amendment. If they did also downgrade the UK's sovereign rating, the Council's bank account provider, National Westminster Bank plc, would no longer have met the current approved minimum sovereign rating. Therefore, to ensure that National Westminster Bank plc remained on the lending list, in the event that the UK sovereign rating was downgraded by Moody's and Standard & Poors, delegation was sought to enable the minimum sovereign rating to be lowered by the Director of Finance in a timely manner. This delegation hasn't been utilised in quarter three, however, if Standard & Poors do also downgrade the rating, the Director of Finance will be required to use the delegated authority to lower the minimum sovereign rating in the Annual Investment Strategy.

- 5.9 While investment rates continue to be below long term borrowing rates, the Council can minimise its overall net treasury costs in the short term by continuing to avoid new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external borrowing (this is referred to as internal borrowing).
- 5.10 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, investments have been placed for shorter durations.
- 5.11 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 6 to this report shows the Council's current specified investments lending list.
- 5.12 In quarter three 2020-2021 the Director of Finance has not been required to use her discretion to temporarily exceed any upper limits with approved counter-parties.

## **6.0 Evaluation of alternative options**

- 6.1 As this is a monitoring report of treasury management activities undertaken in line with the approved Treasury Management Strategy for 2020-2021, there are no alternative options available.

## **7.0 Reasons for decisions**

- 7.1 This report provides an update on treasury management activities undertaken in line with the approved Treasury Management Strategy for 2020-2021.

## **8.0 Financial implications**

- 8.1 The financial implications are discussed in the body of this report.  
[SH/26022021/L]

## **9.0 Legal implications**

- 9.1 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.
- 9.2 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.
- 9.3 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/19022021/F]

## **10.0 Equalities implications**

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

## **11.0 All other Implications**

- 11.1 During the year, due to Covid-19, there has been re-phasing of the capital programme which reduces the borrowing need in year. This is to reflect new timescales for completing projects to take into account work starting again on sites and any social distancing measures which may be required. In addition, the Council is monitoring its cash balances to see how the economic impact of Covid-19 is affecting the cash that it receives from local taxpayers. Any pressure in this area may have a negative impact on the Council's cash flow balances which may require borrowing to be undertaken sooner than planned to temporarily fund revenue costs.
- 11.2 As highlighted in the last monitoring report, Covid-19 has impacted on the economy resulting in lower interest rates being available for investments and may affect the UK's sovereign rating. So far two of the three rating agencies have reduced the UK's rating, if the remaining third agency follows suit the Council's minimum sovereign rating will need to be lowered to allow the Council's bank to remain on the lending list. The impact on the

treasury management budget of the reduced interest rates available for the Council's investments will be closely monitored.

- 11.3 The Council has agreed variations to loans provided to the Council's wholly owned housing company, WV Living. There is no detrimental impact on the Council's budget over the medium term, however it will impact on short term cash balances.

## **12.0 Schedule of background papers**

- 12.1 Cabinet, 19 February 2020 – [Treasury Management Strategy 2020-2021](#)
- 12.2 Cabinet, 8 July 2020 – [Treasury Management – Annual Report 2019-2020 and Activity Monitoring Quarter One 2020-2021](#)
- 12.3 Individual Executive Decision Notice, 29 October 2020 – Amendment to Loan to WV Living
- 12.4 Cabinet, 11 November 2020 – [Treasury Management Activity Monitoring – Mid Year Review 2020-2021](#)
- 12.5 Cabinet, 17 February 2021 – [Treasury Management Strategy 2021-2022](#)

## **13.0 Appendices**

- 13.1 Appendix 1 – Prudential and Treasury Management Indicators
- 13.2 Appendix 2 – Borrowing maturity profile
- 13.3 Appendix 3 – Link interest rate forecasts
- 13.4 Appendix 4 – Borrowing type, borrowing and repayments
- 13.5 Appendix 5 – Disclosure for certainty rate
- 13.6 Appendix 6 – Lending list

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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 quarter three capital budget monitoring 2020-2021 report.

	Approved by Council 4 March 2020			Approved by Council 3 March 2021		
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000
General *	168,620	56,009	15,474	96,395	173,116	32,264
HRA	79,708	82,828	83,790	49,386	95,287	86,260
	248,328	138,837	99,264	145,781	268,403	118,524
* 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.	27,257	10,000	10,000	17,710	23,057	10,000

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

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

	Approved by Council 4 March 2020			Approved by Council 3 March 2021		
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000
General *	740,334	730,838	710,618	692,048	754,006	728,584
HRA	297,250	335,264	376,117	267,213	316,385	357,387
	1,037,584	1,066,102	1,086,735	959,261	1,070,391	1,085,971
* 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.	26,399	15,078	14,670	20,138	23,789	15,744
<b>Movement in capital financing requirement represented by:</b>						
New borrowing for capital expenditure	127,037	65,759	63,075	65,412	145,604	60,572
Less minimum revenue provision/voluntary minimum revenue provision	(33,118)	(37,241)	(42,442)	(32,323)	(34,474)	(44,992)
Movement in capital financing requirement	93,919	28,518	20,633	33,089	111,130	15,580

**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). This is a self determined level reviewed and set each budget setting cycle.

	Approved by Council 3 March 2021		
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000
Borrowing	1,049,311	1,086,578	1,121,741
Other Long Term Liabilities	87,249	79,626	81,928
Total Authorised Limit	1,136,560	1,166,204	1,203,669
Forecast External Debt as at 31 December 2020	863,551	1,004,740	1,044,320
Variance (Under) / Over Authorised limit	(273,009)	(161,464)	(159,349)
<b>Authorised limit for commercial activities / non-financial investments included in the above figures</b>			
Authorised Limit	45,893	47,014	45,874
Forecast External Debt as at 31 December 2020	41,317	45,874	45,874
Variance (Under) / Over Authorised limit	(4,576)	(1,140)	0

Prudential Indicators (PI) required by The Prudential Code

**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. This is a self determined level reviewed and set each budget setting cycle.

	Approved by Council 3 March 2021		
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000
Borrowing	1,018,328	1,050,255	1,107,444
Other Long Term Liabilities	85,247	79,626	79,928
<b>Total Operational Boundary Limit</b>	<b>1,103,575</b>	<b>1,129,881</b>	<b>1,187,372</b>
Forecast External Debt as at 31 December 2020	863,551	1,004,740	1,044,320
Variance (Under) / Over Operational Boundary Limit	(240,024)	(125,141)	(143,052)
<b>Operational boundary for commercial activities / non-financial investments included in the above figures</b>			
Total Operational Boundary Limit	43,867	45,874	45,874
Forecast External Debt as at 31 December 2020	41,317	45,874	45,874
Variance (Under) / Over Operational Boundary Limit	(2,550)	0	0

**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 4 March 2020			Approved by Council 3 March 2021		
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,086,737	1,102,383	1,102,383	1,085,972	1,102,955	1,102,955
Gross Debt	1,032,794	1,063,389	1,084,023	863,551	1,004,740	1,044,320
Capital Financing Requirement Greater than Gross Debt	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 General and HRA.

	Approved by Council 4 March 2020			Updated quarter three		
	2020-2021 Forecast	2021-2022 Forecast	2022-2023 Forecast	2020-2021 Forecast	2021-2022 Forecast	2022-2023 Forecast
General *	14.9%	18.1%	17.9%	13.9%	14.6%	18.8%
HRA	30.3%	30.9%	31.8%	29.4%	29.5%	29.7%
* 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.	0.9%	0.9%	0.8%	1.0%	1.0%	1.0%



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 3 March 2021		
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000
Upper limit for more than 365 days	35,000	35,000	35,000
Actual and Forecast Invested at 31 December 2020	-	-	-
Variance (Under) / Over Limit	(35,000)	(35,000)	(35,000)

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

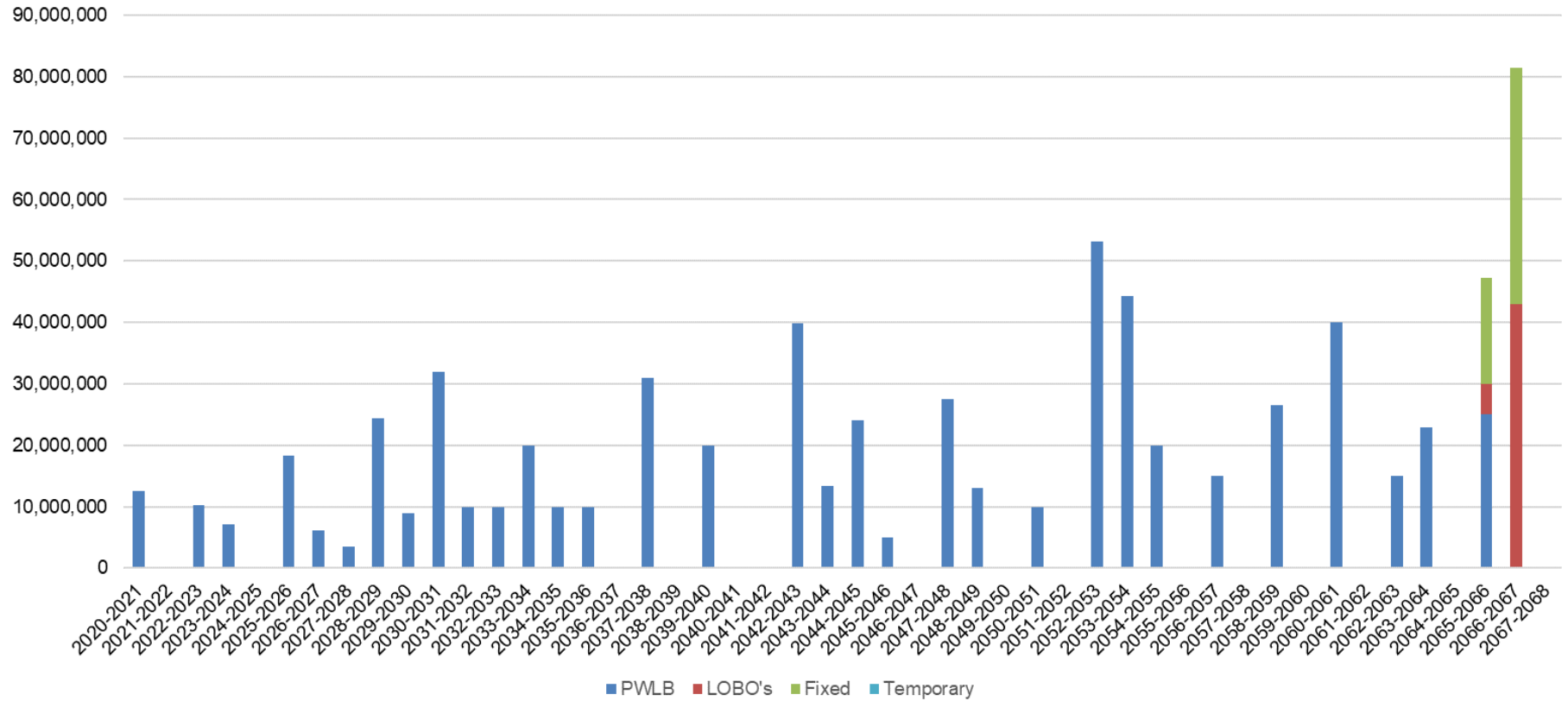
These limits relate to the % of fixed and variable rate debt maturing.

	Approved by Council 3 March 2021		Approved by Council 3 March 2021
	Upper Limit	Lower Limit	2020-2021 Forecast Borrowing
Under 12 months	25%	0%	-
12 months and within 24 months	25%	0%	1.31%
24 months and within 5 years	40%	0%	3.25%
5 years and within 10 years	50%	0%	9.61%
10 years and within 20 years	50%	0%	14.21%
20 years and within 30 years	50%	0%	24.79%
30 years and within 40 years	50%	0%	25.49%
40 years and within 50 years	50%	0%	21.34%
50 years and within 60 years	50%	0%	-

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### Borrowing Maturity Profile at 31 December 2020

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**Link interest rate forecasts**

The Council's treasury advisor, Link Group, provided the following forecasts on 8 February 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

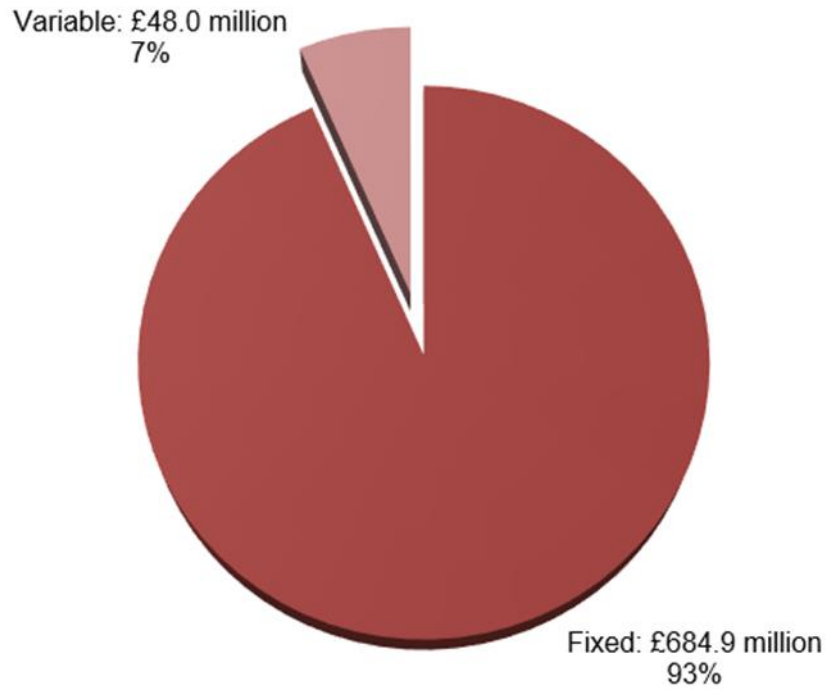
Link Group Interest Rate View		8.2.21											
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.90	0.90	0.90	0.90	1.00	1.00	1.10	1.10	1.10	1.20	1.20	1.20	1.20
10 yr PWLB	1.30	1.30	1.30	1.30	1.40	1.40	1.50	1.50	1.50	1.60	1.60	1.60	1.60
25 yr PWLB	1.90	1.90	1.90	1.90	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20	2.20
50 yr PWLB	1.70	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00

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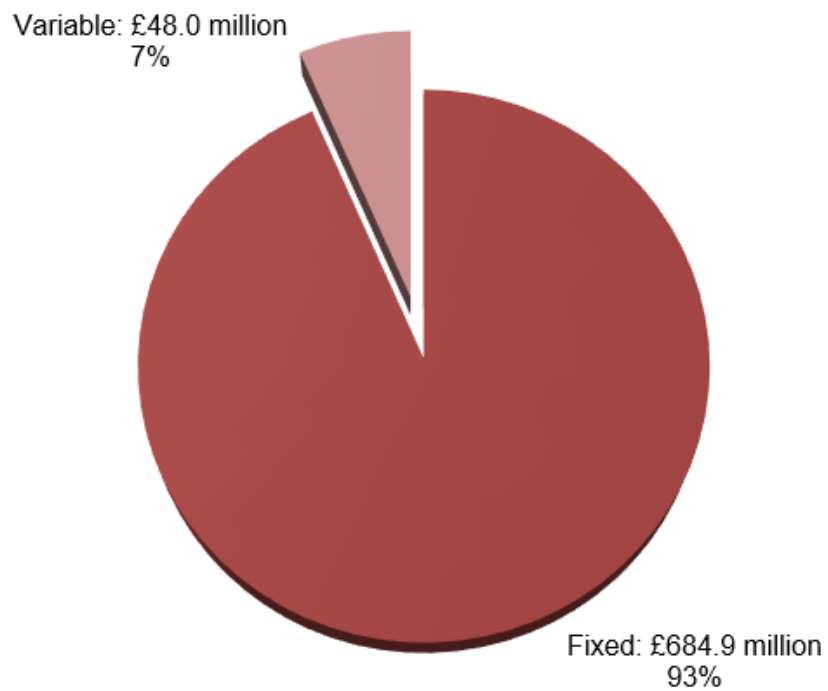
**Borrowing: Graphical Summary**

**Borrowing by Type**

**As at 30 September 2020**



**As at 31 December 2020**



**Borrowing and Repayments in 2020-2021**

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
<b>2020-2021 Borrowing</b>						
<b>PWLB Fixed Maturity:</b>						
No activity in quarter 3						
<b>Sub total for PWLB</b>			-			-
<b>Temporary Loans:</b>						
No activity in quarter 3						
<b>Sub total for Temporary Loans</b>			-			-
<b>Grand total borrowing</b>						
			-			-

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
<b>2020-2021 Repayments</b>						
<b>PWLB Fixed Maturity:</b>						
No activity in quarter 3						
<b>Sub total for PWLB</b>			-			-
<b>Temporary Loans:</b>						
No activity in quarter 3						
<b>Sub total for Temporary Loans</b>			-			-
<b>Grand total repayments</b>						
			-			-
<b>Net movement</b>						
			-			-



Disclosure for Certainty Rate

<b>Certainty Rate</b>						
This table details the information that is required to enable the Council to submit a return for 2020-2021						
	Approved by Council 4 March 2020			As at 31 December 2020		
	2020-2021	2021-2022	2022-2023	2020-2021	2021-2022	2022-2023
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
<b>Net Borrowing Requirement:</b>						
Borrowing to finance planned capital expenditure	123,931	65,447	62,692	65,306	145,292	57,189
Existing maturity loans to be replaced during the year	59,500	34,077	33,199	23,500	30,059	88,199
Less:						
Minimum Revenue Provision for debt repayment	(17,896)	(20,920)	(22,996)	(17,101)	(18,153)	(25,546)
Voluntary debt repayment	(10,839)	(13,397)	(16,365)	(10,839)	(13,397)	(16,365)
	(28,735)	(34,317)	(39,361)	(27,940)	(31,550)	(41,911)
Loans replaced less debt repayment	30,765	(240)	(6,162)	(4,440)	(1,491)	46,288
<b>Net Advance Requirement</b>	<b>154,696</b>	<b>65,207</b>	<b>56,530</b>	<b>60,866</b>	<b>143,801</b>	<b>103,477</b>

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## Lending List

### 2020-2021 Specified Investments as at 31 December 2020

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Bank Netherlandse Gemeenten	Netherlands (AAA)	20,000	12 mths
DBS Bank Ltd	Singapore (AAA)	10,000	6 mths
HSBC Bank plc	UK (AA-)	5,000	3 mths
Landwirtschaftliche Rentenbank	Germany (AAA)	20,000	12 mths
National Bank of Abu Dhabi	Abu Dhabi (U.A.E) (AA)	5,000	3 mths
NRW.BANK	Germany (AAA)	20,000	12 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
<b>Nationalised Banks</b>			
<b>Royal Bank of Scotland Group plc</b>			
National Westminster Bank plc	UK (AA-)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AA-)	10,000	3 mths
<b>AAA Rated and Government Backed Securities</b>			
Debt Management Office	UK (AA-)	20,000	30 mths
<b>Money Market Funds</b>			
	<b>Fund Rating</b>		
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.

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<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet</b> <b>7 July 2021</b>
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<b>Report title</b>	Treasury Management – Annual Report 2020-2021 and Activity Monitoring Quarter One 2021-2022	
<b>Decision designation</b>	RED	
<b>Cabinet member with lead responsibility</b>	Councillor Ian Brookfield Leader of the Council	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	All Wards	
<b>Accountable Director</b>	Tim Johnson, Chief Executive	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Claire Nye Tel Email	Director of Finance 01902 550478 Claire.Nye@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board Council Our Council Scrutiny Panel	23 June 2021 21 July 2021 29 September 2021

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**Recommendations for decision:**

That Cabinet recommend that Council is asked to note:

1. The Council operated within the overall approved Prudential and Treasury Management Indicators, and also within the requirements set out in the Council's approved Treasury Management Policy Statement during 2020-2021, however due to the reprofiling of some capital programmes the operational boundary for commercial activities was slightly in excess of the best estimate included in the Treasury Management Strategy presented to Council on 3 March 2021.
2. That revenue underspends of £2.3 million for the General Revenue Account and £805,000 for the Housing Revenue Account (HRA) were generated from treasury management activities in 2020-2021.
3. That revenue underspends of £1.4 million for the General Revenue Account and £11,000 for the HRA are forecast from treasury management activities in 2021-2022.

**Recommendations for noting:**

The Cabinet is asked to note:

1. That two of the three credit rating agencies have downgraded the UK's credit rating. If the remaining credit rating agency follows suit the Director of Finance will lower the minimum sovereign rating in the Annual Investment Strategy in line with the delegated authority approved by Council on 17 July 2020.
2. The financial information included in this report is based on the 'Capital Budget Outturn 2020-2021 including Quarter One Capital Monitoring 2021-2022' report also on the agenda for this meeting. The capital report is subject to a report being separately approved by Cabinet also at this meeting. Therefore, if this approval is not obtained, a revised version of this report will be presented to Council on 21 July 2021.
3. The Council's external borrowing decreased during 2020-2021 due to repayment of a loan and no new loans were taken out during the financial year.

## **1.0 Purpose**

- 1.1 This report sets out the results of treasury management activities carried out in 2020-2021, 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 2021-2022, in line with the Prudential Indicators approved by Council in March 2021.

## **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 2021-2022 report which can be accessed online on the Council's website by following the link:

<https://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=130&MId=14445&Ver=4>

- 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 2020-2021 to monitor performance against the strategy and Prudential Indicators previously approved by Council.
- 2.5 The Council continued to use Link Group as treasury management advisors throughout 2020-2021 and 2021-2022 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.
- 2.6 On 1 February 2021 CIPFA announced two consultations on proposed changes to the Treasury Management Code and the Prudential Code. This is to reflect the changing environment in treasury management and following recommendations from the Public Accounts Committee. Both consultations closed on 12 April 2021 and the results are expected to be published towards the end of 2021-2022 and full adoption expected from 2022-2023.

- 2.7 The Treasury Management Code consultation proposes changes relating to Training and Qualifications, Corporate Governance and a new area covering Environmental, Social and Governance Management.
- 2.8 For the Prudential Code, the focus is on addressing the risks associated with commercial property acquisitions called debt for yield. The key areas are; consultation issues and questions, objectives of the Code, scope and status of the Prudential Code, capital strategy and Prudential Indicators.
- 2.9 An update on the outcome of the consultations will be reported to Councillors in future Treasury Management reports.

### 3.0 The strategy and outturn for 2020-2021

- 3.1 The strategy for 2020-2021 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 2020-2021, the Council followed the recommendations as set out in the Treasury Management Strategy 2020-2021.
- 3.3 The Treasury Management outturn for 2020-2021 compared to budget is shown in Table 1.

**Table 1 – Treasury management budget and outturn 2020-2021**

	Approved Budget £000	Outturn £000	Variance £000
General Revenue Account	36,835	34,499	(2,336)
Housing Revenue Account	10,923	10,118	(805)
<b>Total</b>	<b>47,758</b>	<b>44,617</b>	<b>(3,141)</b>

- 3.4 Overall, there were revenue underspends of £2.3 million for the General Revenue Account and £805,000 for the HRA for 2020-2021. For the General Revenue Account, the main reasons are as previously reported; a reduced borrowing need in year arising as a result of re-phasing of the capital programme and lower interest rates forecast on borrowing due to the impact on the economy of Covid-19. This is offset by a reduction in treasury income receivable. These underspends were included in the report 'Budget Outturn 2020-2021' approved by Cabinet on 16 June 2021 and in part enabled the Council to mitigate the need to use capital receipt flexibility for revenue transformational activity in 2020-2021 by £5.0 million.
- 3.5 In order to ensure that the revenue implications of the capital programme do not impact adversely on the revenue budget, the Council holds 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 accordance with the 2020-2021 budget strategy, there was a contribution of £500,000 from the TMER to the revenue account during 2020-2021. This was included in the 'Reserves, Provisions and Balances' report to Cabinet on 16 June 2021. The current balance remaining on the TMER after this approval is £1.7 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 2020-2021.
- 3.7 Table 2 shows the average rate of interest payable and receivable in 2019-2020 and 2020-2021.

**Table 2 – Average interest rate payable and receivable in 2019-2020 and 2020-2021**

	2019-2020 Actual	2020-2021 Actual
Average Interest Rate Payable	3.74%	3.76%
Average Interest Rate Receivable	0.70%	0.14%

**Borrowing outturn for 2020-2021**

- 3.8 The average debt interest rate increased marginally from 3.74% in 2019-2020 to 3.76% in 2020-2021. 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	-	-	-	-	-
Repayment of Loans	(12,500)	1.65%	-	-	(12,500)
<b>Net movement</b>	<b>(12,500)</b>		<b>-</b>		<b>(12,500)</b>

- 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 £926.2 million to £942.1 million throughout 2020-2021. 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 72% and 28% respectively (2019-2020: 72.0% and 28.0%). It is important to note that, whilst the CFR has increased during the financial year, the increase is substantially lower than previously forecast and approved by Council on 4 March 2020 at £1,037.6 million and 3 March 2021 £959.3 million. As previously reported, during 2020-2021, due to the Covid-19 pandemic there has been re-phasing of the capital programme which has reduced the borrowing need in year. This reflects new timescales for completing projects to take into account work starting again on sites and any social distancing measures which may be required.
- 3.11 Table 4 shows how the decrease in actual external borrowing arose during the year.

**Table 4 – Decrease in actual external borrowing 2020-2021**

	<b>£000</b>
<b>Opening balance at 1 April 2020</b>	<b>732,947</b>
Less: Repayments	
- Maturity loans from PWLB	(12,500)
<b>Closing balance at 31 March 2021</b>	<b>720,447</b>

- 3.12 Appendix 1 shows a summary of this position along with a detailed breakdown of repayments made throughout the year. It is important to note that, no new loans were taken out during 2020-2021. As stated in paragraph 3.10, due to the Covid-19 pandemic there has been re-phasing of the capital programme which has reduced the borrowing need in year. In addition, the receipt of Covid-19 one-off grants during 2020-2021 has had a positive impact on the Council's cash flow position over the short term. The Covid-19 pandemic has significantly distorted the Council's financial position, however despite all of this uncertainty and distortion the Council has managed its money well and continues to use cash balances to finance capital expenditure to keep cash balances low.

**Investment outturn for 2020-2021**

- 3.13 The actual interest rate earned from investments decreased from 0.70% in 2019-2020 to 0.14% in 2020-2021. This is due to the economic impact of the Covid-19 pandemic resulting in significantly decreased rates being available. This loss of income has however been offset against the savings generated by avoiding the cost of borrowing, due to re-phasing in the capital programme and lower borrowing interest rates.
- 3.14 The approach during the year was to continue to use cash balances to finance capital expenditure to keep cash balances low. This minimised counterparty risk on investments and also mitigated treasury management costs as investments 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 interest rates on offer. However, in order to maintain sufficient liquidity whilst total investments levels are relatively low, most investments have been placed for shorter durations.

#### 4.0 2021-2022 forecast

4.1 It should be noted that in order to provide a timely report, only investment activities up to and including 28 May 2021 have been included. Borrowing activities include the month of June. The forecast outturn for treasury management activities in 2021-2022 compared to budget is shown in Table 5.

**Table 5 – Treasury management budget and forecast outturn 2021-2022**

	Approved Budget £000	Forecast Outturn £000	Variance at Quarter one £000
General Revenue Account	37,555	36,191	(1,364)
Housing Revenue Account	10,823	10,812	(11)
<b>Total</b>	<b>48,378</b>	<b>47,003</b>	<b>(1,375)</b>

- 4.2 Overall, underspends of £1.4 million for the General Revenue Account and £11,000 for the HRA are projected for the year 2021-2022.
- 4.3 In the main, the General Revenue Account underspend is due to a reduced borrowing need in year arising as a result of re-phasing of the capital programme and due to no borrowing being undertaken in 2020-2021.
- 4.4 Due to the uncertain economic climate caused by Covid-19, it is likely that the outturn forecast will be subject to change during the financial year.
- 4.5 The forecast underspend will be considered more fully and in context of the whole General Revenue Account budget in the Performance, Revenue Budget Monitoring and Budget Update Report to Cabinet on 28 July 2021.
- 4.6 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 2021. It can be seen that with regards 'PI 4 – Operational boundary for external debt' that although the overall level for the indicator was under the approved limit, the actual for the year was slightly in excess of the best estimate for 2020-2021 for commercial activities as presented to Council in the Treasury Management Strategy on 3 March 2021. The operational limit is self determined and set each budget setting cycle. This has occurred mainly due to approved rephasing of commercial activity between financial years within the overall approved capital programme. The rephasing of this activity has a positive impact on the revenue budget and this approach is considered to be prudent in the opinion of the Director of Finance.

### **Borrowing forecast for 2021-2022**

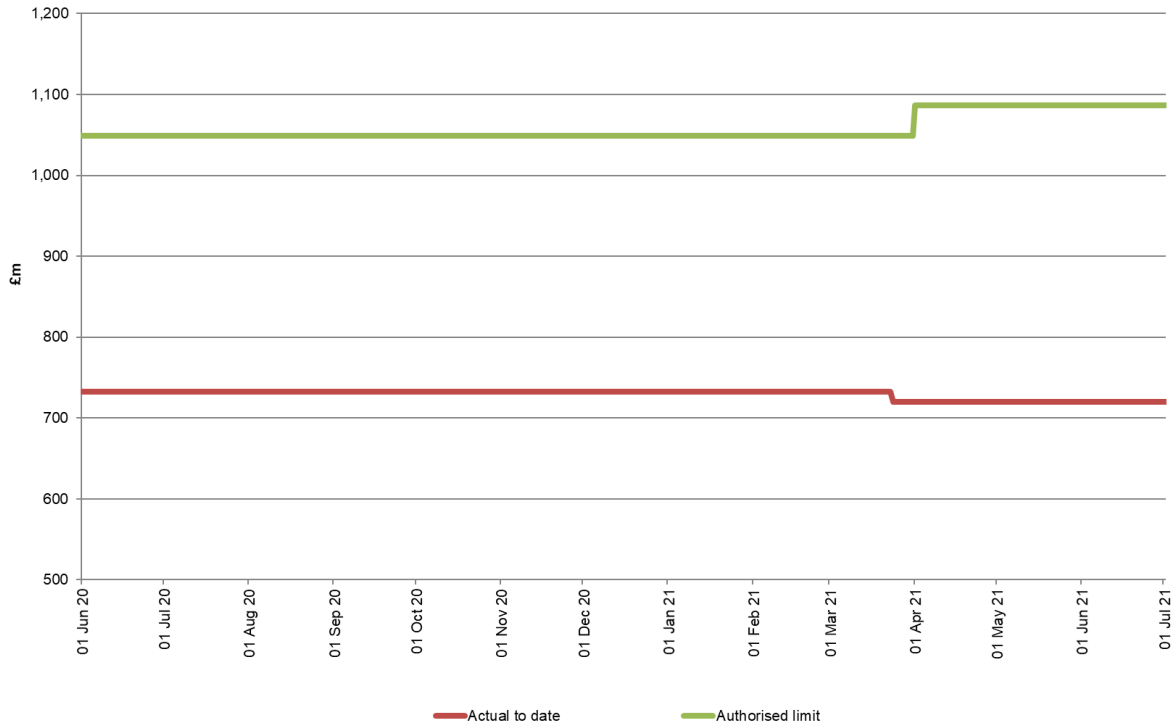
- 4.7 Table 6 shows the average rate of interest payable in 2020-2021 and forecast for 2021-2022.

**Table 6 – Average interest rate payable in 2020-2021 and 2021-2022**

	<b>2020-2021 Actual</b>	<b>2021-2022 Forecast</b>
Average Interest Rate Payable	3.76%	3.76%

- 4.8 Each year it is usually 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.
- 4.9 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.
- 4.10 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**



- 4.11 The level of borrowing at 30 June 2021 is £720.4 million, appendix 1 shows a summary of this position. During quarter one no new loans or repayments have occurred and no existing borrowing is due to be repaid between quarters two to four.
- 4.12 In March 2021, Council approved a net borrowing requirement for 2021-2022 of £143.8 million. The forecast net borrowing requirement for 2021-2022 is £122.5 million, as shown in appendix 4, due to rephasing in the capital programme. 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 2021-2022**

- 4.13 The approach during the year is to continue to use cash balances to finance capital expenditure so as to keep cash balances low.
- 4.14 Table 7 shows the total amount of surplus funds invested as at 31 March 2021 and in order to provide a timely report, 28 May 2021.

**Table 7 – Total amounts invested 2021-2022**

	<b>31 March 2021</b> £000	<b>28 May 2021</b> £000
Business Reserve Accounts	683	267
Money Markets Funds	7,910	20,900
	<b>8,593</b>	<b>21,167</b>
Average cash balance for the year to date	31,394	20,933

- 4.15 Money Market Funds and Business Reserve Accounts are the main investments used as these have high credit ratings and instant access.
- 4.16 The Council's cash flow balance for the first quarter of the current financial year has moved between a low of £5.3 million and a maximum of £42.4 million. The average cash balance for the quarter being £20.9 million.
- 4.17 Table 8 shows the budgeted average rate of interest receivable in 2021-2022 and the forecast for the year.

**Table 8 – Average interest rate receivable in 2021-2022**

	<b>2021-2022</b> <b>Budget</b>	<b>2021-2022</b> <b>Forecast</b>
Average Interest Rate Receivable	0.05%	0.01%

- 4.18 At the time the budget was set a prudent percentage was used for budgeting purposes, the Covid-19 pandemic has seen interest rates available for investments decrease significantly. With the current uncertainties it is increasingly difficult to forecast future investment rates that could be achieved, in order to be prudent, a lower rate is forecast based on the decreasing rates achieved to the 28 May 2021. The impact of this reduction will be monitored throughout the year, however, this loss of income will be offset against the savings generated by avoiding the cost of borrowing, due to re-phasing in the capital programme.
- 4.19 As reported in previous monitoring reports during 2020-2021, Fitch and Moody's (two of the three credit rating agencies) had downgraded the UK's sovereign rating from AA to AA-, or equivalent, due to the unprecedented impact of the Covid-19 pandemic on the economy. The Council's Annual Investment Strategy sets the minimum sovereign rating of AA with regard to the Council's investment lending list. As the other credit rating agency (Standard & Poors) had kept their UK sovereign rating equivalent to AA the Annual Investment Strategy did not require amendment. If they did also downgrade the UK's sovereign rating, the Council's bank account provider, National Westminster Bank

plc, would no longer have met the current approved minimum sovereign rating. Therefore, to ensure that National Westminster Bank plc remained on the lending list, in the event that the UK sovereign rating was downgraded by Moody's and Standard & Poors, delegation was sought to enable the minimum sovereign rating to be lowered by the Director of Finance in a timely manner. This delegation hasn't been utilised to the date of this report, however, if Standard & Poors do also downgrade the rating, the Director of Finance will be required to use the delegated authority to lower the minimum sovereign rating in the Annual Investment Strategy.

4.20 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.

## **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 2020-2021 and 2021-2022, there are no alternative options available.

## **6.0 Reasons for decision(s)**

6.1 This report provides an update on treasury management activities undertaken in line with the approved Treasury Management Strategy for 2020-2021 and 2021-2022.

## **7.0 Financial implications**

7.1 The financial implications are discussed in the body of this report.  
[SH/23062021/L]

## **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.  
[SZ/25062021/P]

## **9.0 Equalities implications**

9.1 There are no equalities implications arising from this report.

## **10.0 All other Implications**

10.1 Due to the Covid-19 pandemic, there has been re-phasing of the capital programme which reduces the borrowing need in year. This is to reflect new timescales for completing projects to take into account work starting again on sites and any social distancing measures which may be required. In addition, the Council is monitoring its cash balances to see how the economic impact of Covid-19 is affecting the cash that it receives from local taxpayers. Any pressure in this area may have a negative impact on the Council's cash flow balances which may require borrowing to be undertaken sooner than planned to temporarily fund revenue costs.

10.2 As highlighted in previous monitoring reports, Covid-19 has impacted on the economy resulting in lower interest rates being available for investments and may affect the UK's sovereign rating. So far two of the three rating agencies have reduced the UK's rating, if the remaining third agency follows suit the Council's minimum sovereign rating will need to be lowered to allow the Council's bank to remain on the lending list. The impact on the treasury management budget of the reduced interest rates available for the Council's investments will be closely monitored.

10.3 The Council has agreed variations to loans provided to the Council's wholly owned housing company, WV Living. There is no detrimental impact on the Council's budget over the medium term, however it will impact on short term cash balances.

## **11.0 Schedule of background papers**

11.1 [Treasury Management Strategy 2020-2021](#), Report to Cabinet, 19 February 2020

11.2 [Treasury Management – Annual Report 2019-2020 and Activity Monitoring Quarter One 2020-2021](#), Report to Cabinet, 8 July 2020

11.3 [Treasury Management Activity Monitoring – Mid Year Review 2020-2021](#), Report to Cabinet, 11 November 2020

11.4 [Treasury Management Strategy 2021-2022](#), Report to Cabinet, 17 February 2021



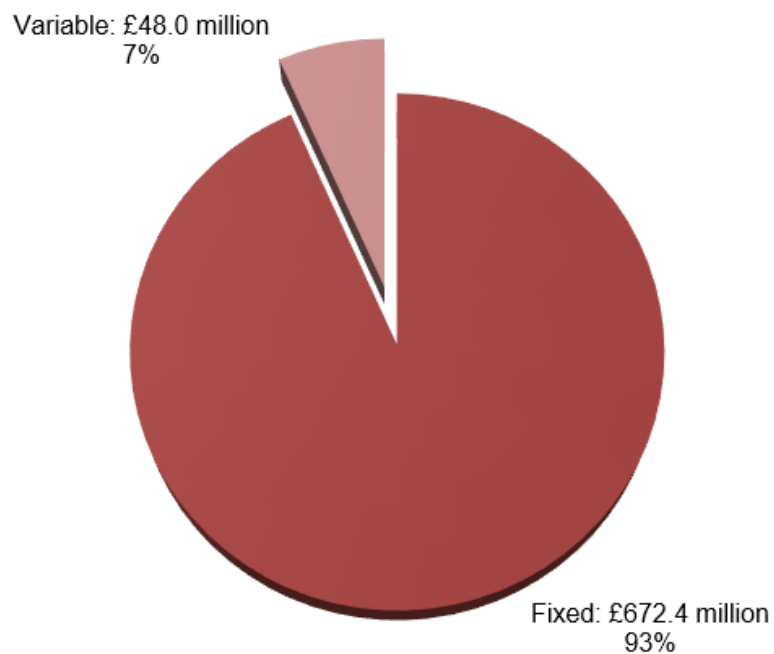
- 11.5 [Treasury Management Activity Monitoring Quarter Three 2020-2021](#), Report to Cabinet (Resources) Panel, 17 March 2021
- 11.6 Amendment to Loan to WV Living, Individual Executive Decision Notice, 19 March 2021
- 11.7 Amendment to Loan to WV Living, Individual Executive Decision Notice, 10 May 2021
- 11.8 [Budget Outturn 2020-2021](#), Report to Cabinet, 16 June 2021
- 11.9 [Reserves, Provisions and Balances 2020-2021](#), Report to Cabinet, 16 June 2021
- 12.0 Appendices**
  - 12.1 Appendix 1 – Borrowing type, borrowing and repayments
  - 12.2 Appendix 2 – Prudential and Treasury Management Indicators
  - 12.3 Appendix 3 – Borrowing maturity profile
  - 12.4 Appendix 4 – Disclosure for certainty rate
  - 12.5 Appendix 5 – Lending list

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### Borrowing: Graphical Summary

#### Borrowing by Type

As at 31 March 2021



### Borrowing and Repayments in 2020-2021

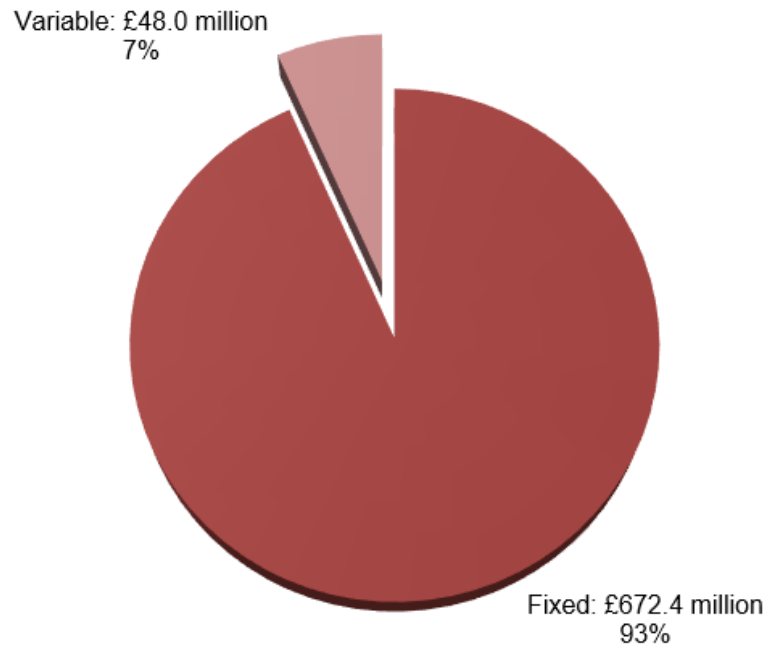
	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
<b>2020-2021 Borrowing</b>						
<b>PWLB Fixed Maturity:</b>						
No activity in 2020-2021						
<b>Sub total for PWLB</b>			-			-
<b>Temporary Loans:</b>						
No activity in 2020-2021						
<b>Sub total for Temporary Loans</b>			-			-
<b>Grand total borrowing</b>			-			-

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
<b>2020-2021 Repayments</b>						
<b>PWLB Fixed Maturity:</b>						
				years		
504839	24/03/2016	24/03/2021	12,500	5	1.65%	206
<b>Sub total for PWLB</b>			12,500		1.65%	206
<b>Temporary Loans:</b>						
No activity in 2020-2021						
<b>Sub total for Temporary Loans</b>			-			-
<b>Grand total repayments</b>			12,500			206
<b>Net movement</b>			(12,500)			(206)

**Borrowing: Graphical Summary**

**Borrowing by Type**

**As at 30 June 2021**



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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 2020-2021 quarter one capital budget monitoring 2021-2022 report.

	Approved by Council 3 March 2021				As at 30 June 2021			
	2020-2021	2021-2022	2022-2023	2023-2024	2020-2021	2021-2022	2022-2023	2023-2024
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
General *	96,395	173,116	32,264	13,003	72,736	140,618	98,532	23,090
HRA	49,386	95,287	86,260	84,280	46,845	92,915	96,320	82,060
	145,781	268,403	118,524	97,283	119,581	233,533	194,852	105,150
* 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.	17,710	23,057	10,000	10,000	20,401	23,700	10,057	10,000

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 3 March 2021				As at 30 June 2021			
	2020-2021	2021-2022	2022-2023	2023-2024	2020-2021	2021-2022	2022-2023	2023-2024
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
General *	692,048	754,006	728,584	706,460	677,761	717,378	716,072	703,092
HRA	267,213	316,385	357,387	396,495	264,322	314,505	366,607	405,837
Total capital financing requirement	959,261	1,070,391	1,085,971	1,102,955	942,083	1,031,883	1,082,679	1,108,929
* 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.	20,138	23,789	15,744	14,816	15,479	16,170	13,108	11,936
<b>Movement in capital financing requirement represented by:</b>								
New borrowing for capital expenditure	65,412	145,604	60,572	60,336	49,251	124,516	90,590	66,203
Less minimum revenue provision/voluntary minimum revenue provision	(32,323)	(34,474)	(44,992)	(43,352)	(33,341)	(34,716)	(39,794)	(39,953)
Movement in capital financing requirement	33,089	111,130	15,580	16,984	15,910	89,800	50,796	26,250

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). This is a self determined level reviewed and set each budget setting cycle.

	Approved by Council 3 March 2021			
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000
Borrowing	1,049,311	1,086,578	1,121,741	1,182,515
Other Long Term Liabilities	87,249	79,626	81,928	78,960
Total Authorised Limit	1,136,560	1,166,204	1,203,669	1,261,475
Actual and Forecast External Debt as at 30 June 2021	802,685	922,544	1,008,340	1,069,590
Variance (Under) / Over Authorised limit	(333,875)	(243,660)	(195,329)	(191,885)
<b>Authorised limit for commercial activities / non-financial investments included in the above figures</b>				
Total Authorised Limit	45,893	47,014	45,874	45,874
Actual and Forecast External Debt as at 30 June 2021	44,329	45,020	43,901	42,729
Variance (Under) / Over Authorised limit	(1,564)	(1,994)	(1,973)	(3,145)

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. This is a self determined level reviewed and set each budget setting cycle.

	Approved by Council 3 March 2021			
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000
Borrowing	1,018,328	1,050,255	1,107,444	1,167,501
Other Long Term Liabilities	85,247	79,626	79,928	76,960
Total Operational Boundary Limit	1,103,575	1,129,881	1,187,372	1,244,461
Actual and Forecast External Debt as at 30 June 2021	802,685	922,544	1,008,340	1,069,590
Variance (Under) / Over Operational Boundary Limit	(300,890)	(207,337)	(179,032)	(174,871)
<b>Operational boundary for commercial activities / non-financial investments included in the above figures</b>				
Total Operational Boundary Limit	43,867	45,874	45,874	45,874
Actual and Forecast External Debt as at 30 June 2021	44,329	45,020	43,901	42,729
Variance (Under) / Over Operational Boundary Limit	462	(854)	(1,973)	(3,145)

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 3 March 2021				As at 30 June 2021			
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2020-2021 Actual £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,085,972	1,102,955	1,102,955	1,102,955	1,082,680	1,108,929	1,108,929	1,108,929
Gross Debt	863,551	1,004,740	1,044,320	1,061,304	802,685	922,544	1,008,340	1,069,590
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

**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 and HRA.

	Approved by Council 3 March 2021				As at 30 June 2021			
	2020-2021 Forecast	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2020-2021 Actual	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast
General *	13.9%	14.5%	18.6%	16.5%	13.9%	14.0%	16.4%	15.9%
HRA	29.4%	29.3%	29.5%	30.1%	30.6%	30.4%	32.4%	33.3%
* 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.	1.0%	1.0%	1.0%	0.9%	1.0%	1.1%	1.1%	1.1%

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 3 March 2021			
	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000
Upper limit for more than 365 days	35,000	35,000	35,000	35,000
Actual and Forecast Invested at 30 June 2021	-	-	-	-
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.**

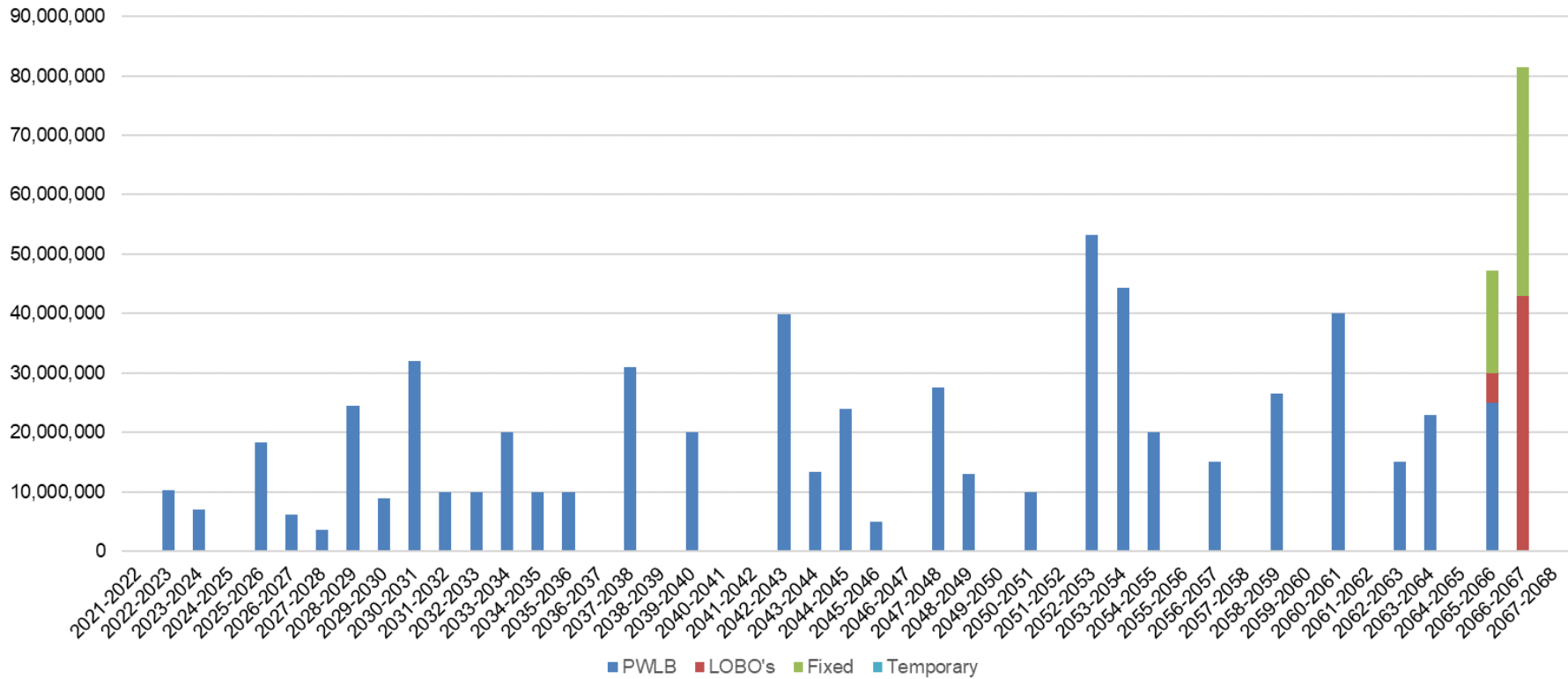
These limits relate to the % of fixed and variable rate debt maturing.

	Approved by Council 3 March 2021		As at 30 June 2021	
	Upper Limit	Lower Limit	2020-2021 Actual Borrowing	2022-2022 Forecast Borrowing
Under 12 months	25%	0%	-	-
12 months and within 24 months	25%	0%	7.43%	7.39%
24 months and within 5 years	40%	0%	2.93%	2.17%
5 years and within 10 years	50%	0%	8.68%	8.90%
10 years and within 20 years	50%	0%	12.85%	13.17%
20 years and within 30 years	50%	0%	25.76%	24.95%
30 years and within 40 years	50%	0%	23.04%	23.63%
40 years and within 50 years	50%	0%	19.31%	19.79%
50 years and within 60 years	50%	0%	-	-



Borrowing Maturity Profile at 30 June 2021

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Disclosure for Certainty Rate

**Certainty Rate**

This table details the information that is required to enable the Council to submit a return for 2021-2022.

	Approved by Council 3 March 2021				As at 30 June 2021			
	2020-2021 Forecast £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2020-2021 Actual £000	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000
<b>Net Borrowing Requirement:</b>								
Borrowing to finance planned capital expenditure	65,306	145,292	57,189	60,057	49,146	124,204	87,207	65,924
Existing maturity loans to be replaced during the year	23,500	30,059	88,199	57,095	(20,189)	30,059	90,199	77,095
Less:								
Minimum Revenue Provision for debt repayment	(17,101)	(18,153)	(25,546)	(21,987)	(17,101)	(18,338)	(21,388)	(20,930)
Voluntary debt repayment	(10,839)	(13,397)	(16,365)	(18,118)	(11,856)	(13,454)	(15,325)	(15,776)
	(27,940)	(31,550)	(41,911)	(40,105)	(28,957)	(31,792)	(36,713)	(36,706)
Loans replaced less debt repayment	(4,440)	(1,491)	46,288	16,990	(49,146)	(1,733)	53,486	40,389
<b>Net Advance Requirement</b>	<b>60,866</b>	<b>143,801</b>	<b>103,477</b>	<b>77,047</b>	<b>0</b>	<b>122,471</b>	<b>140,693</b>	<b>106,313</b>

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## Lending List

### 2021-2022 Specified Investments as at 28 May 2021

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Bank Netherlandse Gemeenten	Netherlands (AAA)	20,000	12 mths
DBS Bank Ltd	Singapore (AAA)	10,000	6 mths
HSBC Bank plc	UK (AA-)	5,000	3 mths
Landwirtschaftliche Rentenbank	Germany (AAA)	20,000	12 mths
National Bank of Abu Dhabi	Abu Dhabi (U.A.E) (AA)	5,000	3 mths
NRW.BANK	Germany (AAA)	20,000	12 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
<b>Nationalised Banks</b>			
<b>Royal Bank of Scotland Group plc</b>			
National Westminster Bank plc	UK (AA-)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AA-)	10,000	3 mths
<b>AAA Rated and Government Backed Securities</b>			
Debt Management Office	UK (AA-)	20,000	30 mths
<b>Money Market Funds</b>			
	<b>Fund Rating</b>		
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.

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## **Specific Reserves Working Group** Agenda Item No: 11 **Terms of Reference**

### **1. Background**

- 1.1 A specific reserve is an amount of money set aside voluntarily by the Council to fund or partially-fund future expenditure plans on a specific project or item. Under the Council's financial procedure rules, the establishment or dissolution of specific reserves requires the approval of the Cabinet. Use of specific reserves requires the approval of the Cabinet (Resources) Panel. Specific reserves must also be reviewed for relevance and adequacy at least twice per financial year, as part of the outturn and budget preparation processes.

### **2. Terms of Reference**

- 2.1 To receive a detailed report on specific reserves.
- 2.2 To review and scrutinise the balances and movements of the council's specific reserves to ensure that they are appropriately established and required.
- 2.3 To make recommendation or comment to Cabinet on matters arising from the review and scrutiny of specific reserves.

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**Scrutiny Work Programme (draft)**  
**Our Council Scrutiny Panel**  
**2021-2022**

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## Scrutiny – A New Approach

1. **Roles and expectations** have been defined for the Chairs of Scrutiny Panels, Strategic Executive Board (SEB) leads and Scrutiny Officers; creating a collective understanding of scrutiny's role within the Council. These can be seen in Appendix A.
2. Effective **work planning and agenda setting** will take place to produce **jointly owned work plans**.
3. Regular briefings will be arranged with the Scrutiny Panel Chair, Vice Chair, SEB lead and scrutiny officer to enable a shared understanding of priorities and reviews of progress and recommendations.
4. **Improved communication:** 'You said we did' updates and publicity (including social media)
5. Creation of a **strong organisational culture** that supports scrutiny work that **adds real value** and **evidences impact**.

## Work Programme considerations:

1. Is the issue in the public interest?
2. How can scrutiny add value by looking at it?
3. Where is the evidence to support looking at this issue?
4. Can we evidence impact?
5. Is there a change to National Policy?
6. Does it affect citizens across the City?
7. Are there performance concerns?
8. Is it a safety issue?

## Our Council Scrutiny Panel

The scrutiny of organisation and performance of the human, financial, technical and material resources to support the delivery of Council services.

### Specific responsibilities

The Panel will have responsibility for scrutiny functions as they relate to:

- Strategic Finance
- Revenues and Benefits
- Procurement
- The Hub
- Audit
- Human Resources
- Organisational Development
- Democratic & Support Services
- Corporate Landlord
- ICT

## General Role of the Scrutiny Board and Scrutiny Panels

**Within the terms of reference set out in the Overview and Scrutiny Procedure Rules, the Scrutiny Board will:**

1. Co-ordinate the work of the Scrutiny Panels and Scrutiny Review Groups.
2. Receive annual reports from the Councillor Champion and give consideration to the work undertaken and issues that the Councillor Champion wishes scrutiny to consider investigating further.
3. Maintain regular dialogue with the Cabinet on service improvement, performance management of cross-cutting issues, policy development and budgetary provision.
4. Oversee and ensure access to appropriate learning and development for scrutiny Councillors.
5. Discharge the call-in procedures relevant to its overarching role.

**The Scrutiny Panels will:**

1. Maintain regular dialogue with the Cabinet, Scrutiny Board and Councillor Champions.
2. Ensure that members of the public and stakeholders are informed of and involved in issues within the remit of each Panel.
3. Discharge the call-in procedure relevant to their terms of reference.

Appendix A:

**1. Chair of Scrutiny Panel:**

- To attend fortnightly meetings with the SEB lead and Scrutiny Officer
- To attend agenda setting meetings and other relevant briefings on a regular basis
- To contribute to the work planning for the panel and to bring forward relevant topics and issues for inclusion
- To chair meetings in a fair and open way and to encourage participation from panel members
- To attend Scrutiny Board (where appropriate) to provide feedback and updates on progress
- To prepare, when possible, questions in advance of a meeting to allow for healthy debate and to ensure that clear resolutions are made that add value and show impact
- To act as champion for scrutiny and to represent the best interests of the citizens of Wolverhampton

**2. SEB Lead:**

- Meet with the Chair, the Vice Chair and the Scrutiny Officer fortnightly to discuss upcoming issues, updates from previous meetings, workplans and any other relevant business as agreed by all parties.
- Recommend topics for inclusion on the workplan, working proactively with the Chair, Vice Chair and Scrutiny Officer to address any issues/opportunities/challenges that fit with the remit of the panel.
- To advise on the viability of any issues put forward by the panel for inclusion on the work plan.
- To attend relevant Scrutiny Panel meetings and provide an update at each meeting on any relevant issues within the remit of the panel. Also, attending Scrutiny Board (as appropriate) to provide feedback.
- To act as a champion for scrutiny in the Council and to encourage engagement with the scrutiny function and promote a healthy culture within which scrutiny can thrive

**3. Scrutiny Officer:**

- Provide support and guidance to the panel, its members, officers, partners and other stakeholders regarding the scrutiny function
- To ensure openness and transparency in the scrutiny function and to make sure that information is continuously shared and communicated between all relevant parties in a timely and suitable fashion
- To ensure that the appropriate persons are invited to meetings and that they are given adequate time to prepare and to provide guidance and support where appropriate
- To manage the administration of all relevant panels and meetings within statutory timescales
- To carry out research and information gathering exercises when required
- To provide advice on policy and legislation where appropriate
- To ensure that all resolutions are followed up and responses or actions fed back, monitored and recorded
- To act as liaison between the Chair and the SEB lead to ensure a shared understanding of priorities and work planning.
- To manage the agreed work plan and its outcomes to show impact and added value

**Our Council Scrutiny Panel**

<b>Chair: Cllr Zee Russell</b>	<b>Vice Chair: Cllr Udey Singh</b>	<b>SEB Lead: Claire Nye</b>	<b>Scrutiny Lead: Earl Piggott-Smith</b>
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<b>Date of Meeting</b>	<b>Agenda Publication</b>	<b>Item Description</b>	<b>Lead Report Author</b>	<b>Council Plan Priority</b>	<b>Notes</b>
29 September 2021	21 September 2021	1. Our Assets Programme 2. Update on Cyber Security 3. Council Contract Management update 4. Specific Reserves Working Group – membership and approval of terms of reference 5. Housing Strategy - Landlord Services Report	Mark Bassett  Charlotte Johns  Claire Nye/ Parvinder Uppal  Earl Piggott-Smith  Jenny Lewington		
November 2021 - tbc		EDI report on consultation findings and update on actions	David Pattison/Jin Takhar		



December 2021 tbc		Specific Reserves Working Group	Alison Shannon		
19 January 2022	11 January 2022	<ol style="list-style-type: none"> <li>1. Treasury Management Strategy –</li> <li>2. Specific Reserves Working Group report –</li> <li>3. Our Assets Programme – Update -</li> </ol>	<p>Alison Shannon</p> <p>Alison Shannon</p> <p>Mark Bassett</p>		

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