

# Resources and Equality Scrutiny Panel

7 December 2023

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

**Venue** Council Chamber - 4th Floor - Civic Centre

## Membership

**Chair** Cllr John Reynolds (Lab)

**Vice-chair** Cllr Sohail Khan (Con)

### Labour

Cllr Zee Russell  
Cllr Tersaim Singh  
Cllr Greg Brackenridge  
Cllr Qaiser Azeem  
Cllr Ciaran Brackenridge  
Cllr Lamina Lloyd  
Cllr Alan Butt  
Cllr Susan Roberts MBE

### Conservative

Cllr Ellis Turrell

Quorum for this meeting is three Councillors.

## Information for the Public

If you have any queries about this meeting, please contact the Scrutiny Team:

**Contact** Lee Booker  
**Tel/Email** Lee.Booker@wolverhampton.gov.uk  
**Address** Scrutiny Office, Civic Centre, 1<sup>st</sup> floor, St Peter's Square,  
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

**Website** <http://wolverhampton.moderngov.co.uk/>  
**Email** [democratic.services@wolverhampton.gov.uk](mailto:democratic.services@wolverhampton.gov.uk)  
**Tel** 01902 555046

Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

*If you are reading these papers on an electronic device you have saved the Council £11.33 and helped reduce the Council's carbon footprint.*

# Agenda

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

*Item No.*    *Title*

### MEETING BUSINESS ITEMS

- 1            **Apologies & Substitutions**  
[Any apologies to be received and substitutions to be declared]
- 2            **Declarations of interest**  
[Any declarations of interest from Panel members and Officers]
- 3            **Minutes of previous meeting** (Pages 3 - 12)  
[To approve the minutes of the previous meeting as a correct record]

### DISCUSSION ITEMS

- 4            **Budget Performance & Update** (Pages 13 - 34)  
[A Presentation will be delivered to the Panel]
- 5            **Reserves** (Pages 35 - 68)  
[A Presentation to be delivered to the Panel]
- 6            **Treasury Management Activity Monitoring - Mid Year Review 2023-2024** (Pages 69 - 110)  
[To consider the report by Finance]

# Resources and Equality Scrutiny Panel

Agenda Item No: 3

Minutes - 12 October 2023

## Attendance

### Members of the Resources and Equality Scrutiny Panel

Cllr John Reynolds (Chair)  
Cllr Zee Russell  
Cllr Tersaim Singh  
Cllr Ellis Turrell  
Cllr Greg Brackenridge  
Cllr Qaiser Azeem  
Cllr Ciaran Brackenridge  
Cllr Sohail Khan (Vice-Chair)  
Cllr Lamina Lloyd  
Cllr Alan Butt  
Cllr Susan Roberts MBE  
Cllr Celia Hibbert

### In Attendance

Councillor Louise Miles (Cabinet Member for Resources)

### Employees

David Pattison (Chief Operating Officer)  
Jin Takhar (Head of Equality, Diversity & Inclusion)  
Becky Wilkinson (Director of Adult Social Care)  
Alison Hinds (Director of Children's Services)  
Laura Phillips (Deputy Director of People & Change)  
Sukhvinder Mattu (Head of People Services)  
Alison Shannon (Chief Accountant)  
Solomon Scott (Senior Equality, Diversity & Inclusion Officer)  
Jameel Mullan (Inclusion and Attendance Service Manager)  
Lee Booker (Scrutiny Officer)

---

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

*Item No.*    *Title*

1            **Welcome and Introductions**  
The Chair welcomed the Panel to the meeting.

2 **Meeting procedures to be followed**

The meeting procedures were explained to the Panel.

3 **Apologies**

There were no apologies for absence.

4 **Declarations of interest**

There were no declarations of interest.

5 **Minutes of previous meeting**

**Resolved:** That the minutes of the meeting held on 8 June 2023 be approved as a correct record.

6 **EDI strategy Progress against Objectives**

The Head of Equality, Diversity and Inclusion explained to meet the requirements of the law, they were present to inform the Panel on the status of the Equality, Diversity and Inclusion (EDI) Key Performance Indicators (KPI).

The Director of Adult Social Care began her presentation (a copy of which is attached to the signed minutes) to give an overview of Adult Social Care EDI KPIs. She said that they had made progress on where they were previously at, but she recognised they still had a long way to go. She said they had made progress with the protected characteristics of Age, Sex and Disability. Some of the data captured was newly captured data and therefore, not all could be displayed with a relative comparison to capture progress. Bespoke training was commissioned to allow the workforce to have sensitive conversations relating to the protected characteristics with patients, however, this had not achieved the desired outcomes. This is something that would need to be focused on and worked out as next steps.

The Director of Adult Social Care said “Direct Payments” were seen as a good thing in Adult Social Care, as it showed the independence of the person. However, there was a significantly higher portion of Black and Asian people who utilised direct payments, rather than commissioned services. Research was to be carried out to discover if this was down to any cultural insensitivities by those services and to allow alterations to service provision to be more inclusive of Black and Asian groups. Work would need to be done to ensure Black and Asian people were aware of the mental health services available in the community.

The Vice-Chair sought clarification on a quote within the presentation document which stated: “14.3% of adults were of Black, Black British, Caribbean or African ethnicity, with 15.2% detained being of the same ethnic origin.”

The Director of Adult Social Care said it meant 15.2% of the whole 14.3% were of a specific and same ethnic origin. The Chair said it needed to be noted that quotes written in this way were not clear enough and needed to be written with better clarity.

The Chair referred to page 18 of the presentation which explained that the bespoke training had not achieved the desired outcomes. He was concerned experts were hired to train staff on this specific issue and it did not work. He wanted to understand why this was the case and have further information.

The Director of Adult Social Care explained that although the training was for all protected characteristics under the Equality Act 2010, they found they were unable to get people to declare their sexuality and therefore saw this as a failure which would need to be addressed in a different way. This meant that they were not getting data still on sexuality and would need to do a lesson's learned approach as to why the training did not achieve the aims.

The Chair agreed it would be an on-going process to attempt to obtain the results needed. He stated that his constituents had struggled with the communications around Direct Payments and that it was not easy to find, understand or do them for many. He felt this was the reason many did not independently do Direct Payments and instead went through the Council to sort payments.

The Director of Adult Social Care replied that they were undertaking an Adult Social Care re-design and sought to address these issues. She thanked the Chair for his insights.

The Chair said the presentation stated that Black people in Britain were detained under the Mental Health Act 1983 at a much higher level nationally than the rest of the population. The Chair wanted to know if Wolverhampton was in line with the national trend or not. The Director of Adult Social Care stated that she did not know the specific statistics and would need to check and come back to the Chair on this.

The Chair agreed he wanted this and stated it would be used to look at whether Wolverhampton was higher or lower than the average statistics. He wanted to then find out the reasoning behind the data results.

A Panel member asked why there were sections of information which stated "not recorded". The Director of Social Care stated this was because the participant declined to answer the question.

A Councillor discussed a case wherein a constituent was detained under the Mental Health Act 1983. She felt people were left too long without intervention. She wanted to know what the services were doing to intervene sooner to prevent people going into care.

The Director of Social Care agreed with the Panel member that they would meet outside of the meeting to go through the case and discuss the issue further in private.

A Member of the Panel said she felt it was great the information had been captured but due to the size of the presentation provided, numbering at 50 pages, she wanted to know how the data was going to be used to tackle the issues uncovered in the data.

The Director of Social Care stated in the future she would try make reports and presentations more succinct for the Panel. She said they had commissioned work to be done in response to the data, to target those areas in need of improvement.

A Councillor wanted to know the actions and timeline planned to tackle these issues. The Chair stated that he felt the Councillors question was more relevant to the Adults Scrutiny Panel. He then addressed Officers and stated the formats presented to the Panel were too long and thick with data. He wanted a more simplified and concise

format in the future.

The Director of Children's Services opened the presentation on Children & Young People (CYP) to give a recap on previous CYP priorities and explained the data informed the actions they took as priorities. They had used the opportunities available to work with young people to work on aims they had set. The priorities for the next year were informed by a larger data sample and they were ensuring they would be representing the diverse needs of the diverse CYP with diverse staff. This would include the setting up of some targeted groups, such as a girl's group to work with youth offenders. A full motion was to be taken to Council to try and get full time care leavers as a protected characteristic.

A Councillor stated that the report showed people between the age of 15 and 18 were an over-represented group and she wanted to know what they were going to do to target them.

The Director of Children's Services said it was a good opportunity to show how data was used to target groups and inform their thinking. This would be displayed through family support and peer support groups which they would now try to shape the services so that young families could access services. The over-representation meant they could reflect on how to work with young parents caring for people in those age groups.

The Councillor replied enquiring about the lack of disability data on page 45. She said in the future this data could be gathered but she wanted to know if it could be broken down into further categorisation of the types of disability present within the children to allow for more targeted responses.

The Director of Children's Services said that they could try to do that but it would depend on the way the data was collected. She said she would take it away as feedback to look into future reports.

The Councillor wanted to know how they were ensuring short breaks for parents were indeed breaks. The Director of Children's Services said it was a key priority for the future to ensure that breaks away from children were an option, alongside family activities.

A Panel member focused on areas of underperformance in the Black, Asian, Minority Ethnic groups. She said the outcomes always ended up being the same and wanted to know if the interventions being done were not working. She also wanted to know if qualitative data was gathered to inform policies, as opposed to just quantitative data.

The Director of Children's Services replied that the data gathering did include both qualitative and quantitative research methods. She said they were seeing changes to outcomes by services.

A Councillor wanted to know the progress of the priority to take to cabinet the motion that care leavers would be a protected characteristic.

The Director Children's Services confirmed this has been to cabinet and approved. Care leavers were now categorised under the protected characteristics within the City of Wolverhampton.

The Vice-Chair stated that the KPI data on pages 35, 37 and 39 showed that Asians were disproportionately represented. He wanted to know how the administration categorised “Asian”, as it could cover a very broad group of people with different ethnic and cultural backgrounds. As the usage of this data and the understanding of the groups it covered would influence how strategies were informed and planned. He stated for example that Asia as a term could be used to cover people from Chinese heritage, through to Indian heritage and felt the Council needed to be clear what they were looking at when discussing EDI.

The Director of Children’s Services agreed it was a broad category used to capture data. She said the Vice-Chairs challenge was reasonable and they would listen to his feedback to look at how the data was broken down and used; similar to the previously discussed point about disability data.

A Councillor wanted to know why the data showed Asians were under-represented in adoption compared to other groups. The Director of Children’s Services said this was not specific to Wolverhampton and was relative to a national trend that Asians were under-represented in adoption.

The Inclusion and Attendance Service Manager said that key themes for exclusions were a decrease in exclusions overall since 2017, but they had a long way to go to ensure all young people got the best possible outcomes. The data showed the highest over-representation was key stage 3 to key stage 4, which was in line with national data. Children with additional needs had increased and was higher than the national data; more needed to be done in Wolverhampton to address this. Males were higher than females in exclusions which was in line with trends in the national data.

The Inclusion and Attendance Service Manager New stated new guidance had been developed by the Government setting out the responsibilities Local Authorities had to address low attendance by pupils in schools. The largest proportion of exclusions were from the White ethnic background. Mixed race and Black males were over-represented in exclusions, which was in line with national data. The highest exclusions by religious background were Christian, with atheists also being represented as high. An improved website with better pathways had been launched which provided parents with access to see what support was available in an inclusive system provided by the Local Authority. They had had 76 exclusion prevention meetings, which was done when a pupil was at risk of exclusion to try turn things around. 70 of the 76 people remained in their provision post-prevention meetings and this displayed the Local Authority was providing support to schools, families, and students. The Council team were currently looking to do research looking at those who were excluded to gather qualitative information on their experiences to try develop an intervention program. They were to launch an attendance pathway and risk of exclusion pathway. They had recruited additional staff to meet requirements for attendance, this would mean supportive clinics for parents and carers. They had developed inclusion workshops which identified gaps in the provision.

A Panel member sought clarity over a graduated pathway. The Inclusion and Attendance Service Manager replied that they had launched the Wolverhampton Inclusive Schools for Everyone site, which offered the pathway in a condensed manner.

A Councillor stated that whilst there was work and support to reduce exclusions, she was concerned by highly disruptive behaviour in class rooms impacting on all children's quality of education. She wanted to know if data could be compiled on this and what could be done.

The Inclusion and Attendance Service Manager said they could not assume what the quality of learning was. They would need to do research to find out what the Wolverhampton specific situation was, to inform the responses. 80 to 85 of Schools were rated good in Wolverhampton by Ofsted. They had a school improvement and education excellence service which could provide support to leaders in school to deal improving education quality.

The Chair wanted to know if there was a difference between support provided to Local Authority Schools and Academy Schools.

The Inclusion and Attendance Service Manager said the same statutory responsibility applied in terms of services. Attendance was changing in legislation which required to have a clear offer to all schools.

The Chair wanted to know if there was a difference between exclusion levels at Academies compared to Local Authority Maintained Schools. The Inclusion and Attendance Service Manager said that Academies had a higher rate of exclusions. The Chair felt this was down to the Academy school format, which was more competitive and results based. He stated this needed flagging as an equalities issue.

The Inclusion and Attendance Service Manager said they were round the table with the heads of Academies and were maintaining a relationship where concerns could be raised.

There was agreement between the Panel and the Head of Diversity, Equality and Inclusion that going forwards future presentations would be more concise, with additional information added as appendices.

## 7 **Race at Work Charter & Pay Gap Reporting**

The Head of Equality, Diversity and Inclusion opened the presentation (a copy of which is attached to the signed minutes) with the purpose of updating the Panel on the progress made against the Race at Work Charter requirements. The Business in the Community (BITC) Race at Worker Charter was launched in partnership with the Government in 2018. There were 7 "calls for action" as a part of this, and The Head of Equality, Diversity and Inclusion spoke about progress on these.

The Head of Equality, Diversity and Inclusion stated that the Council had appointed an Executive Sponsor for Race, Religion and Belief; they chose the Chief Operating Officer for the role. Since then, Executive Sponsors had been appointed from each equality forum. She said it had made a difference and that employees felt more empowered to speak up about concerns or issues. She said there were over 60 members of senior staff who were mentors for 75 mentees, with 25 mentees being promoted. This was down to engagement with Senior Executive Board Sponsors. For the action, "Capturing Ethnicity Data and Progress", the Council had achieved this by capturing the data and presenting it to the Panel. The Head of Equality, Diversity and



Inclusion reported increases in Ethnic Minority Background representation in the workforce. Black and Asian members of the workforce at paygrades 9 to 17 had doubled in numbers, totally at 56 members from Ethnic Minority Backgrounds. 42.1% of apprentices were from Ethnic Minority Backgrounds across 2021-2022. Progress on committing at board level to zero-tolerance of harassment and bullying was the creation of clear policy on this matter, as well as the creation of safe spaces and ways to speak up, including through independent third-party organisation to get advice and support. Figures for 2021 to 2022 grievances totalled less than 10 cases.

The Head of Equality, Diversity and Inclusion remarked that to work towards the call for action - "Supporting Equality in the workplace is the responsibility of all leaders and managers"; actions taken included EDI being a standing item on all team meetings, each directorate had an equality plan to show the steps the Council was taking to tackle service inequality, as well as proactive messaging from Senior Executive staff members. To take actions that support ethnic minority career progression the Council offered Aspire to management training, which all colleagues could apply for, wrap around support for individuals who have been unsuccessful in an interview, opportunity to get mentorship from senior colleagues, as well as broader skills improvement opportunities.

The Head of Equality, Diversity and Inclusion commented that to support race allies in the workplace the Council had a One City Allyship Approach in which the Council encouraged uptake to the role with colleagues. To support ethnical diverse-led enterprise owners in supply chains, the Council had worked with procurement teams to offer options where these businesses could be considered. They had also worked with groups such as the Black Business Network and Asian Business Network to help develop training and support for businesses to put themselves forwards for procurement opportunities. The creation of the EIA Assurance Board would ensure there was fair and robust discussions around the requirements of future contracts.

The Head of People Services began the combined pay gap report (a copy of the presentation is attached to the signed minutes) to summarise the findings on ethnicity, sexuality and disability. She confirmed they used the median to analyse the data. Ethnicity data was summarised, the Council paid apprentices 10% higher wages than other companies did on average. The diversity of the workforce had increased year on year, ethnic minority success rate hiring increased from 3.7% (2020 -2021) to 6.7% (2021-2022).

The Head of People Services stated that for disability pay gap, disabled people earned on average a higher wage within the Council than their peers who hadn't declared a disability. The median pay gap for a LGB+ employee was 9.4% more than a heterosexual employee on average, but the mean was 1.4% less. The different results for LGB+ employees was explained by the small percentage of workforce who identified as LGB+, making percentages volatile to change should staff leave or join. The transgender pay gap was not calculated due to the extremely small levels of trans employees within the Council making it not possible to present a coherent analysis. The Council was committed to further reducing pay gaps, to promoting inclusivity and encouraging data disclosure by employees to allow the Council to make more accurate policy and strategy choices.

The Vice-Chair wanted further information on the Race Allies policy, he wanted to know what it defined and the progress on it. He said he had never heard of it before.

The Head of Equality, Diversity and Inclusion stated they had 12 staff allies at a senior level who supported the staff equality forums and advocated on behalf of staff. It was promoted within the Council and staff were encouraged to participate. Specific to Race Allies, there had been little take up by staff.

A Panel member stated they thought the Race at Work Charter was fantastic. She said she would love to see it done for all protected characteristics and asked if it was possible.

The Head of Equality, Diversity and Inclusion replied that it was right to want to spread more inclusive policies in the workplace for all the protected characteristics. She said they were due to embark on self-assessments in each equality group and were also going to be doing an LGBT+ assessment through the Stonewall Charity.

A Panel member stated he was pleased with the report and said the City of Wolverhampton Council always went above and beyond what was required by the Government in Equalities matters. He wanted to know if colleagues all had forums to speak on these matters to inform the Council. He stated he expected pay gaps to be larger when new employees started at the bottom of the pay ladder, such as through apprenticeships. He wanted reassurances this would close as they progressed through the system.

The Head of Equality, Diversity and Inclusion said support forums went on tour. They also went to Hickman to reach the workforce on that site. They had a monthly operators' performance management network. They were conscious a section of the workforce were not digitally included, such as front line colleagues. They were working on ways to ensure those colleagues got the communications needed, as well as information on pay.

The Chief Operating Officer stated that Equality representatives attended Senior Management meetings to present anything EDI related that is required. He confirmed that the Council was replicating the Race at Work Charter across all protected characteristics. He also said in the past those representatives had been to scrutiny to give their views.

A Councillor urged the Panel to consider having representatives visit and speak to the Panel again in the future.

A Councillor referred to the reported increase in the workforce of employees from Black and other ethnic groups. He wanted to know if this data was able to be broken down to show the subgroups within that category.

The Head of Equality, Diversity and Inclusion stated that they did have that data and that it was possible to do that.

A Councillor referred the Hamas attacks in Israel which occurred on October 7<sup>th</sup> 2023 and the subsequent continuation of the Israel/Palestine war. He felt that not enough had been displayed on internal Council material for Jewish staff. He wanted to know if Jewish colleagues were represented and included within the Equality forums. He wanted assurances they had the support they needed.

The Chief Operating Officer said that those issues were covered under the Race, Religion and Belief forum; the Council was inclusive of all staff. Employee support was covered by the Employee Assistance program which offered counselling. The Council was ensuring there was a joint-faith based response to these issues.

The Vice-Chair wanted to know what was meant in the presentation by “wrap around support for employees unsuccessful in interviews”. The Head of People Services responded that for colleagues and non-colleagues who were unsuccessful in a job interview, the Council offered them feedback on how they could improve their interview techniques.

A Councillor wanted to know why the take up to the Race Allies program was low. The Head of Equality, Diversity and Inclusion replied that they would note the request and look into it.

The Chair asked about the statistics covering the White ethnicity group, as an additional categorisation had been created with White Other, Gypsy, Roma & Traveller groups as ethnic minority groups. He wanted to know how this impacted on data changes.

The Head of People Services stated that this was following changes by the government to the National Guidelines and that these new changes did impact on the overall data, but adjustments had been made so that it worked correctly.

## 8 **Treasury Management**

The Chief Accountant opened the presentation (a copy of which is attached to the signed minutes) on treasury management. The Council set and reported on prudential and treasury management indicators, with quarterly updates for monitoring purposes. Examples were provided in the appendices. The Council had not taken on any new borrowing since March 2019. The Council could only borrow for capital purposes and funding was done through the General Fund and the Housing & Revenues Account. Current forecasting confirmed no new borrowing would be required for the financial year 2023 – 2024.

A Panel Member was pleased with the report but stated he was concerned about the debt the Council still had, whilst recognising efforts had been made to pay off some of the debt. He stated residents paid a lot for their Council tax and wanted them to have quality services.

The Cabinet Member for Resources stated that the Council monitored its spending cautiously and had made efforts to pay off the borrowing. She said the reasons for the borrowing were the administrations ambitious plans for the City and to contribute to the City’s economic development. She stated this was done due to a lack of financial strategy and support from the National Government since 2010. She stated that the definitions were different, that “borrowing” was not the same as “debt”. She said that borrowing was to fund capital projects and done in accordance with programs.

A Panel Member asked how the Council protected itself from the volatility of the markets, such as rises in interest rates.

The Chief Accountant said all borrowing was based upon fixed term agreements and was informed by external advisors. She said they had benefitted from interest rates going up. Investments were short term and on double A rated money markets. Treasury Management always set informed budget plans which considered possible future projections.

The Cabinet Member for Resources stated that the Reserves were earmarked for any issues to cover.

# Performance, Budget and MTFS

Resources and Equality Scrutiny Panel  
7 December 2023

Page 13

Agenda Item No: 4

## Introduction

Budget Scrutiny for

- Background
- Draft Budget 2024-2025 and Medium Term Financial Strategy
- Our City Our Plan Performance
- Future Challenges
- Strategic Risk Register

## Background

- This presentation provides an update on the budget position and the draft budget for 2024-2025.
- Scrutiny are asked to:
  - consider and comment on the draft budget and how it is aligned to priorities of the Council
  - Provide feedback to Scrutiny Board for consolidation and onward response to Cabinet on the Draft Budget 2024-2025 and Medium-Term Financial Strategy

# Draft Budget 2024-2025 and MTFS Overview



## Draft Budget and MTFS

- The 2023-2024 budget and MTFS was approved by Full Council on 1 March 2023. We reported a forecast budget deficit of £16.4 million in 2024-2025 rising to £23.1 million over the medium term to 2025-2026.
- Work has been ongoing to reduce the deficit with an update to Cabinet on 18 October 2023. The budget deficit for 2024-2025 is now projected to be in the region of £2.6 million.
- However, the budget and MTFS include efficiency targets which are held corporately totalling £6.2 million in 2023-2024, of which only £2 million has been allocated on a recurrent basis and £4.2 million is one off in nature.
- In addition, the current working assumptions include a further £2.6 million efficiency target for 2024-2025.
- Therefore, in addition to the £2.6 million projected deficit, efficiencies totalling £6.8 million is still required to be identified for 2024-2025.

## Draft Budget and MTFS

- The projected budget deficit rising to over £20 million for 2025-2026.
- Work will continue to be undertaken to bring forward proposals to set a balanced budget for 2024-2025 and deliver a sustainable medium term financial strategy.
- Budget setting process is still under way. The Draft Budget presented in these slides is subject to changes.

# 2023-2024 Draft Budget and MTFS 2023-2024 to 2025-2026 Overview

Page 19

Scrutiny Panel	2023-2024 Gross Expenditure Budget £000	2023-2024 Gross Income Budget £000	2023-2024 Net Revenue Expenditure/ (Income) Budget £000	Pay Related growth* £000	Growth 2024-2025 £000	Savings 2024-2025 £000	2024-2025 Draft Net Revenue Expenditure / (Income) Budget £000
Economy and Growth Scrutiny Panel	16,405	(10,747)	5,658	-	-	-	5,658
Health Scrutiny Panel	30,993	(29,897)	1,096	-	(360)	-	736
Resources and Equality Scrutiny Panel	226,224	(114,443)	111,781	10,645	(4,674)	4,423	122,175
Climate Change, Housing and Communities Scrutiny Panel	88,320	(49,485)	38,835	-	15	(1,000)	37,850
Children and Young People Scrutiny Panel	262,674	(209,208)	53,466	-	1,000	-	54,466
Adults Scrutiny Panel	139,025	(43,447)	95,578	-	11,699	-	107,277
<b>Net Budget Requirement</b>	<b>763,641</b>	<b>(457,227)</b>	<b>306,414</b>	<b>10,645</b>	<b>7,680</b>	<b>3,423</b>	<b>328,162</b>
<b>Corporate Resources</b>			<b>(306,414)</b>		<b>(19,154)</b>		<b>(325,568)</b>
<b>Budget Challenge as at 18 October 2023</b>							<b>2,594</b>

- Draft revised budget for 2023-2024 does not reflect passing out 2023-2024 pay award. This is held corporately. The 2023-2024 pay award was approved on 1 November and budgets will be passed out to services over the next few months
- \* Pay related growth currently held corporately – includes provision for a 3% pay award
- \*\*projected budget deficit assuming the delivery of efficiency targets totalling £6.8 million in 2024-2025

## Overview – Uncertainties

- There continues to be significant uncertainty around
  - Future funding
  - Inflationary pressures
  - Demand for services
  - Future pay awards – currently assumes 3% in 2024-2025 and 2% for future years

# **Resources and Equality Scrutiny Panel**

**Draft budget 2024-2025 and MTFS**

# Draft Budget

Service	2023-2024	2023-2024	2023-2024	2024-2025	2024-2025	2024-2025	2024-2025
	Gross Expenditure Budget	Gross Income Budget	Net Revenue Expenditure/ (Income) Budget	Pay Related growth*	Growth	Savings	Draft Net Revenue Expenditure / (Income) Budget
	£000	£000	£000	£000	£000	£000	£000
Catering	3,597	(3,636)	(39)	-	-	-	(39)
Cleaning	5,427	(3,878)	1,549	-	-	-	1,549
Corporate Asset Management	13,124	(85)	13,039	-	-	-	13,039
Estates and Valuations	772	(5,831)	(5,059)	-	(855)	-	(5,914)
Facilities Management	1,888	(393)	1,495	-	-	-	1,495
Project and Works Team – Capital Programmes	1,139	(961)	178	-	-	-	178
Project and Works Team – Maintenance Programme	3,097	(198)	2,899	-	-	-	2,899

Page 22

- Draft revised budget after reversal of one-off virements
- The 2023-2024 pay award was approved on 1 November and is currently held corporately -
- The forecast impact of the 2024-2025 pay related growth –increments, NI and potential pay award is also held corporately. Current working assumptions make provision for a pay award of 3%
- At this point in time some growth and efficiency targets are being held in Corporate Accounts and will allocated when services have identified where it needs to be reflected.

# Draft Budget

Service	2023-2024	2023-2024	2023-2024	2024-2025	2024-2025	2024-2025	2024-2025
	Gross Expenditure Budget	Gross Income Budget	Net Revenue Expenditure/ (Income) Budget	Pay Related growth*	Growth	Savings	Draft Net Revenue Expenditure / (Income) Budget
	£000	£000	£000	£000	£000	£000	£000
Audit Services	4,001	(2,239)	1,762	-	-	-	1,762
Central Corporate Budgets	6,098	(2,742)	3,356	-	-	-	3,356
Commercial Services	813	(309)	504	-	-	-	504
Council Tax Rebate and Discretionary Reductions Schemes	1,161	(661)	500	-	300	-	800
Director of Finance	174	(3)	171	-	-	-	171
Energy Grants	795	(795)	-	-	-	-	-
Housing Benefit Payments & Subsidy	67,296	(65,348)	1,948	-	-	-	1,948
Procurement Services	1,195	(293)	902	-	-	-	902
Revenues & Benefits	5,997	(2,941)	3,056	-	(500)	-	2,556
Strategic Finance	3,158	(445)	2,713	-	-	-	2,713
The Hub	2,852	(870)	1,982	-	-	-	1,982

- Draft revised budget after reversal of one-off virements
- The 2023-2024 pay award was approved on 1 November and is currently held corporately.
- The forecast impact of the 2024-2025 pay related growth –increments, NI and potential pay award is also held corporately. Current working assumptions make provision for a pay award of 3%
- At this point in time some growth and efficiency targets are being held in Corporate Accounts and will allocated when services have identified where it needs to be reflected.

# Draft Budget

Service	2023-2024	2023-2024	2023-2024	2024-2025	2024-2025	2024-2025	2024-2025
	Gross Expenditure Budget	Gross Income Budget	Net Revenue Expenditure/ (Income) Budget	Pay Related growth*	Growth	Savings	Draft Net Revenue Expenditure / (Income) Budget
	£000	£000	£000	£000	£000	£000	£000
Business Continuity & Emergency Planning	143	(137)	6	-	-	-	6
Chief Operating Officer	190	(3)	187	-	-	-	187
Deputy Director of People and Change	139	-	139	-	-	-	139
Equalities	345	(171)	174	-	-	-	174
Governance Services	3,671	(594)	3,077	-	-	393	3,470
Health and Safety	628	(325)	303	-	-	-	303
Human Resources	3,548	(190)	3,358	-	16	-	3,374
Legal Services	3,650	(1,721)	1,929	-	-	-	1,929
Organisational Development	1,590	(369)	1,221	-	-	-	1,221
Projects and Change	710	(110)	600	-	-	-	600
Support Services	5,538	(1,065)	4,473	-	-	-	4,473

- Draft revised budget after reversal of one-off virements
- The 2023-2024 pay award was approved on 1 November and is currently held corporately -
- The forecast impact of the 2024-2025 pay related growth –increments, NI and potential pay award is also held corporately. Current working assumptions make provision for a pay award of 3%
- At this point in time some growth and efficiency targets are being held in Corporate Accounts and will allocated when services have identified where it needs to be reflected.



# Draft Budget

Service	2023-2024	2023-2024	2023-2024	2024-2025	2024-2025	2024-2025	2024-2025
	Gross Expenditure Budget	Gross Income Budget	Net Revenue Expenditure/ (Income) Budget	Pay Related growth*	Growth	Savings	Draft Net Revenue Expenditure / (Income) Budget
	£000	£000	£000	£000	£000	£000	£000
Archives Services	138	(50)	88	-	-	-	88
Customer Services	2,919	(550)	2,369	-	-	-	2,369
Data and Analytics	1,723	(702)	1,021	-	-	-	1,021
Digital and IT	10,800	(3,057)	7,743	-	-	-	7,743
External Funding and Digital Projects	767	(486)	281	-	-	-	281
Policy and Strategy	166	-	166	-	-	-	166
Register Office	442	(460)	(18)	-	-	-	(18)
Strategy	175	(3)	172	-	-	-	172

- Draft revised budget after reversal of one-off virements
- The 2023-2024 pay award was approved on 1 November and is currently held corporately -
- The forecast impact of the 2024-2025 pay related growth –increments, NI and potential pay award is also held corporately. Current working assumptions make provision for a pay award of 3%
- At this point in time some growth and efficiency targets are being held in Corporate Accounts and will allocated when services have identified where it needs to be reflected.

# Draft Budget

Service	2023-2024	2023-2024	2023-2024	2024-2025	2024-2025	2024-2025	2024-2025
	Gross Expenditure Budget	Gross Income Budget	Net Revenue Expenditure/ (Income) Budget	Pay Related growth*	Growth	Savings	Draft Net Revenue Expenditure / (Income) Budget
	£000	£000	£000	£000	£000	£000	£000
Communications	858	(199)	659	-	-	-	659
Director of Communications and Visitor Experience	167	-	167	-	-	-	167
Ward Funds	200	-	200	-	-	-	200
West Midlands Strategic Migration Partnership	747	(749)	(2)	-	-	-	(2)
Chief Executive & Deputy Chief Executive	401	-	401	-	-	-	401
Corporate Accounts	63,985	(11,874)	52,111	10,645	(3,635)	4,030	63,151
<b>Total</b>	<b>226,224</b>	<b>(114,443)</b>	<b>111,781</b>	<b>10,645</b>	<b>(4,674)</b>	<b>4,423</b>	<b>122,175</b>

- Draft revised budget after reversal of one-off virements.
- The 2023-2024 pay award was approved on 1 November and is currently held corporately.
- The forecast impact of the 2024-2025 pay related growth –increments, NI and potential pay award is also held corporately. Current working assumptions make provision for a pay award of 3%
- At this point in time some growth and efficiency targets are being held in Corporate Accounts and will allocated when services have identified where it needs to be reflected.

# Our City Our Plan Performance

# Performance Overview

## Our Council

Sickness absence rates increased slightly in quarter 2 to 3.23%, this data does not include COVID which was separated. Mental health issues, musculoskeletal and operations were recorded as the top three sickness absence reasons. Preventative support is offered through a wide range of methods such as practical, emotional and mental wellbeing support, including financial wellbeing via our employee assistance programme, confidential counselling, and access to our 60 Mental Health First Aid practitioners.

Staff turnover has increased; however, the Council has launched an exit interview scheme which is gathering data on the reasons why staff are choosing to continue their careers outside of the Local Authority. These trends are being analysed to support a better experience for our staff.

# Performance Overview

## Our Council

After large decreases in call waiting times for Customer Services through 2022/23, call times have remained lower in 2023/24 than historical trends. This is linked to increased staff investment in our busiest Customer Services areas.

The Council continues to prioritise spend with local businesses, with 439 Wolverhampton based spent with in Q2 2023/24.

## Earmarked Reserves

- Full list of Earmarked Reserves balances of all reserves at the end of 2022-2023 financial year were last reported to Cabinet on 12 July 2023 which can be accessed from:

[Agenda for Cabinet on Wednesday, 12th July, 2023, 5.00 pm :: Wolverhampton City Council \(modern.gov.co.uk\)](#)

Page 30

Forecast Reserves balances for 2023-2024 is included as a separate agenda item at this scrutiny panel.

# Risks / Key areas to note

## Finance

- Increased demand in relation to temporary and supported accommodation seen as a result of a number of factors including an increase in the cost of living, increase in people being evicted from the private sector and increased number of families being asked to leave due to relationship breakdowns. The Council is focusing on preventative action where possible to reduce this pressure and also looking at expanding council owned temporary accommodation by bringing back into use some empty properties to mitigate the budget risk. The impact on this demand is seen both in housing budgets and in Housing Subsidy budgets.

## Project and Works Team - Maintenance Programme

- Financial risk arising from continued inflationary increases in costs associated with undertaking planned and reactive building maintenance and repairs currently mitigated by reductions in overall activity.

## Corporate Asset Management

- Continued uncertainty around central utilities and volatility of the energy markets pose an ongoing financial risk.

## Digital and IT

- Increasing and ongoing cyber security risks.

## Various Services

- A number of service areas continue to experience risks arising from difficulties in recruitment e.g. Legal, Finance, Procurement, Digital & IT.

## Strategic Risk Register

- Risks last reported to the Cabinet on 15 November 2023.
- The following strategic risk relevant to this panel:
  - Cyber Security
  - Major Core System Failures
  - Reinforced Autoclaved Aerated Concrete (RAAC)
  - Information Governance
  - Employee Recruitment and retention
  - Health and Safety of Council Employees



## Strategic Risk Register

- Equal Pay
- Medium Term Financial Strategy
- Financial Management
- Related Parties – Linked Bodies
- Impact of statutory legislation and guidance on the Council
- Strategic Risk register is available at:
- <https://wolverhampton.moderngov.co.uk/documents/s256782/Appendix%206%20-%20Strategic%20Risk%20Register.pdf>
- Detailed discussion of risks took place at Audit and Risk Committee on 27.11.23 including detailed review of Employee recruitment and retention risk

[wolverhampton.gov.uk](http://wolverhampton.gov.uk)

# Resources and Equality Scrutiny Panel

7 December 2023

<b>Report title</b>	Reserves Strategy	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<b>Wards affected</b>	All Wards	
<b>Accountable director</b>	Claire Nye, Director of Finance	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee(s)</b>	Alison Shannon	Chief Accountant
	Tel	01902 554561
	Email	Alison.Shannon@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	N/A	

---

## Recommendations for action or decision:

The Panel is recommended to:

1. Provide its view and observations on the Council's Reserve Strategy and use of reserves held by the council.

## **1.0 Purpose**

- 1.1 The purpose of this report is to seek the views and observations of members of the Resources and Equalities Scrutiny Panel on the Reserves Strategy and the use of reserves held by the Council.

## **2.0 Background**

- 2.1 Reserves are made up of revenue resources which have been set aside by the Council in previous financial years in order to fund specific items of expenditure in the future. The timing and certainty of this future expenditure varies, depending on the nature of the related spend.
- 2.2 The Reserves Strategy and the Council's financial procedure rules, set out the governance arrangements for the establishment and movements on reserves. Reserves must also be reviewed for relevance and adequacy at least twice per financial year, as part of the outturn and budget preparation processes.
- 2.3 The last such review was reflected in the 'Reserves and Provisions 2022-2023' report to Cabinet on 12 July 2023. Table 1 below details the balances and specific reserves held by the Council as at 31 March 2023 which were included in the Council's draft Statement of Accounts. It should be noted that since reporting to Cabinet in July, minor adjustments have made to the reserves, the tables below show the latest position which has been included in the draft statement of accounts.
- 2.4 Reserves play a vital role in the financial sustainability of the Council. The Council's General Fund balance stands at £15.3 million, which is approximately 5% of the net budget for 2023-2024 and is in line with recommended best practice. In addition, the Council holds specific reserves which are set aside to fund future planned expenditure. It is vital that the Council continues to hold these reserves to mitigate the risk of uncertainty and any potential future expenditure, and to support the delivery of council priorities.
- 2.5 The important issue for the Council in looking forward is whether or not the revenue reserves, taken together with the Council's general balances, are sufficient to meet the cost of fulfilling the obligations (past or future) for which these reserves were established. If those obligations have been met, it is good practice to release the reserve. The funds released are then available for other uses.
- 2.6 Due to the projected financial challenges facing the Council over the medium term, combined with the budget risks, reserves should only be called on in very specific circumstances and are not a viable funding option to reduce the projected budget deficit over either the short or longer term.

### 3.0 Reserves Strategy

- 3.1 The Reserves Strategy was approved by Council on 1 March 2023 and provides details of the reserves held by the council, their planned use and the governance arrangements.
- 3.2 The Reserves Strategy can be found at Appendix 1.
- 3.3 As detailed in paragraph 2.4 the General Fund Balance Reserve currently stands at £15.3 million, which is approximately 5% of the 2023-2024 net budget. As outlined in the Reserves Strategy in Appendix 1, the Section 151 Officer will consider a number of factors in determining the level of funding in this reserve. The level of this reserve will also be considered to ensure it is still approximately 5% once the 2024-2025 budget.
- 3.3 The Council holds revenue usable reserves for different purposes:
- **Managing risks:** Our annual budget and MTFs is based on robust estimates of the resources available to us and the cost of delivering services and council priorities. However, like any large complex organisation we face risks and uncertainty. Inevitably there will be changes facing us including levels of demand, costs, funding streams, government policy. Therefore, we hold a number of reserves specifically to protect us against unforeseen expenditure or loss of income as a result of such risks materialising.
  - **Investment Reserves:** Funds held to pump prime investment and activity to support the delivery of Our City: Our Plan and transformation.
  - **Smoothing Reserves:** To manage areas where the expenditure or income is variable and unpredictable but where the annual fluctuations are averaged out over the medium term.
  - **Restricted Reserves:** To manage external funding received for specific purposes where the decisions on how the funding is used is not wholly within the control of the Council. Restricted reserves include balances held on behalf of schools.
- 3.4 The table below provides a summary on the balance of these reserves as at the 1 April 2023, planned use and forecast balance at the 31 March 2024. Further detail can be found in Appendix 2.
- 3.5 Reserves and commitments are reviewed on a regular basis to ensure that they still reflect our priorities and to ensure we are proactively managing financial risks and challenges.

**Table 1 – Revenue Reserves:**

<b>Reserve</b>	<b>Balance at 1 April 2023 £000</b>	<b>Net Forecast Use/ (Contribution) 2023-2024 £000</b>	<b>Forecast Balance for 2023-2024 £000</b>
General Fund Balance	(15,321)	-	(15,321)
Risk Management	(16,445)	3,877	(12,568)
Investment	(19,994)	11,183	(8,811)
Smoothing	(12,634)	11,535	(1,099)
<b>Sub Total</b>	<b>(64,394)</b>	<b>26,595</b>	<b>(37,799)</b>
Restricted	(22,751)	9,613	(13,138)
Restricted (Schools)	(15,154)	655	(14,499)
<b>Grand Total</b>	<b>(102,299)</b>	<b>36,863</b>	<b>(65,436)</b>

#### **4.0 Benchmarking**

- 4.1 As reported in the Performance and Budget Monitoring reports, the Office of Local Government (Olog), have published some data and analysis around performance of local government, including data on reserves.
- 4.2 Benchmarking can help to sense check our strategy and approach. However, it must be recognised that every council will have a different financial position and risks to manage.
- 4.3 The data published by Oflog, showed that Wolverhampton had a lower percentage when compared against the median of both CIPFA nearest neighbours and England. However, this data is now significantly out of date having been based on the outturn position for 2021-2022. Should further up to date benchmarking data become available we will update Cabinet and Scrutiny Members,

#### **5.0 Questions for Scrutiny to consider**

- 5.1 The Panel is asked recommended to provide its views and observations on Council's Reserve Strategy and use of reserves held by the council.

#### **6.0 Financial implications**

- 6.1 These are discussed in the body of the report and are detailed in full at Appendices 1. [MH/29112023/Q]

#### **7.0 Legal implications**

7.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.  
[SZ/29112023/P]

## **8.0 All other implications**

8.1 There are no other direct implications arising as a result of this report. However, any consideration given to the use of reserves, provisions or balances could have direct or indirect equality implications. These will need to be considered as and when sums are allocated from reserves and/or balances whereby an initial screening will be conducted.

## **9.0 Appendices**

9.1 Appendix 1 – Reserves Strategy

9.2 Appendix 2 – Revenue Reserves

## **10.0 Schedule of background papers**

10.1 Reserves and Provisions 2022-2023 report to Cabinet, 12 July 2023.

This page is intentionally left blank



## Reserves Strategy

### 1.0 What Are Reserves?

1.1 Reserves are resources that the Council has accumulated over time. They are an integral element of our budget setting process, medium-term financial plan and financial management. We use reserves to help mitigate the risks that we face as well as to fund specific planned expenditure.

### 2.0 What the Law and the Chartered Institute of Public Finance and Accountancy (CIPFA) say:

2.1 The Local Government Act 2003 (section 25) requires local authorities, when setting their budgets and the level of Council tax, to have regard to the advice of the Chief Financial Officer, namely the officer appointed under s.151 of the Local Government Act 1972 (“the CFO”), on the adequacy of the proposed financial reserves.

2.2 The CIPFA Financial Management (FM) Code states that

- Local authorities are directed to have regard to the level of reserves when considering their budget requirement. Consequently, reserves are a recognised and intrinsic part of financial planning and budget setting. The assessment of ‘adequate’ and ‘necessary’ levels of reserves is a matter for local authorities to determine. It is the responsibility (with statutory backing in England and Wales) of the CFO to advise the local authority on the appropriate level of reserves and the robustness of the estimates.
- A well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed.
- These should be maintained at a level appropriate for the profile of the authority’s cash flow and the prospect of having to meet unexpected events from within its own resources.
- The budget report should include details of the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions/withdrawals and the estimated closing balances
- The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves

### 3.0 Usable and Unusable Reserves

- 3.1 In accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) our reserves are categorised in the Statement of Accounts as either usable or unusable.
- 3.2 The Code describes usable reserves as those that represent resources that the authority might use to support service delivery at the reporting date. Some usable reserves may have restrictions upon their use dependent upon the relevant legislative requirements.
- 3.3 Unusable reserves are not available to use to support service delivery at the reporting date. These reserves arise from either:
- a) statutory adjustments required to reconcile balances to the amounts chargeable to council tax (or rents) for the year, in order to comply with legislation, or
  - b) accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services
- 3.4 This strategy relates to usable reserves only.

### 4.0 Capital Reserves

- 4.1 The Council has the following capital usable reserves:
- **Major Repairs Reserve:** The council is required to maintain the major repairs reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end
  - **Capital Receipts Reserve:** This reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
  - **Capital Grants unapplied Account:** This reserve holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.
- 4.2 The use of these reserves is subject to the Capital Programme Funding Strategy and Treasury Management Strategy. These reserves do not form part of this strategy.

### 5.0 Housing Revenue Account (HRA)

- 5.1 The HRA balance acts as a corporate contingency for unexpected events and emergencies. The level of HRA balance is considered and approved as part of the annual HRA Business Plan report.

## 6.0 Types of Revenue Usable Reserves

6.1 We hold revenue reserves for different purposes:

- **Managing risks:** Our annual budget and MTFs is based on robust estimates of the resources available to us and the cost of delivering services and council priorities. However, like any large complex organisation we face risks and uncertainty. Inevitably there will be changes facing us including levels of demand, costs, funding streams, government policy.  
Therefore, we hold a number of reserves specifically to protect us against unforeseen expenditure or loss of income as a result of such risks materialising.
- **Investment Reserves:** Funds held to pump prime investment and activity to support the delivery of Our City: Our Plan and transformation.
- **Smoothing Reserves:** To manage areas where the expenditure or income is variable and unpredictable but where the annual fluctuations are averaged out over the medium term.
- **Restricted Reserves:** To manage external funding received for specific purposes where the decisions on how the funding is used is not wholly within the control of the Council. Restricted reserves include balances held on behalf of schools.

## 7.0 Governance

- 7.1 All reserves will be reviewed at year end as part of the preparation of the statement of accounts. A report on reserves will be presented to Cabinet following year end outlining the purpose of each reserve, any proposals for new reserves, the balance and any commitments against the reserve and plans for their use where appropriate. Governance arrangements for each reserve will be specified in this report.
- 7.2 In accordance with The Code, the Statement of Accounts provides a full breakdown of reserve balances on 31 March and the annual movement in reserves (usable and unusable, capital and revenue). The Statement of Accounts is subject to external audit.
- 7.3 The use of reserves during the year will be reported as part of quarterly Performance, Finance and Risk Reports to Cabinet.
- 7.4 As part of the budget setting process a scrutiny working group will review the Reserves Strategy and the use of reserves.
- 7.5 This reserves strategy will then be refreshed and presented to Cabinet as part of the suite of documents underpinning the budget and MTFs.

## 8.0 Our Strategy

8.1 The Council has the following set aside in usable revenue reserves:

Balance at 1 April 2022 £000	Forecast Balance at 31 March 2023 £000	Commitments already approved for future years £000	Approvals sought as part of this budget report for 2023-2024 £000	Forecast Balance - Future £000
---------------------------------------	--	--	---	---

This report is PUBLIC  
[NOT PROTECTIVELY MARKED]

General Fund Balance	(13,651)	(15,321)	-	-	(15,321)
Risk Management	(19,814)	(14,337)	2,200	-	(12,137)
Investment	(20,826)	(12,834)	2,962	497	(9,375)
Smoothing	(18,543)	(7,210)	5,800	-	(1,410)
<b>Sub Total</b>	<b>(72,834)</b>	<b>(49,702)</b>	<b>10,962</b>	<b>497</b>	<b>(38,243)</b>
Restricted	(37,803)	(18,242)	4,620	1,936	(11,686)
Restricted (Schools)	(15,232)	(15,326)	-	-	(15,326)
<b>Grand Total</b>	<b>(125,869)</b>	<b>(83,270)</b>	<b>15,582</b>	<b>2,433</b>	<b>(65,255)</b>

## 8.2 General Fund Balance Reserve

8.3 The General Fund Balance Reserve acts as a corporate contingency to cushion the impact of unexpected events or emergencies. It also provides a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

8.4 There is no statutory minimum for the level of General Fund Balance to be held although it is widely accepted that a minimum of 5% of net budget is best practice. In making a recommendation as to the level of General Fund Balance Reserve which should be maintained, the Section 151 Officer considers:

- **The overall financial position of the Council:** The budget proposed for 2023-2024 is balanced without the need to draw on the General Fund Balance Reserve and growth has been provided in response to significant increases in costs and demand. The budget does not include significant savings programmes at service level but there are a number of corporate efficiency targets that must be delivered. It is projected that the medium term forecast budget deficit could be in the region of £23.1 million by 2025-2026.
- **The Council's financial management arrangements and track record:** The Council has a good track record of managing finances well, setting robust budgets aligned to Our City: Our Plan. There is rigorous budget monitoring aligned to performance and risk management and a track record of delivering within budget despite emerging in year pressures.
- **The level of risk and uncertainty facing the council:** There are a number of significant risks and uncertainty including high levels of inflation, the impact of cost of living on residents and businesses, increasing interest costs, unknown pay award for 2023-2024 and uncertain government funding beyond 2023-2024.
- **The level of other risk management reserves:** There are a number of other reserves to manage risks: Budget Contingency Reserve, Budget Strategy Reserve, Insurance Reserve and Job Evaluation Reserve. The total of these reserves, after approved commitments, is £12 million.
- **The level of specific contingencies within the annual budget to manage in year pressures.** The budget includes contingencies for inflationary pressures, and increase in demand. These are held corporately to mitigate against cost pressures and will be passed out to services subject to business cases.

8.5 In summary, the Council faces significant financial challenges over the medium term and high levels of uncertainty over the next 12 months and over the medium term. However, the

Council has robust financial management arrangements, a strong track record of managing in year pressures and a number of reserves to mitigate against specific risks. It is therefore recommended that a minimum level of 5% of net budget is currently sufficient as a General Fund Balance Reserve.

- 8.6 In order to maintain a General Fund Balance of 5% of the 2023-2024 net budget, it is proposed that £1.7 million is transferred from the Budget Strategy Reserve into the General Fund Reserve.

This page is intentionally left blank

**Earmarked Reserves**

**Managing Risks:** The following reserves have been created to manage risks.

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Risk Management</b>				
Adults Social Care Reserve for Growth and Demand Pressures	This reserve is to support increases in growth and demand across adult social care	(2,000)	2,000	-
Budget Contingency Reserve	Available to address in-year budget pressures that cannot be addressed from within existing service budgets.	(5,626)	1,768	(3,858)
Budget Strategy Reserve	Funds in this reserve are available to address reorganisation costs as a result of the financial challenges faced by the Council over the medium term.	(5,899)	-	(5,899)
Insurance Reserve	The Reserve is for unexpected insurance claim events that cannot be covered by Insurance Fund budgets. Insurance claims costs vary year to year and a contribution may be made to or from the Reserve dependent on the Fund outturn position.	(2,811)	-	(2,811)

Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Risk Management</b>				
Page 48 RA Homelessness	Available to support initiatives that work to prevent homelessness. This reserve was set up due to the uncertain future of the grant. Homelessness is on the increase and the Homelessness Reduction Act requires authorities to provide earlier interventions to prevent homelessness.	(109)	109	-



**Earmarked Reserves**

**Investment Reserves:** These reserves have been created to enable investment to support Our City: Our Plan

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Investment</b>				
Climate Change Reserve	Funds in this reserve are available for climate change feasibility works and will enable the Council to tackle climate change with a shift to net carbon zero by 2028.	(624)	566	(58)
Transformation Reserve	To progress the Our Council Transformation Strategy and ultimately deliver greater efficiencies.	(2,948)	1,843	(1,105)
Efficiency Reserve	Available to allow pump priming and investment in new developments, where the main aim is to generate efficiencies in the future as supported by a fully costed business case.	(5,360)	209	(5,152)
Community Initiatives	For a programme of positive community-based activities to engage and develop young people.	(999)	711	(288)
Our City Our Plan Reserve	This reserve is to support Our City, Our Plan priorities.	(5,055)	3,589	(1,466)

Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Investment</b>				
Ward Funds Reserve	The Reserve is to carry forward unspent Ward Funds for future use to be determined in conjunction with Councillors.	(137)	137	-
Regeneration Reserve	To fund projects in support of corporate regeneration priorities and maintaining the city centre development.	(2,318)	1,753	(565)
Adult Services Transformation Reserve	Over the next few years the Adult Service Transformation Programme will be refreshed and will prioritise a number of key projects, including the redesign of the operating model, associate structures, and review of the practice model. This reserve will be used to support this transformation work and deal with the growing demand within Adult Social Care.	(2,478)	2,372	(106)
Kickstart Loans	Recycling of funds secured following the repayment of Kickstart Loans into assistance for	(72)	-	(72)

Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Investment</b>				
	private sector housing improvements.			
P 200 51 Schools Arts Service Reserve	This reserve is made up of funds to support educational art projects in schools and the wider community, which may lead to increased future income streams.	(3)	3	-

**Earmarked Reserves**

**Smoothing Reserves:** The following reserves have been created to manage fluctuations which are balanced over the medium term.

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Smoothing</b>				
Future Years Budget Strategy Reserve	Funds have been transferred into this reserve to support the budget strategy in future years.	(11,535)	11,535	-
Revenues and Benefits Strategy Reserve	Funds available to address changes in benefit distribution.	(1,059)	-	(1,059)
Elections Reserve	The cost of running local elections to the Council in any year is dependent on whether they are standalone or combined elections. Combined elections costs are effectively shared, resulting in efficiencies enabling contribution to be made to this reserve. Standalone election costs are conversely expected to exceed the local elections budget. In these years the additional costs are to be funded from the Elections Reserve.	(40)	-	(40)

**Earmarked Reserves**

**Restricted Reserves:** These reserves have been created to manage ring-fenced funding.

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Restricted</b>				
Safeguarding Partnership Board	To fund the Safeguarding Partnership Board expenditure in future years. This reserve is made up of contributions from our partners to support the running costs of the Safeguarding Partnership Board.	(212)	21	(191)
Building Resilience Reserve	To continue activities under the preventing violent extremism work stream.	(4)	-	(4)
The Education (Penalty Notices) Regulations 2007	This reserve is made up fines levied to parents where their children are taken out of school on holidays during term time. The fund can only be spent on issuing and enforcing penalty notices, and prosecuting recipients who do not pay.	(117)	-	(117)

Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Restricted</b>				
Regional Adoption Agency (RAA)	As part of the funding agreement with partner Authorities in the Regional Adoption Agency it has been agreed that an overspend up to 5% of the approved budget will be held in a reserve to be utilised in future years.	(990)	250	(740)
PFI surplus reserve	A reserve to allow in year PFI contract efficiencies to be utilised to meet future years expenditure.	(2,490)	-	(2,490)
Victoria Square Sinking Fund Reserve	Contributions made by tenants and set aside by the Council to meet future maintenance costs at Victoria Square commercial units.	(30)	-	(30)
Magistrates Court Reserve	Sinking fund to meet non recoverable refurbishment costs for buildings occupied by Magistrates Courts' staff.	(34)	-	(34)

Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Restricted</b>				
Markets Reserve	To fund periodic repairs and maintenance at the wholesale market including, for example, internal and external redecoration. The Reserve has been established from market trader contributions (part of annual service charges).	(92)	-	(92)
Licensing Reserve Wolverhampton	The Licensing service is not permitted to make a surplus over a three-year period. Against this background the reserve is used to minimise variations in fees imposed as costs and license volumes fluctuate between years.	(2,651)	1,070	(1,581)
Wholesale Market Sinking Fund	Established to fund specific major replacement and refurbishment projects at the wholesale market including, for example, plant and equipment replacement or a roof replacement. This reserve has been established from market trader contributions (part of annual service charges).	(21)	-	(21)

Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Restricted</b>				
Highway Management Reserve	Reinvestment of funds secured through Bus Lane enforcement into Highway improvement.	(1,021)	284	(737)
Page 56 Private Sector Housing - Civil Penalties	This reserve is made up of fines levied on private sector landlords under the Housing Planning Act 2016. As an alternative to prosecution landlords can be fined for breaches of the act for example breaches of an improvement notice or overcrowding in a property. Fines can be up to £30,000 and are ringfenced to provision of the service.	(124)	53	(71)



Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Restricted</b>				
Private Sector Housing Licencing Fees	Licencing fees are levied on all private sector properties that offer multiple occupancy. Each property is charged a set fee at the point of registration. Properties are then assessed against pre-defined criteria and are awarded a star rating. Depending upon the star rating awarded an amount of the licence fee is refunded up to a total of the original fee. This reserve is required in order to fund these refunds in future years.	(60)	-	(60)
Revenue Grants Unapplied (IFRS) Reserve	Established in accordance with the principles of IFRS in relation to the recognition of grants and contributions in the council's accounts. Approvals for the use of actual grants are made during the year according to the Council's constitution.	(4,826)	-	(4,826)

Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Restricted</b>				
Art Fund	Funds administered to support revenue expenditure against criteria defined by the bequest.	(33)	-	(33)
Mayors Award	Trust funds administered by the authority with specific criteria for allocation.	(2)	-	(2)
Covid Collection Fund tax income guarantee scheme reserve	In the Spending Review 2020, the Government announced funding to compensate 75% irrecoverable losses from council tax and business rates revenues in 2020-2021, that would otherwise need to be funded through local authority budgets in 2021-2022 and later years. The reserve has been established to hold the funds. Due to Collection Fund accounting treatment, the deficit on the Collection Fund in 2020-2021, to be offset in part by this funding, will not be realised until 2021-2022 and later years.	(2,458)	2,458	-

Earmarked Reserves

Reserve	Description of Reserve	Balance at 1 April 2023 £000	Net Forecast Use/ (Contribution) 2023-2024 £000	Forecast Balance for 2023-2024 £000
<b>Restricted</b>				
Mediation Service	To provide a Mediation Service which is self-funded through annual contributions, mainly from Wolverhampton Homes and Cannock Chase District Council.	(1)	-	(1)
Community Safety	To assist the Safer Wolverhampton Partnership to deliver the Community Safety and Harm Reduction Strategy and its annual Delivery Plan, as authorised by the Office of the Police and Crime Commissioner.	(22)	-	(22)
Public Health	This reserve has been established from ring fenced Public Health grant and is to fund one-off public health initiatives.	(7,306)	5,445	(1,861)
Building Control Service Improvements	Any surplus achieved on the Building Control Service is required to be reinvested back into the service.	(186)	32	(154)
WM Strategic Migration Partnership	0	(56)	-	(56)

**Earmarked Reserves**

<b>Reserve</b>	<b>Description of Reserve</b>	<b>Balance at 1 April 2023 £000</b>	<b>Net Forecast Use/ (Contribution) 2023-2024 £000</b>	<b>Forecast Balance for 2023-2024 £000</b>
<b>Restricted</b>				
Funds and Bequests Reserve (including Mary Ellen Bequest)	Trust funds administered by the authority with specific criteria for allocation.	(16)	-	(16)
Grand Theatre Loop	Trust funds administered by the authority with specific criteria for allocation. Balance in this reserve is £127.00	-	-	-
Schools Balances	0	(15,154)	655	(14,499)

Page 8

# Reserves Strategy

7 December 2022

## Purpose

As part of the budget setting process, Scrutiny panel is asked to review the Reserves Strategy and the use of reserves

The Strategy will then be refreshed and presented to Cabinet as part of the budget and MTFS report.

The Reserves Strategy and reserves held by the Council are found in the appended report.

## Introduction

Reserves are made up of resources which have been set aside by the Council in previous financial years.

They are an integral element of our budget setting process, medium term financial plan and financial management.

On 1 March 2023, Council approved the Reserves Strategy

The council holds earmarked reserves and general fund reserves

## Reserves Strategy

The Council holds earmarked reserves which are held for:

- Managing risk
- Investment reserves
- Smoothing reserves
- Restricted Reserves - including reserves held for schools



## Reserves Strategy

The table below summaries the position on reserves. A full list of reserves is appended to the Report

Earmarked Reserve	Balance as at 1 April 2023 £000	Approved Commitments £000	Forecast balance as at 31 March 2024 £000
Managing Risk	(16,445)	3,877	(12,568)
Investment	(19,994)	11,183	(8,811)
Smoothing	(12,634)	11,535	(1,099)
<b>Total usable earmarked reserves</b>	<b>(49,073)</b>	<b>26,595</b>	<b>(22,478)</b>
Restricted Reserves	(22,751)	9,613	(13,138)
Schools restricted reserves	(15,154)	655	(14,499)

## General Fund Balance Reserve

The General Fund Balance Reserve acts as a corporate contingency to cushion the impact of unexpected events and emergencies.

No statutory minimum for the level of General Fund Balance – but widely accepted that a minimum of 5% of the net budget is best practice. The 2023-2024 net budget is £306.4 million, and the General Fund Balance Reserve currently stands at **£15.3 million**.

In recommending the level of General Fund, the Section 151 Officer will consider:

- The overall financial position of the council
- The council's financial management arrangements and track record
- The level of risk and uncertainty facing the council
- The level of the risk management reserves
- The level of specific contingencies within the annual budget to manage in year pressures.

## Questions for Scrutiny

Scrutiny Panel are asked to:

- Provide views and observations on the Council's Reserves Strategy
- Provide views and observations of the use of reserves held by the Council

[wolverhampton.gov.uk](http://wolverhampton.gov.uk)

<b>Cabinet Member Consultation</b>			
<b>Report title:</b>	Treasury Management Activity Monitoring – Mid Year Review 2023-2024		
<b>Cabinet member(s) consulted</b>	<b>Consulting employee</b>	<b>Mode of consultation</b>	<b>Primary date of consultation</b>
Cllr Miles	Alison Shannon, Chief Accountant	Email	2 November 2023
<b>Key comments arising from consultation (if applicable):</b>			

# Resources and Equality Scrutiny Panel

7 December 2023

<b>Report title</b>	Treasury Management Activity Monitoring – Mid Year Review 2023-2024	
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources	
<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 Tel Email	Director of Finance 01902 550478 Claire.Nye@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Cabinet Council	15 November 2023 6 December 2023

---

## Recommendations for noting:

Members of the Resources and Equality 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 Cabinet on 15 November 2023.

## **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 Resources and Equality Scrutiny Panel fulfils this role.
- 2.2 On 15 November 2023 Cabinet received the report 'Treasury Management Activity Monitoring – Mid Year Review 2023-2024'. This report can be found in Appendix A.
- 2.3 The Scrutiny Panel are asked to note the activity outlined in this report.

## **3.0 Financial implications**

- 3.1 The financial implications are detailed in the Cabinet report of 15 November 2023. [SH/21112023/W]

## **4.0 Legal implications**

- 4.1 The legal implications are detailed in the Cabinet report of 15 November 2023. [TC/16112023/D]

## **5.0 Equalities implications**

- 5.1 The equalities implications are detailed in the Cabinet report of 15 November 2023.

## **6.0 All other implications**

- 6.1 These are detailed in the Cabinet report of 15 November 2023.

## **7.0 Schedule of background papers**

- 7.1 [Treasury Management Activity Monitoring – Mid Year Review 2023-2024](#), report to Cabinet, 15 November 2023

This page is intentionally left blank



<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet</b> <b>15 November 2023</b>
--	---

<b>Report title</b>	Treasury Management Activity Monitoring – Mid Year Review 2023-2024	
<b>Decision designation</b>	RED	
<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 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 Resources and Equality Scrutiny Panel	31 October 2023 6 December 2023 7 December 2023

---

**Recommendations for decision:**

That Cabinet recommend that Council is asked to note:

1. That a mid-year review of the Treasury Management Strategy Statement has been undertaken and the Council has operated within the limits and requirements approved in March 2023.
2. That revenue underspends of £793,000 for the General Fund and £1.5 million for the Housing Revenue Account (HRA) are forecast from treasury management activities in 2023-2024.



2.8 The plan continues to identify an overarching ambition that ‘Wulfrunians will live longer, healthier lives’ delivered through six Council Plan priorities:

- Strong families where children grow up well and achieve their full potential
- Fulfilled lives with quality care for those that need it
- Health, inclusive communities
- Good homes in well-connected neighbourhoods
- More local people into good jobs and training
- Thriving economy in all parts of the city

2.9 These priorities together with the associated key outcomes, objectives and activity form a framework to improve the outcomes for local people and deliver our levelling up ambitions. Supporting the six overarching priorities are three cross cutting principles – Climate Action, Driven by Digital, Fair and Equal.

### 3.0 2023-2024

3.1 The Performance and Budget monitoring report to Cabinet, also on the agenda for this meeting, seeks approval to a virement of £1.5 million from the General Fund treasury management budget to go towards the efficiency target for 2023-2024. The General Fund budget has therefore been reduced from £40.3 million to £38.8 million in this report.

3.2 In addition, the Performance and Budget monitoring report is also seeking approval for a virement of £1.8 million from Housing Revenue Account held to fund interest payments to support additional cost pressures on repairs and maintenance. The HRA budget has therefore been reduced from £14.7 million to £12.9 million.

3.3 The forecast outturn for treasury management activities in 2023-2024 compared to budget is shown in Table 1.

**Table 1 – Treasury management budget and forecast outturn 2023-2024**

	Approved Budget £000	Forecast Outturn £000	Variance at Quarter Two £000
General Fund	38,765	37,972	(793)
Housing Revenue Account	12,999	11,512	(1,487)
<b>Total</b>	<b>51,764</b>	<b>49,484</b>	<b>(2,280)</b>

3.4 Overall, underspends of £793,000 for the General Fund and £1.5 million for the Housing Revenue Account (HRA) are projected for the year 2023-2024.

3.5 In the main, the General Fund underspend is due to; no borrowing being undertaken so far in 2023-2024 and better interest rates achieved on the investment of surplus cash balances than budgeted.

- 3.6 Due to the uncertain economic climate and the increase in interest rates the forecast outturn is difficult to project, and the position will continue to be monitored and updates provided over the remainder of 2023-2024 financial year.
- 3.7 The forecast positions will be considered and incorporated in the Performance and Budget monitoring report to Cabinet also on the agenda for this meeting.
- 3.8 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.
- 3.9 Appendix 1 to this report 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 2023.

#### **4.0 Borrowing forecast for 2023-2024**

- 4.1 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.
- 4.2 Table 2 shows the average rate of interest payable in 2022-2023 and forecast for 2023-2024.

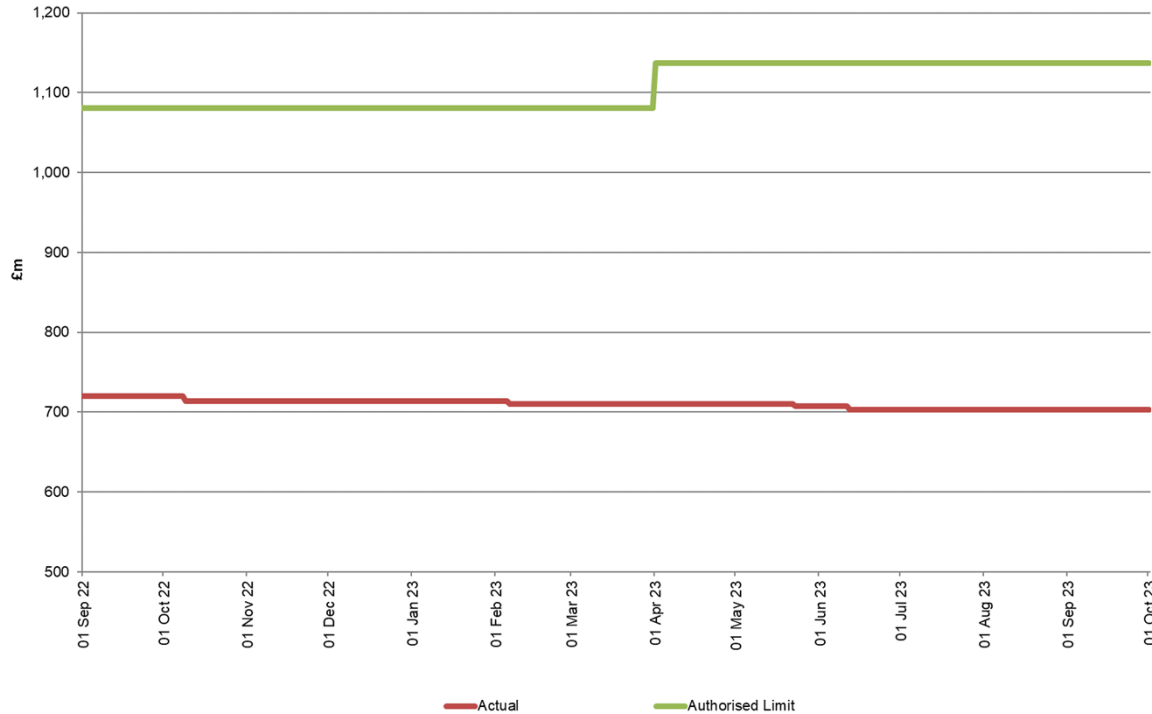
**Table 2 – Average interest rate payable in 2022-2023 and 2023-2024**

	<b>2022-2023</b>	<b>2023-2024</b>
	<b>Actual</b>	<b>Forecast</b>
Average Interest Rate Payable	3.78%	3.81%

- 4.3 The average interest rate payable for 2023-2024 in Table 2 includes the latest rates forecast provided by Link on 25 September 2023. Although interest rates have been rising, due to the majority of the maturing loans in 2023-2024 being a higher rate than those available now, the weighted average rate is forecast to be only marginally higher than that achieved in 2022-2023.
- 4.4 Each year it is usually necessary to raise new loans to finance capital expenditure and to replace existing maturing borrowing. Any borrowing (whether internal or external) must comply with CIPFA's Prudential Code for Capital Finance, importantly this means that borrowing has to be within prudent and sustainable levels and can only be used to invest in local priorities and services that deliver benefits for the City and residents, including physical regeneration with communities, job creation, economic growth etc. 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 At 31 March 2023, the Council held nine Lender Option Borrower Option loans (LOBOs) totalling £48.0 million which were due to mature in 2065-2066 and 2066-2067. LOBOs carry the risk that the lender can 'call' the loan i.e. change certain conditions of the loan such as the dates and the interest rate. If this occurs, the Council then has the option of either continuing with the loan or redeeming it in full without a penalty, so long as this is done within the allowed timescale. Due to current market conditions some LOBO lenders are 'calling' their options and offering inflated long term rates deliberately set unattractively high so it would not be accepted. In October, the Council received one such 'call' for a £7.0 million loan with an interest rate of 4.60%, proposing a new interest rate of 5.94%. Following consultation with Link and a review of alternative options available to the Council, the Council decided to reject the proposal and the loan was repaid, it will be shown as repaid in the quarter three report. In order to be prudent, an assumption that more LOBOs will be called has been reflected in the borrowing requirement for 2023-2024.
- 4.7 As always, the Council needs to be mindful that the opportunity to secure short term efficiencies by postponing longer term borrowing requirements takes into account the risk of long term rates increasing in the future. Appendix 3 to this report includes the Link interest rate forecast for quarter two 2023-2024 which forecasts that Bank Rate may remain at 5.25% for the remainder of the 2023-2024 financial year. The Director of Finance will continue to keep actual and forecast rates under close review.
- 4.8 The Council's borrowing profile continues to operate within the overall limits previously approved by Council, as shown in Chart 1.

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



4.9 The level of borrowing at 30 September 2023 is £703.2 million, Appendix 4 to the report shows a summary of this position. During quarter two no new loans or repayments have occurred, £7.0 million of existing borrowing is due to be repaid between quarters three to four. There was also no debt rescheduled during quarter two.

4.10 In March 2023, Council approved a net borrowing requirement for 2023-2024 of £158.8 million. The forecast net borrowing requirement for 2023-2024 is £160.7 million, as shown in Appendix 5, mainly due to the inclusion of the potential for repaying any LOBO loans being called during the remainder of the financial year, offset by re-phasing of both the capital programme and the allowance made for switching some internal borrowing into external borrowing. 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 2023-2024

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 31 May 2023 and 30 September 2023.

**Table 3 – Total amounts invested 2023-2024**

	<b>31 May 2023</b>	<b>30 September 2023</b>
	<b>£000</b>	<b>£000</b>
Business Reserve Accounts	288	322
Debt Management Account Deposit Facility	-	-
Money Market Funds	29,705	17,035
<b>Total invested</b>	<b>29,993</b>	<b>17,357</b>
Average cash balance for the year to date	34,233	37,750

- 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 second quarter of the current financial year has moved between a low of £17.4 million and a maximum of £57.2 million. The average cash balance for the quarter being £39.1 million.
- 5.5 Table 4 shows the budgeted average rate of interest receivable in 2023-2024 and the forecast for the year.

**Table 4 – Average interest rate receivable in 2023-2024**

	<b>2023-2024</b>	<b>2023-2024</b>
	<b>Budget</b>	<b>Forecast</b>
Average Interest Rate Receivable	2.20%	5.20%

- 5.6 At the time the budget was set a prudent percentage was used for budgeting purposes as the economic uncertainties made it difficult to forecast what future investment rates could be achieved. As the Bank of England has increased the base rate since budget setting, the rates achieved on investments has increased. With the current inflation uncertainties remaining and the subsequent impact this may have on future base rate levels, a prudent rate is forecast based on the increased rates achieved to the 30 September 2023.
- 5.7 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).
- 5.8 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.

- 5.9 The Council's approved Treasury Management Practices 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.
- 5.10 In quarter two 2023-2024 no upper limits with approved counterparties were exceeded. In addition, no institutions in which investments were made had any difficulty in repaying investments or, interest in full, during the quarter 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.

## **6.0 Evaluation of alternative options**

- 6.1 As this is a monitoring report on treasury management activities undertaken in line with the approved Treasury Management Strategy for 2023-2024, 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 2023-2024.

## **8.0 Financial implications**

- 8.1 The financial implications are discussed in the body of this report.  
[SH/26102023/G]

## **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 relevant secondary legislation including the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).
- 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 'DLUHC Guidance on Local Government Investments' issued initially in 2004 and reissued in 2010 and 2018. This guidance includes statutory guidance.

[TC/26102023/B]

## **10.0 Equalities implications**

10.1 Whilst there are no direct equalities implications arising from treasury management activity, the Council's capital programme of individual projects can have significant impact on specific groups and equality implications. These implications are considered when the individual capital projects are being developed.

## **11.0 All other implications**

11.1 There are no other implications arising from this report.

## **12.0 Schedule of background paper**

12.1 [Treasury Management Strategy 2023-2024](#), Report to Cabinet, 22 February 2023

12.2 [Treasury Management – Annual Report 2022-2023 and Activity Monitoring Quarter One 2023-2024](#), Report to Cabinet, 12 July 2023

12.3 [Performance and Budget Monitoring 2023-2024](#), Report to Cabinet, 15 November 2023

## **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

This page is intentionally left blank

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 two capital budget monitoring 2023-2024 report.

	Approved by Council 1 March 2023			As at 30 September 2023		
	2023-2024	2024-2025	2025-2026	2023-2024	2024-2025	2025-2026
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
General Fund *	168,372	69,053	9,810	106,145	164,329	68,557
HRA	131,111	142,117	106,290	112,447	126,929	111,780
	299,483	211,170	116,100	218,592	291,258	180,337
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	13,000	11,900	3,000	3,563	10,430	8,900

**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 1 March 2023			As at 30 September 2023		
	2023-2024	2024-2025	2025-2026	2023-2024	2024-2025	2025-2026
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
General Fund *	719,461	719,195	685,234	679,266	711,659	710,222
HRA	391,937	493,346	561,714	373,963	462,606	539,040
	1,111,398	1,212,541	1,246,948	1,053,229	1,174,265	1,249,262
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	44,792	42,692	32,776	35,390	42,064	40,011
<b>Movement in capital financing requirement represented by:</b>						
New borrowing for capital expenditure	156,049	138,600	71,882	117,980	156,217	107,838
Less minimum revenue provision/voluntary minimum revenue provision	(33,299)	(37,457)	(37,475)	(34,346)	(35,181)	(32,841)
Movement in capital financing requirement	122,750	101,143	34,407	83,634	121,036	74,997

**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.

	As at 30 September 2023		
	2023-2024 Limit £000	2024-2025 Limit £000	2025-2026 Limit £000
Borrowing	1,137,035	1,284,348	1,336,593
Other Long Term Liabilities	75,960	76,416	72,939
Total Authorised Limit	1,212,995	1,360,764	1,409,532
Forecast External Debt as at 30 September 2023:			
Borrowing	829,850	966,430	1,047,903
Other Long Term Liabilities	73,960	74,416	70,939
	903,810	1,040,846	1,118,842
Variance (Under) / Over Authorised limit	(309,185)	(319,918)	(290,690)
<b>Authorised limit for service investments included in the above figures</b>			
Authorised Limit	57,928	72,778	71,762
Forecast External Debt as at 30 September 2023:	45,273	51,947	50,993
Variance (Under) / Over Authorised limit	(12,655)	(20,831)	(20,769)

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.

	As at 30 September 2023		
	2023-2024 Limit £000	2024-2025 Limit £000	2025-2026 Limit £000
Borrowing	1,098,093	1,251,917	1,318,658
Other Long Term Liabilities	73,960	74,416	70,939
<b>Total Operational Boundary Limit</b>	<b>1,172,053</b>	<b>1,326,333</b>	<b>1,389,597</b>
Forecast External Debt as at 30 September 2023:			
Borrowing	829,850	966,430	1,047,903
Other Long Term Liabilities	73,960	74,416	70,939
	903,810	1,040,846	1,118,842
Variance (Under) / Over Operational Boundary Limit	(268,243)	(285,487)	(270,755)
<b>Operational boundary for service investments included in the above figures</b>			
Operational Boundary Limit	54,678	72,778	71,762
Forecast External Debt as at 30 September 2023:	45,273	51,947	50,993
Variance (Under) / Over Operational Boundary Limit	(9,405)	(20,831)	(20,769)

**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 1 March 2023			As at 30 September 2023		
	2023-2024 Forecast £000	2024-2025 Forecast £000	2025-2026 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2025-2026 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,212,541	1,257,210	1,257,915	1,249,259	1,296,124	1,296,906
Gross Debt	1,028,001	1,138,144	1,174,550	903,810	1,040,846	1,118,842
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 Fund and HRA.

	Approved by Council 1 March 2023			As at 30 September 2023		
	2023-2024 Forecast	2024-2025 Forecast	2025-2026 Forecast	2023-2024 Forecast	2024-2025 Forecast	2025-2026 Forecast
General Fund *	15.8%	16.3%	16.4%	15.0%	15.6%	16.5%
HRA	34.8%	37.0%	40.4%	31.9%	35.4%	38.6%
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	0.8%	0.9%	0.8%	0.7%	0.8%	0.8%

**PI 7 - Estimates and actual ratio of net income from commercial and service investments to net revenue stream.**

This represents the financial exposure of the Council to the loss of income from commercial and service investments. Only costs directly attributable to the investments are netted off, so unlike PI 6, the costs of borrowing (interest and MRP) cannot be deducted as they are not directly attributable to managing the investments and will continue regardless of the existence or performance of the investments.

	Approved by Council 1 March 2023			As at 30 September 2023		
	2023-2024 Forecast	2024-2025 Forecast	2025-2026 Forecast	2023-2024 Forecast	2024-2025 Forecast	2025-2026 Forecast
Commercial	-	-	-	-	-	-
Service	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

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

**TMI 1 - Upper limits for long-term treasury management investments (previously called '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 1 March 2023		
	2023-2024 Limit £000	2024-2025 Limit £000	2025-2026 Limit £000
Upper limit for long-term treasury management investments	35,000	35,000	35,000
Actual and Forecast Invested at 30 September 2023	-	-	-
Variance (Under) / Over Limit	(35,000)	(35,000)	(35,000)

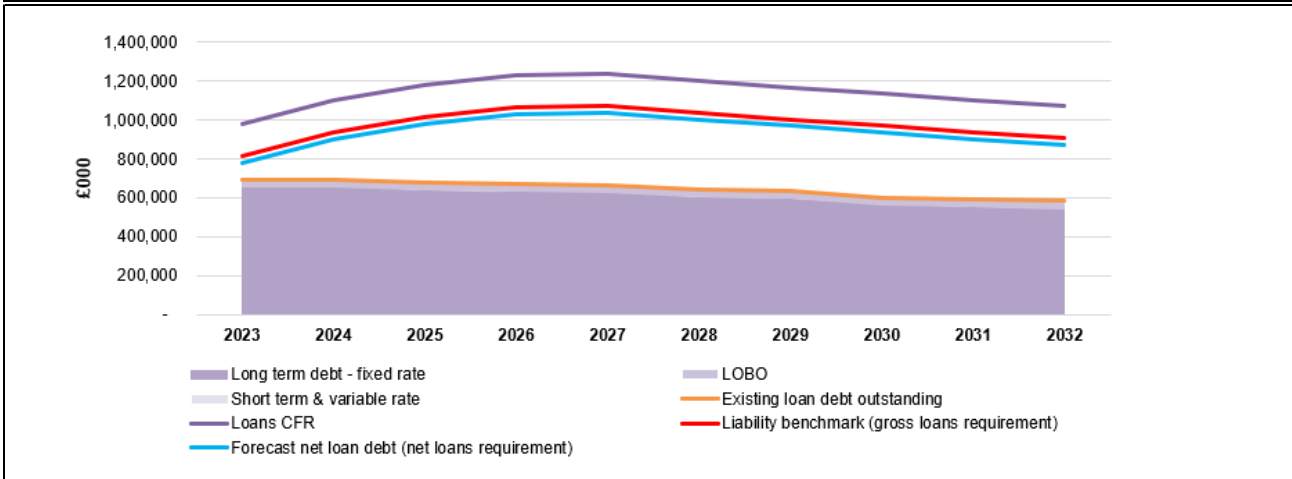
**TMI 2 - Upper and lower limits to the maturity structure of its borrowing.**

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

	Approved by Council 1 March 2023		As at 30 September 2023 2023-2024 Forecast Borrowing
	Upper Limit	Lower Limit	
Under 12 months	25%	0%	0.81%
12 months and within 24 months	25%	0%	6.46%
24 months and within 5 years	40%	0%	5.40%
5 years and within 10 years	50%	0%	7.05%
10 years and within 20 years	50%	0%	16.71%
20 years and within 30 years	50%	0%	33.31%
30 years and within 40 years	50%	0%	13.50%
40 years and within 50 years	50%	0%	16.76%
50 years and within 60 years	50%	0%	-

**TMI 3 - Liability benchmark**

A liability benchmark is a measure of how well the Council's existing loans portfolio matches its planned borrowing needs. It is a projection of the amount of loan debt outstanding that the Council needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. This indicator highlights any mismatches between actual loan debt outstanding and the planned borrowing needs. Where actual loans are less than the benchmark, this is an indication of a future borrowing requirement. Whereas actual loans exceeding the benchmark indicate an overborrowed position which will result in excess cash balances requiring investment



Non-treasury management investment indicators

The statutory guidance on local government investments encourages local authorities to develop qualitative indicators that allow the reader to assess the Council's total risk exposure as a result of commercial investment decisions.

**NTM 1 - Estimates and actual non-treasury management investment expenditure.**

This identifies the level of any non-treasury management investments ( e.g. service and commercial investments).

	Approved by Council 1 March 2023			As at 30 September 2023		
	2023-2024	2024-2025	2025-2026	2023-2024	2024-2025	2025-2026
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
Service investments	13,000	11,900	3,000	3,563	10,430	8,900
Commercial investments	-	-	-	-	-	-
	13,000	11,900	3,000	3,563	10,430	8,900

**NTM 2 - Estimates and actual net debt for service and commercial investment to net service expenditure ratio.**

This indicator measures the level of net debt for service and commercial investments in comparison to the Council's forecast net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.

	Approved by Council 1 March 2023			As at 30 September 2023		
	2023-2024	2024-2025	2025-2026	2023-2024	2024-2025	2025-2026
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
Net debt for service and commercial investments	44,792	42,692	32,776	35,390	42,064	40,011
Net service expenditure	306,414	316,409	315,580	306,414	316,409	315,580
Debt to net service expenditure ratio	14.6%	13.5%	10.4%	11.6%	13.3%	12.7%

**NTM 3 - Estimates and actual service and commercial income to net service expenditure ratio.**

This indicator measures the level of service and commercial investment generated income in comparison to the Council's net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority. The % indicates the Council's financial resilience and how reliant on the service/commercial investment income it is. A low % indicates the Council is not heavily reliant on service/commercial investment income.

	Approved by Council 1 March 2023			As at 30 September 2023		
	2023-2024	2024-2025	2025-2026	2023-2024	2024-2025	2025-2026
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
Service and commercial investment income	1,573	1,666	1,666	1,642	1,742	1,648
Net service expenditure	306,414	316,409	315,580	306,414	316,409	315,580
Service and commercial income to net service expenditure ratio	0.5%	0.5%	0.5%	0.5%	0.6%	0.5%

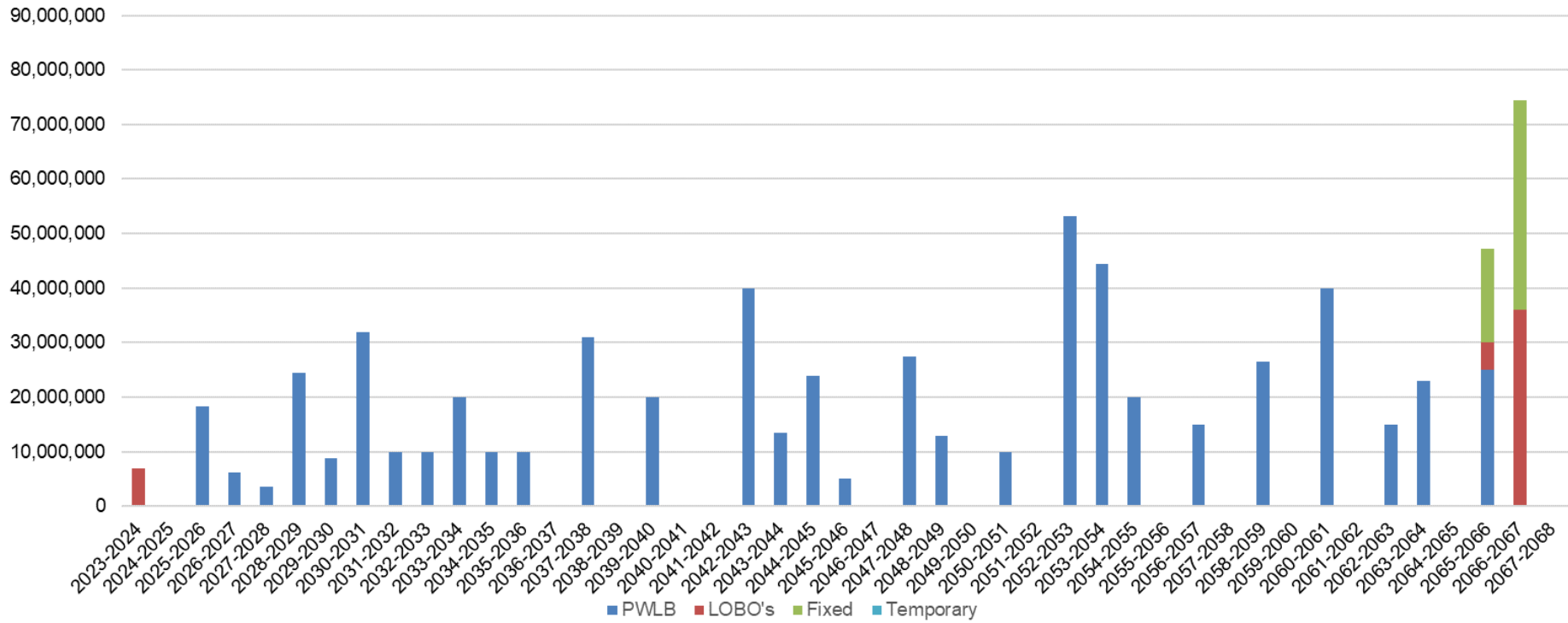
**NTM 4 - Estimates and actual loan to value ratio**

This indicator measures the net debt for service and commercial investments compared to the forecast total asset value. A decrease in the ratio over the medium term indicates a reducing level of borrowing due to repayments, whereas an increase indicates an increase in the level of borrowing due to new loans being issued.

	Approved by Council 1 March 2023			As at 30 September 2023		
	2023-2024	2024-2025	2025-2026	2023-2024	2024-2025	2025-2026
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Loan to value ratio	72.9%	70.7%	63.7%	60.5%	64.2%	62.1%

### Borrowing Maturity Profile at 30 September 2023

Page 87



This page is intentionally left blank



**Link interest rate forecasts**

The Council's treasury advisor, Link Group, provided the following forecasts on 25 September 2023 (PWLB rates are certainty rates, gilt yields plus 80bps):

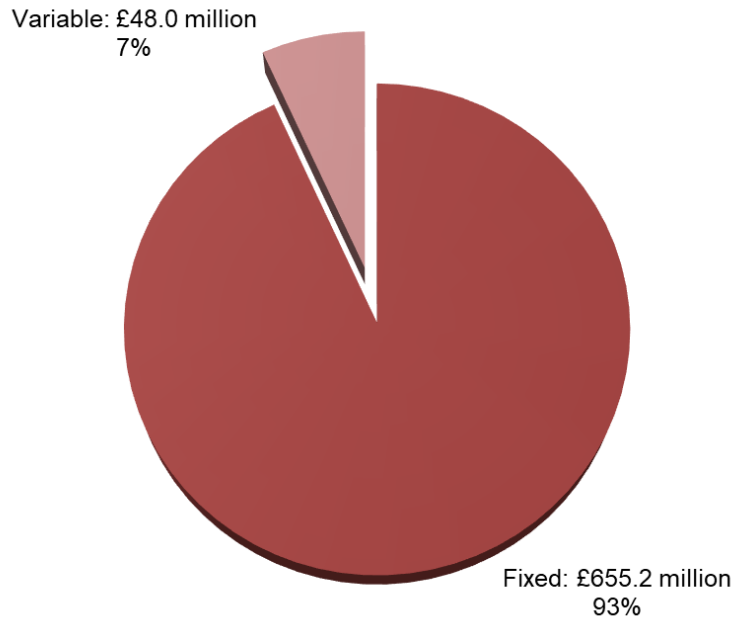
Link Group Interest Rate View		25.09.23											
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
<b>BANK RATE</b>	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

This page is intentionally left blank

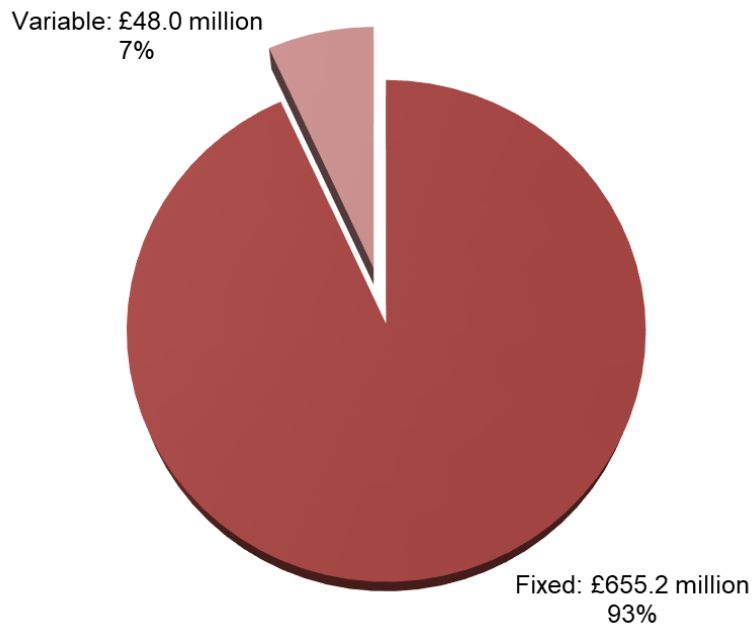
**Borrowing: Graphical Summary**

**Borrowing by Type**

**As at 30 June 2023**



**As at 30 September 2023**



**Borrowing and Repayments in 2023-2024**

	Start Date	Maturity Date	Amount £000	Length	Interest Rate	Full Year Interest £000
<b>2023-2024 Borrowing</b>						
<b>PWLB Fixed Maturity:</b>						
No activity to date						
<b>Sub total for PWLB</b>			-			-
<b>Temporary Loans:</b>						
No activity to date						
<b>Sub total for Temporary Loans</b>			-			-
<b>Grand total borrowing</b>			-			-

	Start Date	Maturity Date	Amount £000	Length years	Interest Rate	Full Year Interest £000
<b>2023-2024 Repayments</b>						
<b>PWLB Fixed Maturity:</b>						
479749	01/08/1997	23/05/2023	2,661	26	6.875%	183
479644	10/07/1997	12/06/2023	4,434	26	7.000%	310
<b>Sub total for PWLB</b>			7,095			493
<b>Temporary Loans:</b>						
No activity to date						
<b>Sub total for Temporary Loans</b>			-			-
<b>Grand total repayments</b>			7,095			493
<b>Net movement</b>			(7,095)			(493)

## 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 2023-2024						
	Approved by Council 1 March 2023			As at 30 September 2023		
	2023-2024 Forecast £000	2024-2025 Forecast £000	2025-2026 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2025-2026 Forecast £000
<b>Net Borrowing Requirement:</b>						
Borrowing to finance planned capital expenditure	155,770	134,724	71,741	117,701	152,341	107,697
Existing maturity loans to be replaced during the year	33,095	65,000	70,264	74,095	73,000	71,264
Less:						
Minimum Revenue Provision for debt repayment	(20,577)	(22,381)	(23,175)	(20,436)	(20,877)	(22,167)
Voluntary debt repayment	(9,475)	(11,656)	(10,683)	(10,663)	(10,884)	(7,057)
	(30,052)	(34,037)	(33,858)	(31,099)	(31,761)	(29,224)
Loans replaced less debt repayment	3,043	30,963	36,406	42,996	41,239	42,040
<b>Net Advance Requirement</b>	<b>158,813</b>	<b>165,687</b>	<b>108,147</b>	<b>160,697</b>	<b>193,580</b>	<b>149,737</b>
<b>Analysed by:</b>						
Service delivery	19,201	7,930	-	23,637	14,684	12,218
Housing	110,819	111,965	70,151	85,362	106,527	82,391
Regeneration	25,750	14,829	1,590	8,702	31,130	13,088
Preventative action	-	-	-	-	-	-
Treasury Management	3,043	30,963	36,406	42,996	41,239	42,040
Primarily for yield	-	-	-	-	-	-
<b>Total</b>	<b>158,813</b>	<b>165,687</b>	<b>108,147</b>	<b>160,697</b>	<b>193,580</b>	<b>149,737</b>

This page is intentionally left blank

## Lending List

### 2023-2024 Specified Investments as at 30 September 2023

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Bank Netherlandse Gemeenten	Netherlands (AAA)	20,000	12 mths
Bank of Montreal	Canada (AA+)	10,000	6 mths
Bank of Nova Scotia	Canada (AA+)	10,000	6 mths
Canadian Imperial Bank of Commerce	Canada (AA+)	10,000	6 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
Nordea Bank Abp	Finland (AA+)	10,000	6 mths
NRW.BANK	Germany (AAA)	20,000	12 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
Royal Bank of Canada	Canada (AA+)	10,000	6 mths
Skandinaviska Enskilda Banken AB	Sweden (AAA)	10,000	6 mths
Svenska Handelsbanken AB	Sweden (AAA)	20,000	12 mths
Swedbank AB	Sweden (AAA)	10,000	6 mths
Toronto Dominion Bank	Canada (AA+)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
Wells Fargo Bank NA	USA (AA+)	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

#### 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.

NB: This is a list of institutions that could be used if the Council wished to do so, as they meet the Council's minimum credit criteria.

This page is intentionally left blank



# Treasury Management Strategy and Mid-Year Activity Monitoring 2023-2024

## Purpose

To provide scrutiny with an overview of the Treasury Management Strategy which will be submitted to Cabinet and Council in February 2024 as part of the suite of budget reports.

This report provides an update on the mid-year 2023-2024 Treasury Management activities for both the General Fund and the Housing Revenue Account

## Treasury Management

The Local Government Act 2003 and supporting regulations require the council to 'have regard to' the CIPFA Prudential Code and Treasury Management Code of Practice, and to set out indicators to ensure that the Council's capital investments plans are affordable, prudent and sustainable.

CIPFA define Treasury Management as the:

'Management of the organisation's borrowing, investments and cash flows, including 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.'

## Treasury Management Strategy

The Strategy report covers six elements:

- Treasury management Strategy - summarises in strategic terms the approach the council will take in performing its treasury management activities
- Annual Investment Strategy – sets out the conditions under which the council will place investments
- Prudential and Treasury Management Indicators – lists the prudential and treasury management indicators
- Minimum Revenue Position (MRP) Statement - details the formula used to calculate MRP
- Certainty Rate - enables the council to access cheaper borrowing rates of 20 basis points below the standard rate
- Treasury management Policy Statement and Practices – policy statement and practices as required by the CIPFA Code of Practice on TM

## Borrowing

- We can only borrow for capital purposes
- Capital plans provide a guide to the borrowing need to the Council
- The capital programme is also funded by grants, capital receipts and other contributions.
- Borrowing requirements are detailed in the TM strategy
- We have a statutory duty to determine and keep under review how much we can afford to borrow
- Our strategy is to use cash balances to fund capital expenditure to avoid the need for borrowing – this is called internal borrowing
- The Prudential Code requires authorities to set and observe a range of prudential indicators to monitor the use of borrowing

## Borrowing

- Local authorities must not borrow to invest primarily for financial return
- Authorities can borrow and invest for the following purposes
  - Financing capital expenditure primarily related to the delivery of a local authority's functions (subject to the considerations set out in the code)
  - Temporary management of cash flow within the context of a balanced budget
  - Securing affordability by removing exposure to future interest rate rises
  - Refinancing current borrowing, including adjusting levels of internal borrowing, to manage risk, reduce costs or reflect changing cash flow circumstances
  - Other treasury management activity that seeks to prudently manage treasury risks without borrowing primarily to invest for financial return.

## Public Works Loans Board (PWLB) – Lending Terms

- Local authorities are required to submit a high level description of their capital spending and financing plans including the expected use of PWLB
- Plans need to include a breakdown of expenditure under the following categories
  - Service spending
  - Housing
  - Regeneration
  - Prevention Action
  - Treasury management
  - Debt for yield

## City of Wolverhampton Investments

- Section 151 Officer is required to confirm that there is no intention to buy investment assets primarily for yield purposes
- Wolverhampton has the following investments:
  - Treasury management short term cash investments- we do not hold any long term investments
  - Investment in the Airport
  - Investment in Help to Own
  - Investment and loans to WV Living
  - Capital expenditure in line with Council priorities (investment in our assets)



## Prudential Indicators

- The Council is required to set a number of prudential and treasury management indicators which are approved by Full Council each year
- An update on these indicators is provided during the year in the quarterly monitoring activity reports
- Examples of Prudential Indicators we report on are:
  - Capital expenditure –directly linked to the Capital Programme
  - Capital financing requirements (underlying need to borrow)
  - Authorised borrowing limits
  - Gross debt and the capital financing requirements
  - Financing capital expenditure as a % of net revenue

# Mid Year Activity Monitoring 2023-2024

## **Mid-Year Activity**

We operated within our prudential and treasury indicators

No new borrowing undertaken since March 2019.

Level of borrowing as at 30 September 2023 was £703.2 million.

During quarter 2 (July – September) no loans were repaid.

## Mid-Year Activity

Lender Option Borrower Option Loans (LOBOs)

At the 31 March 2023, the Council held 9 LOBOs

The lender can 'call' the loan in i.e. change certain conditions – interest rates.

Council then has the option to continue with the loan or redeem it in full without a penalty.

In October 2023 (quarter 3) the council received one 'call in' for £7 million – the council redeemed this in full.

## Out-turn Position 2023-2024 – General Fund and HRA

Treasury Management budget:

This budget covers both interest payments due and funds that are set aside to repay loans when they fall due (known as minimum revenue provision (MRP))

	Approved Budget £000	Forecast Outturn £000	Variance £000
General Fund	38,765	37,972	(793)
HRA	12,999	11,512	(1,487)
<b>Total</b>	<b>51,764</b>	<b>49,484</b>	<b>(2,280)</b>

[wolverhampton.gov.uk](http://wolverhampton.gov.uk)