[NOT PROTECTIVELY MARKED]

CITY OF WOLVERHAMPTON COUNCIL

Confident, Capable Council Scrutiny Panel

18 April 2018

Time	6.00 pm	**Public Meeting?**	YES	**Type of meeting**	Scrutiny
Venue	Training Room - Civic Centre				

Membership

Chair Cllr Louise Miles (Lab)
Vice-chair Cllr Andrew Wynne (Con)

Labour	**Conservative**
Cllr Alan Bolshaw	Cllr Udey Singh
Cllr Jacqueline Sweetman	
Cllr Caroline Siarkiewicz	
Cllr Payal Bedi-Chadha	
Cllr Paula Brookfield	
Cllr Dr Michael Hardacre	
Cllr Ian Brookfield	
Cllr Craig Collingswood	
Cllr Stephen Simkins	

Quorum for this meeting is four Councillors.

Information for the Public

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Agenda

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies**
[To receive any apologies for absence].

2 **Declarations of interest**
[Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate].

3 **Minutes of previous meeting** (Pages 3 - 10)
[To approve the minutes of the previous meeting as a correct record].

4 **Matters arising**
[To consider any matters arising from the minutes of the previous meeting].

DISCUSSION ITEMS

5 **Work Plan** (Pages 11 - 24)
[To consider items for the work plan for the forthcoming Council year].

6 **Smart Working Draft Policy** (Pages 25 - 64)
[The report on the draft Smart Working Policy is attached].

7 **Treasury Management** (Pages 65 - 170)
[The report on Treasury Management is attached].

CITY OF WOLVERHAMPTON COUNCIL

Agenda Item No: 3

Confident, Capable Council Scrutiny Panel

Minutes - 14 February 2018

Attendance

Members of the Confident, Capable Council Scrutiny Panel

Cllr Alan Bolshaw
Cllr Caroline Siarkiewicz
Cllr Paula Brookfield
Cllr Dr Michael Hardacre
Cllr Louise Miles (Chair)
Cllr Ian Brookfield
Cllr Craig Collingswood
Cllr Stephen Simkins
Cllr Andrew Wynne (Vice-Chair)

In Attendance

Cllr Andrew Johnson (Cabinet Member for Resources)

Employees

Martin Stevens (Scrutiny Officer) (Minutes)
Claire Nye (Director of Finance)
Mark Bassett (Director Future Space Programme)
Andy Moran (Service Director for Commercial Services)

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies**
Apologies for absence were received from Cllr Payal Bedi-Chadha, Cllr Udey Singh and Cllr Jacqueline Sweetman.

2 **Declarations of interest**
There were no declarations of interest.

3 **Minutes of previous meeting**
The minutes of the previous meeting were confirmed as a correct record subject to the following changes in item 6

A) The rewording of the sentence, “In the past, there had been a different process which had meant calculating the deficit and dividing this by number of properties,” to the following :-

“Increases in Council Tax in the past had been calculated by dividing the Council Tax requirement by the tax base.”

B) The word “increase” being inserted in the line, “Now there could only be up to 1.99% [Insert - ***increase***] without having to hold a referendum.”

4 **Matters arising**

The Chair gave an update on the work of the Specific Reserves Working Group. They did have some concerns over the presentation of the material the working group had received and in the future, they had indicated they wanted to see the exact spend. As an example, she cited information the group had received on Education reserves, should have had more detail. She proposed in future there would be a more in-depth look at reserves more generally. There had also been some separate preliminary discussions about the possibility of forming a Budget Task and Finish Group.

5 **Budget 2018-2019 - Outcome of Consultation**

The Cabinet Member for Resources introduced a report on the Budget Consultation. A total of 669 people had taken part in the budget consultation survey. All of the budget reductions for the forthcoming budget were as a result of financial transaction changes, income generation or efficiency savings, which had not resulted in any proposed changes to overall service delivery. The Cabinet Member for Resources explained he believed this was one of the main reasons there was less interest in the budget consultation compared to last year, where waste and recycling changes featured more prominently. A number of valuable meetings had been held, including four different community meetings spread across Wolverhampton. A meeting had taken place with the Equality and Diversity forum, the in-house trade unions and the business community. The meeting with the business community had been particularly well attended. There had also been a meeting with the Youth Council, which had been a very valuable and worthwhile discussion as part of the consultation process. They had tried to keep the costs of the consultation down to a minimum and engage as many people as possible, which included the utilisation of social media.

The Director of Finance referred to a document which had been tabled by the Head of Corporate Communications which outlined the approach taken to the budget consultation. Many of the mechanisms utilised, allowed the budget consultation to reach a wider audience and at little to no cost, such as the social media platforms – Facebook and Twitter. The Council’s Facebook account had nearly 59,000 subscribers. Cllr Brookfield stated she was pleased to see the Equality and Diversity forum had been included. She stated she wanted to receive the attendance list from the meeting and who had been invited to attend.

A Panel Member asked why in paragraph 3.7 of the report it referred to 569 respondents, when earlier in the report it had said there had been 669. The Cabinet Member for Resources confirmed this was an error and the figure in paragraph 3.7

should have read 669. He asked what the Director of Finance views were on encouraging more people to take part in the consultation. In response, the Director of Finance stated each year they were trying to do different things to promote the consultation. They tried to spread the consultation events across the City and held the meetings in the evenings to allow people who worked during the day to attend. She did recognise that the weather during the Autumn could be inclement and it was also dark when the meetings were taking place. The Cabinet Member for Resources stated they had listened to feedback from the previous year and had staggered the events across different days rather than on the same weekday. This was because some people worked a specific evening on the same day each week. Since the venue had been changed at Bilston, due to previous feedback, the attendance figures had disappointingly reduced. The Chair stated promoting youth engagement to a greater level, in the budget consultation, was something which could be encouraged in the future.

A Panel Member asked at what point did the numbers attending public consultation events become so low that the Council ceased to hold them and did the Council try to learn from what other authorities were doing regarding budget consultation. In response the Cabinet Member for Resources stated the Council always tried to learn from other local authorities and information was shared between authorities. The budget consultation was however specific to the local area and was related to how the proposals would impact on a particular community. Public meetings were only one of the mechanisms for the consultation. The Chair referred to the legislation on budget consultation which in summary showed a requirement for the Council to be seen to be conducting a fair and equitable process.

A Panel Member stated it would have been helpful if the report had contained information on how the budget consultation response figures compared to neighbouring authorities, such as Sandwell or Dudley or even nationally. He added that benchmarking of data at a sub-regional, regional and national level would be helpful to the scrutiny process, as such data would help determine how much resource was put into the budget consultation process by other authorities. He asked for a future report to contain contextualised information on a sub-regional, regional and national level. The Panel Member stated that the breakdown of the people who had responded to the budget consultation survey by age, gender, ethnicity, religion and disability, whilst interesting information, would have been more useful if it had been shown comparatively to Wolverhampton's overall population. It would have enabled them to have seen contextually if it was a good representation of the overall population in Wolverhampton.

A Panel Member stated consultation response rates were directly correlated to how controversial the issues were being consulted on. Communication of change was very important for the Council. He cited adult community care as an example. He added the Council needed to utilise learning from other areas to develop understanding as to how best to communicate change. This would help to make changes in services as smooth a process as possible.

The Chair asked if there had been any changes to the forthcoming budget as a consequence of the budget consultation process. The Cabinet Member for Resources confirmed there had been no changes because of the budget consultation process. The information obtained had however gone into the general forecasting for the future. A lot more consultation was needed for adult care in the future and some of this needed to take place with individuals and families.

A Panel Member stated that alongside the budget consultation process it needed to be explained how budgets were set. Many members of the general public were unaware of precepts for the Police, Fire Authority, and potentially the West Midlands Combined Authority. They saw the Council Tax as just being solely for the Council. There were other areas which required education such as business rates and how Local Government was funded.

A Panel Member stated there were many community groups and special interest groups which the Council could talk to about the budget setting process. This could work better than inviting people to general budget consultation events.

The Cabinet Member for Resources stated it had been a meaningful consultation, although there had not been many suggested specific changes to the forthcoming budget, from those that had responded.

6 **Future Use of the Civic Centre**

The Future Space Programme Director and Service Director for Commercial Services gave a presentation on the future use of the Civic Centre.

The Future Space Programme Director stated essential repairs had been carried out on the Civic Centre to extend its use to more than thirty years. There had been a significant risk to the building before the repairs, including building failure and in the mechanical and electrical systems. The Future Space Project, with the support of the Executive and the Full Council, had been conceived to rectify these problems. As part of the project there was an opportunity to introduce some new elements to the building, including a new Customer Service Centre. To make a solid business case, the Council would be reducing its use of buildings which were no longer fit for purpose. The intention was to reduce the use of twenty buildings down to four. The business case highlighted 2000 people would be working from the Civic Centre, which was an increase of approximately 600 people, but the total number of desks at the Civic Centre would be kept at a similar number. This was possible by enabling more modern working practice and recognising people were not always at a desk within the Civic Centre, whilst they were carrying out Council work. Employees could also use meeting rooms and breakout areas. The business case demonstrated there would be savings of at least £500,000 per annum once the buildings were rationalised down to four.

A Panel Member stated his experience of hot desking had been less than favourable. Unless it was very well managed he found it to be a counterproductive policy leading to less effective communication within teams. He felt it important to ensure there would be enough desks at any one time to keep up with the demand. It was therefore important to calculate the figures correctly. A Panel Member asked how the Council was going to judge the productivity of new ways of working, adding he felt productivity was key as it equated to service delivery for the general public. He asked what a reasonable time would be to know if the new working practices were effective and expressed a desire for the item to come back to the Panel in the future to address the question.

The Future Space Director stated there wasn't hot desking taking place at the Civic Centre at the present time. It was rather, a sharing of desks within teams. Teams were allocated areas within the building. Managers had been consulted to understand how much space was needed for each of the teams. Due to each team having their own area within a zone, effective communication was still taking place. Some employees were out of the building on field work the majority of their time, meaning the number of desks did not need to equate to the total number of employees. The Chair stated the Leader of the Council had asked Scrutiny to consider if Community Groups could rent space within the Civic Centre. She felt this was potentially problematic, but reserved judgement.

A Panel Member asked what the current occupancy rate was of desks on a typical afternoon at the Civic Centre. In response, the Future Space Director estimated it was at 70-80% under the current circumstances, it was however a changing picture as some of the building was still being refurbished and teams were still moving in from other Council buildings. The Cabinet Member for Resources stated the public sector was still behind the private sector regarding how ICT changed how people worked. ICT enabled people to work remotely and input information into the central system, which was a more efficient way of working.

A Panel Member commented that the temporary accommodation which had been put in place for Councillors had worked efficiently, even though there was only a handful of work stations. In the past rooms allocated for specific Councillor roles had been empty 95% of the time. He had not heard any negative comments from the Licensing and Legal teams about the new desk arrangements. He was in favour of the clear desk policy. The Chair referred to the desk inspections which were undertaken to ensure there were no personal items on desks. It was confirmed that all staff had access to a personal locker.

A Panel Member asked about work station health and safety assessments and the importance of a work station being catered to meet the needs of individuals with specific requirements. The Future Space Programme Director stated the self-assessment online tool had been updated. After an individual had completed the form, the results were analysed and any reasonable adjustments and equipment were provided.

The Future Space Programme Director said each floor had zones. This was important for people to navigate their way around the building. Each floor had a different colour to make it more identifiable. Further physical signs and digital information were planned in the future. The signs in place had been checked for suitability for people with a visual impairment and had braille on them. There would be a new adult changing places facility on the ground floor allowing unassisted changing within the Civic Centre. There were split level reception counters and additional automatic sliding doors in the main concourse. He was pleased to report there were additional hearing loops in the main meeting rooms, of which there had been an overall increase.

The Future Space Programme Director stated there would be a single fire alarm system and there was also additional fire compartmentation within the building. They had been working closely with colleagues in building control and fire risk assessors. This had resulted in putting in new staircase lobbies and refuges. There would also be better protection around the lift lobbies and risk assessments had been updated. The Future Space Programme had ensured the Civic Centre had received significant fire safety improvements. The Chair stated the issue of the fire alarm had been discussed as part of the Council's Fire Safety Review Group. There were two fire alarms systems in the Civic Centre due to historical reasons, she was pleased there would only be one system in the future.

The Future Space Programme Director stated all asbestos in the construction area had been removed. There was still some asbestos in the building but it was significantly less than before the refurbishment had commenced. The asbestos management plan had been updated in liaison with Corporate Landlord colleagues. Some asbestos had been discovered which had not been expected during the refurbishment works. The contractor had managed this within the programme, which included incidences when it had needed to be notified to the Health and Safety Executive. The contractor had been very responsible and their project plan had been realistic for the age of the Civic Centre. The contractor realised that initial surveys would not be able to show all the potential problems in the Civic Centre before the commencement of works. The Cabinet Member for Resources stated significant contingency had been included within the budget. It had been unforeseen that there had been some asbestos in Committee Room Three, which had required a specialist removal team. This had caused some delays to the plans for the third floor.

A Panel Member asked if there were any plans for childcare provision within the Civic Centre. The Future Space Programme Director stated it had not been part of their scope. The Chair stated the University of Wolverhampton had childcare provision. The Cabinet Member for Resources commented, when it had been discussed in the distant past there had been a question over who would have access to the childcare provision and the idea had thus never progressed further. He added the Council tried where possible to avoid meetings in school holidays, enabling staff to take holidays when children were not at school.

A Panel Member asked about the recent flood in the Civic Centre. The Future Space Programme Director in response said a water pipe had leaked and they were currently trying to understand why this had occurred. The flood had gone through several floors. They were looking to mitigate any delays because of the flood. The new nature of the building had meant teams had been relocated without any downtime in service provision. The Cabinet Member for Resources stated there would be a delay in handover for part of the first floor. The main damage had been in the Mezzanine area which was outside the scope of Future Space. The insurers were currently assessing the level of damage.

The Service Director for Commercial Services stated there were a number of different types of people who visited the Civic Centre. In the building previously there had been a lot of open public areas on different floors. The Future Space design meant general public access was restricted to the ground floor. There were two main reasons for this which were security and fire safety. Another reason was concerning efficiency of operating the building and a consistency of user experience. There would be two entrances to the building, a Customer Services Reception at the front of the Civic Centre, whose main function was to meet and greet the public and a Business Reception at the back. Many employees who worked in the back office had transferred to Customer Services, as a result the majority of enquiries could be dealt with in the Customer Services area at the first point of contact.

The Service Director for Commercial Services said he would provide the monthly customer service statistics to the Panel about the type of reasons why people had visited the Civic Centre. In the next couple of months, the Business Reception would open at the back of the building, where the Keepers Desk used to be located. The appearance of the Business Reception would be very similar to the one at the front of the Civic Centre. The main function of the Business Reception would be to meet and greet visitors, who weren’t visiting for a general customer services enquiry. Contractors would also be registered at the Business Reception. All Councillors and Employees would continue to have an ID badge which operated the access gate and had to be worn at all times. Visitors would only be allowed inside the gates under specific circumstances and had to be accompanied. The gates and doors had been installed in accordance with the Future Space Access and Security Strategy.

The Service Director for Commercial Services stated meetings with individual members of the public would continue to take place in the Customer Services area at the front of the building. It was proposed that Councillor meetings with the general public would take place in the Business Visitor Lounge area at the back of the building, where there would be three meeting rooms and a Changing Places facility. Business visitors would be issued with a temporary ID Badge but would not be able to get through the security gates on their own. The Business Reception would contact the person they were visiting, who would accompany them through the secure area. They were trying to encourage people to use public transport. Parking on the Ceremonial car park would be in accordance with the current Ceremonial Car Parking Protocol.

The Service Director for Commercial Services stated Contractors would be registered at the Business Reception. They would be issued with temporary time limited ID badges, which would operate the gates. They would only be issued with a pass if they had provided proof of identity and undertaken an induction by Corporate Landlord. With regard to public meetings, they were still working on a process to control access. As the meetings rooms were on the third and fourth floors, careful consideration had to be given to security and access requirements. This included people who required special assistance during an evacuation. They were also considering introducing bag checks for security reasons, which were quite common in other places, as the risk profile had changed. Appropriate training would have to be given to staff. The Cabinet Member for Resources stated bag checking would have been introduced even if the Future Space project had not occurred. The Chair stated, The Grand Theatre in Wolverhampton now checked bags. A Panel Member stated there needed to be an adequate number of staff trained in bag checking and a clear policy to avoid cases of discrimination. Careful thought needed to be given to the time it would take for people to go through the process.

The Service Director for Commercial Services stated they were giving careful consideration to the best location within the Civic Centre for evening and weekend meetings. The Cabinet Member for Resources said the intention was to start using the public meeting rooms on the third and fourth floor in April. A Panel Member stated it was important for people who were coming to give evidence at Council meetings to easily access the building, especially as the meetings were often in the evenings.

The Services Director for Commercial Services stated the requirements for special events would be co-ordinated by the organiser supported by Customer Services, Facilities Management and Parking Services. For Mayoral visitors, in groups, the Group Leader would be issued with an ID badge. The Mayoral Team would accompany them throughout the Civic Centre. If it was not a group, the normal business visitor arrangements would be applicable. A Panel Member stated careful thought needed to be given to Mayoral events. He added groups could often be larger than anticipated, citing the standard bearers an example, which were over twenty people and could not really be classified as a group, rather a large number of individuals. He suggested Officers peruse the Mayoral Invitation book which would help give an idea as to what to expect. Other Members suggested invitations should allow for the extra time to clear security. It was important that meetings were not disrupted by people arriving late. The Services Director for Commercial Services stated there were no changes planned to car parking arrangements at the present time.

The Panel thanked Officers for the temporary Council accommodation provided, which had worked very efficiently. The Cabinet Member for Resources stated the temporary Councillor accommodation space would be assessed as to how it would be best used in the future. There were several options which included commercially renting the area, bringing more staff in from other Council buildings and use by community groups. The use of the Mezzanine level also needed to be assessed. A Panel Member stated demand and financial viability needed to be addressed before decisions could be made as to its use. The Chair stated integration in the building by outside groups was unlikely because of many reasons including confidentiality and security issues. There was potential, though, for the Councillor temporary accommodation area to be used by an outside group. A Panel Member requested the future use of the Mezzanine Level and the temporary Council accommodation area as a future agenda item for the Panel.

The Panel thanked the Cabinet Member of Resources, who was standing down in May, for his contribution over many years.

The meeting closed at 7:55pm

Scrutiny Work Programme

Scrutiny Board

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

Combined Authority, Future Customer, Future Performance and Communications

Date of Meeting	**Item Description**	**Lead Report Author**	**Specific Questions for Scrutiny to consider**
05.06.2018	Annual Work Plan – invite all chairs and vice chairs (buffet from 4.30pm)	Julia Cleary	
03.07.2018	TBC		
11.09.2018	Scrutiny Review of the City's Apprenticeships Offer – 12-month update	Angela McKeever	
11.12.2018	TBC		
08.01.2019	TBC		
12.03.2019	Digital Transformation Programme Update - tbc		
09.04.2019	TBC		

Other potential items: -

1. Cyber Security
2. Local Enterprise Partnership (LEP)
3. Recommendations from Succession Planning Scrutiny Review

Scrutiny Reviews

1. Budget Task and Finish Group for the Combined Authority Scrutiny Committee
2. Transport- what could transport in the city look like in 20 years' time?
3. Possible Councillor engagement (See M. Sargeant Tettenhall Governance Review Report)

Scrutiny Board – Terms of Reference

a. To arrange for the consideration of forthcoming Executive Decisions published in accordance with the Access to Information Procedure Rules with a view to identifying issues for early discussion with the Cabinet and/or scrutiny prior to decisions being made.

b. The Board will oversee the operation of the call-in mechanisms with the Panels being responsible for hearing those call-ins related to their terms of reference. When the call-in relates to an overarching policy framework / budget issue or a matter that falls within the remit of more than one scrutiny panel it will default to the Scrutiny Board. Further, if the issue is considered to be of particular significance, either the Chair or Vice Chair of the Scrutiny Board can ask for it to come to the Board.

d. The Board will oversee the work programmes of Scrutiny Panels to avoid duplication of work and to ensure coherence of approach to cross-cutting policy themes. The Board may determine that one named Panel shall take lead responsibility for a cross-cutting policy theme or may determine that the work be shared between one or more named Panels.

e. The Board will ensure coherence between the policy development work of the named Panels and their role in the consideration of reports received from external auditors and external regulatory Inspectors.

f. The Board will make recommendations to the Cabinet on the allocation of budgetary and employee resources held centrally for the purpose of supporting scrutiny work.

g. The Board will ensure that good practices and methods of working are shared between Panels and in particular will seek to optimise the inclusion of citizens, partners and stakeholders in the work of Scrutiny.

h. The Board will review or scrutinise non-Cabinet business and may make reports or recommendations to the Council. The Board will consider policy and due process and will not scrutinise individual decisions made by Regulatory or other Committees particularly those quasi-judicial decisions relating to development control, licensing etc. which have been delegated by the Council. The Board will not act as an appeal body in respect of non-Cabinet functions.

i. The Board will oversee the work of any Councillors appointed to act as lead members or ‘champions’ in respect of any specific priority tasks or areas of policy development identified by the Council.

j. The Board or another relevant scrutiny panel will consider any petition that contains 2,500-4,999 signatures with a view to making recommendations for action by employees or review by the Executive as appropriate.

k. The Board will undertake the tracking and monitoring of scrutiny review recommendations.

L. The Board will oversee the coordination of the budget scrutiny process.

Confident, Capable Council Scrutiny Panel Work Programme

The Panel has responsibility for Scrutiny functions as they relate to: -

Strategic Financial Services, Revenues and Benefits, Strategic Procurement, The HUB, Audit, Human Resources, Corporate Administration, Democracy, Corporate Administration, Democracy, Corporate Landlord, Transformation and ICT

Date of Meeting	**Item Description**	**Lead Report Author**	**Specific Questions for Scrutiny to consider**
18.04.2018	• Agile / Smart working (including different levels of staffing and types of job) • Treasury Management	Sukhvinder Mattu Sarah Hassell	
13.06.2018	TBC		
26.09.2018	• Future use of the Mezzanine area and Temporary Councillor Office Area	Tim Pritchard	
28.11.2018	TBC		
06.02.2019	TBC		
10.04.2019	TBC		

Stronger City Economy Scrutiny Panel Work Programme

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

Enterprise and Skills, City Development, Visitor Economy, Adult and Cultural Learning, Economic Inclusion and Service Development.

Date of Meeting	Item Description	Lead Report Author	Specific Questions for Scrutiny to consider
17.04.2018	• Innovation • Strategic Economic Plan – look at draft of the plan before Cabinet and formal consultation.	Heather Clark Charlotte Johns	How can we work with the University and other key players to encourage innovation across the city? Focus of the item would be on the work of the University, the Growth Hub and how as a Council innovation is being addressed, including how the Council collaborates with partners. Report covering areas such as the Knowledge Economy, Digital Agenda and Smart City, Springfield Brewery and the Prototype Centre.
26.06.2018	• Footfall and working collaboratively with partners and agencies to fill vacant property • Marketing City Centre Plan	Isobel Woods / Charlotte Johns	
18.09.2018	• City Apprenticeships Note - Ensure – Meredith Teasdale Invited)	Angela McKeever	
20.11.2018	TBC		
12.02.2019	TBC		
02.04.2019	TBC		

Stronger City Economy Scrutiny Panel Work Programme

Other Potential items (when something significant needs a panel recommendation):

1. The potential effects of Brexit on the local economy
2. Policy implications from West Midlands Combined Authority/Regional/National or International Sources
3. How do we monitor our communications?
4. Skills and Employment

Vibrant and Sustainable City Scrutiny Panel Work Programme

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

Operational Services, Public Realm, Commercial Services, Regulatory Services (policy), City Housing, Planning (policy), Strategic Transport, Keeping the city clean, Keeping the city moving, Improving the city housing offer and Strategic Asset Management.

Date of Meeting	**Item Description**	**Lead Report Author**	**Specific Questions for Scrutiny to consider**
26.04.2018	• Air Quality/Transport – Public Health to contribute – looking at ways to improve air quality in hot spots around the city which could include work for the Transport Review Group (John Roseblade) • Private Sector Housing Update	John Roseblade Ravi Phull	
12.07.2018	• The Work of Contractor Kingdom (Provisional – To Be Confirmed) • Waste Management Delivery Plan and Strategy (Provisional – To be Confirmed)	Ross Cook Ross Cook	
04.10.2018	• Evaluation of Waste Management Delivery Plan • Parking Outside Schools – Review Progress of Implementation of recommendations	Ross Cook Earl Piggott-Smith	
06.12.2018	Director of Public Health – Progress Report Park and Stride Scheme	John Denley	
28.02.2019	TBC		
11.04.2019	TBC		

Health Scrutiny Panel

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

- All health related issues, including liaison with NHS Trusts, Clinical Commissioning Groups, Health and Wellbeing Board and HealthWatch.
- All functions of the Council contained in the National Health Service Act 2006, to all regulations and directions made under the Health and Social Care Act 2001, the Local Authority (Overview and Scrutiny Committees Health Scrutiny Functions) Regulations 2002, The Health and Social Care Act 2012 and related regulations.
- Reports and recommendations to relevant NHS bodies, relevant health service providers, the Secretary of State or Regulators.
- Initiating the response to any formal consultation undertaken by relevant NHS Trusts and Clinical Commissioning Groups or other health providers or commissioners on any substantial development or variation in services.
- Participating with other relevant neighbouring local authorities in any joint scrutiny arrangements of NHS Trusts providing crossborder services.
- Decisions made by or actions of the Health and Wellbeing Board.
- Public Health – Intelligence and Evidence
- Public Health – Health Protection and NHS Facing
- Public Health - Transformation
- Public Health – Commissioning
- Healthier City
- Mental Health
- Commissioning Mental Health and Disability
- Headstart Programme

Date of Meeting	Item Description	Lead Report Author	Specific Questions for Scrutiny to consider
24.05.2018	• The Royal Wolverhampton NHS Trust - Quality Accounts 2017/18		
19.07.2018	• Elizabeth Learoyd, Chief Officer, Healthwatch Wolverhampton Annual Report 2017/18 • Cheryl Etches, Never Events, The Royal Wolverhampton NHS Trust		
20.09.2018	• Black Country Partnership NHS Foundation Trust		
15.11.2018	• Margaret Courts, Children's Commissioning Manager, WCCG, to present update report on refreshed CAMHS Local Transformation Plan to meeting on 15.11.18 • Public Health Vision – Analysis of consultation responses		
24.01.2019	• TBC		
21.03.2019	• Hospital Mortality Statistics – update • Public Health Vision – Review of Progress		

Long list of topics - dates for presentation and method of scrutiny to be agreed

1. The Royal Wolverhampton NHS Trust – Primary Care Vertical Integration
2. West Midlands Ambulance Service - Quality Accounts 2017/18
3. CAMHS – Emma Bennett to lead and Stephen Marshall (CCG)
4. Walsall CCG - Reconfiguration of hyper acute and acute stroke services
5. Healthwatch Work Programme Planning Document 1 April 2017- 31 March 2018

- Urgent and emergency care
- Dementia
- Access to healthcare for the deaf community
- Transfer of services
- CAMHS
- Youth Healthwatch and Oral health

Adults and Safer City Scrutiny Panel

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

Older people assessment and care management, Financial support services, Libraries and community hubs, Independent living centre, Commissioning older people, Carers support and All age disabilities (disabilities).

Date of Meeting	**Item Description**	**Lead Report Author**	**Specific Questions for Scrutiny to consider**
10.04.2018	• Reducing Reoffending Strategy Consultation		
12.06.2018	• Safer Wolverhampton Partnership Annual Report • Modern Slavery - update report		
25.09.2018	• Joanne Keatley, Head of Service, Wolverhampton Adult Education Service - briefing about the current education offer		
27.11.2018	TBC		
29.01.2019	TBC		
26.03.2019	TBC		

Adults and Safer City Scrutiny Panel

Long list of topics - dates for presentation and method of scrutiny to be agreed

1. Quality of Care – issues of quality assurance - Sarah Smith, Head of Commissioning
2. Draft People Directorate Commissioning Strategy – 13.6.17
3. Responding to Serious and Organised Crime - To provide an outline of partnership proposals to address serious and organised crime in the city and the Council's contribution. (Karen Samuels – CWC Community Safety/Chief Inspector Karen Geddes – West Midlands Police/Andy Moran – CWC Procurement)

Briefing notes for distribution via the Document Library:

1. Fatal Contraband and Alcohol - Update requested from meeting in July 2016 – Sue Smith agreed to lead
2. Crime Reduction and Community Safety and Drugs Strategy Update – request from meeting held in July 2017 – Karen Samuels and David Watts
3. Supporting a Safe and Seamless Transfer from Specialist Care or Hospital Setting – Update to be provided following meeting on 31 January 2017 (David Watts).
4. Better Care Fund – Update requested at meeting held on 31 January 2017.
5. Dementia City – Update on how GP services could be improved, any identified strengths and weaknesses and if possible data on which GPs were reporting incidents – lead Kathy Roper

Children, Young People and Families Scrutiny Panel

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

Children in need/child protection, Looked after children, Early help 0-5, Early help 5-18, Youth offending, Children's commissioning, School planning and resources and Standards and vulnerable pupils.

Date of Meeting	Item Description	Lead Report Author	Specific Questions for Scrutiny to consider
11.04.2018	• Head Start Phase 3 – Progress and Impact Update	Emma Cleary - Head Start Programme Manager	
20.06.2018	• Proposals for change in Play Service Offer		
	• Early Years Strategy	Lisa Hill - Early Years' Service Manager	
	• Q4 Children's Improvement Plan and the 18/19 plan		
	• Primary and Secondary Sufficiency Strategy		
05.09.2018	• Troubled Families Report	Kate Lees - Strengthening Families Partnership Manager Intervention People	

	• Early Help Strategy 2018-2022	Denise Williams - Head of Service Early	
14.11.2018	TBC		
16.01.2019	TBC		
27.03.2019	TBC		

Long list of topics - dates for presentation and method of scrutiny to be agreed

1. Supporting Unaccompanied Asylum-Seeking Children – pre-suggested item
2. Mental Health Issues/CAMHS (Emma Bennett/CCG) – pre-suggested item
3. Youth homelessness – pre-suggested item

.

Work Plan Version: 04/04/2018 10:52am

Agenda Item No: 6

CITY OF WOLVERHAMPTON COUNCIL

Confident, Capable Council Scrutiny Panel

18 April 2018

Report title	Smart Working Policy	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Milkinder Jaspal	
Corporate Plan priority	Confident Capable Council	
Key decision	N	
In forward plan	Yes	
Wards affected	N/A	
Accountable Director	Kevin O’Keefe	
Originating service	Human Resources	
Accountable employee	Denise Pearce Tel Email	Head of Human Resources 01902 554515 Denise.Pearce@wolverhampton.gov.uk
Report to be/has been considered by	Directorate Leadership Team Strategic Executive Board Confident, Capable Council Scrutiny Panel	January 2018 6 February 2018 18 April 2018

Recommendation:

The Confident, Capable Council Scrutiny Panel is recommended to:

1. Consider the draft Smart Working Policy and make any recommendations to Cabinet on the proposed policy

1.0 Purpose

1.1 Confident, Capable Council Scrutiny Panel is asked to comment on the proposed policy.

2.0 Background

2.1 As part of Future Space, the Council are closing some external buildings and moving employees into the Civic Centre. As a result, employees are being encouraged to work more flexibly through the use of shared desks, office space and remote working.

2.2 The Council currently has an Agile Working Protocol and Managers Guide which was introduced to support the Future Space Programme and new ICT infrastructure with the aim of making the workforce more agile. Since then, Human Resources have responded to the requirements of the SMART Working Project by reviewing and revising some relevant Council policies. This will allow the Council to further drive Smart Working forward and continue to influence the culture change required by making managers *and* employees consider the most effective and efficient ways to work to achieve the best results for the business, customer and employees.

2.3 The Smart Acronym explained:

- **S**upported - through policies, processes, procedures, technology and buildings.
- **M**easured - by the work we do, not by where we do it.
- **A**ware - of any changes to the ways in which we work and able to have input into decisions about our working styles.
- **R**esponsive- to our customers' needs, no matter where, when or how we work.
- **T**rained - to use any technology or policies that we are expected to use.

2.4 The SMART Working Policy is based around the notion that work should be conducted at the most efficient location taking into consideration the task, the customer, the individual and the team. This means, dependant on their role, employees could be supported to work from a range of council buildings, within the community, at client sites or by varying degrees of home working and regular sharing of desks.

2.5 The Agile Working Protocol provides guidance to managers about managing employees who work from varying locations to suit the work that they are conducting. It provides for and ensures a consistent approach to support an agile workforce and culture.

2.6 It requires managers to align roles to work styles to ascertain whether or not they are suited to flexible working. The protocol provides basic guidance and includes information on house-keeping rules (clear desk, reasonable adjustments), health and safety, information governance, performance and time management etc. It is felt that a policy is now needed as the Council needs to push agile working more to ensure managers and employees explore it as an option.

2.7 The new policy will enable managers and employees to be aware of the vision of the council in relation to Smart Working. It will also provide more guidance to employees and managers.

3.0 Progress, options, discussion, etc.

3.1 The proposed Smart Working Policy is aligned to the Council's Smart Working Project and the views of management and unions have been considered through the Joint Consultative Panel and briefing sessions with managers. Agile working policies from other local authorities have been viewed as well as policies from the private sector. These have been used as a benchmark when designing the Smart Working Policy for City of Wolverhampton Council.

3.2 It is proposed to replace the Agile Working Protocol and Managers Guide with the Smart Working Policy and Managers Guide.

3.3 The Smart Working Policy will take agile working one step further as it puts an emphasis on flexibility being the norm rather than exception. There is more of an onus on both managers and employees to work 'Smartly' and consider the way they work in their everyday working life. This should also have a positive impact upon the necessity for staff travel.

3.4 In addition to this it requires managers to manage by outcome as opposed to presence and employees to record work outputs more effectively. This should apply to all employees, not just those that may work away from the office on an ad-hoc basis.

3.6 The new Smart Working Policy will:

- Include the SMART acronym and definition being used to promote Smart Working to managers and employees in keeping with the brand name
- Ensure work is conducted at the most efficient location taking into consideration the task, the customer, the individual and the team
- State no subsidy will be given where employees choose to work from home as there are mutual benefits
- State Smart Working arrangements are to be ad-hoc and suit a purpose
- Include information on Health and Safety, Confidentiality of Information, Risk and Insurance. The policy has comprehensive information on Information Governance (IG) and has been checked by the IG Team.
- Outline management and employee responsibilities
- Encourage the use of Smart Working and empower employees to work with their manager to take a proactive rather than a reactive approach to flexibility in delivering their work
- Before agreeing to Smart Working, managers and employees must consider the impact upon the business, the individual, team and customer.
- Smart Working will not be agreed where it may create additional workload for other employees
- Ensure that performance is managed by output rather than observable behaviour regardless of where someone is working
- Remove the work styles in the agile working policy to make roles either 'flexible or not' – it is believed there can be an element of smart working in most roles
- Emphasise that where agreed, Smart Working should not negatively impact upon the business, the employee or the team
- Suggest using Skype to avoid unnecessary travel to work related meetings, where practicable

- State that where agreed employees could be requested to come into the office in an emergency and employees must oblige
- Request employees to record work undertaken regardless of location. This will assist managers to manage performance by outcome
- Confirm that Smart Working cannot be used as an alternative to childcare provision or sickness absence
- Require employees to be contactable via phone (provide a telephone number) and email regardless of their work location and be responsive to these
- The Working Hours Policy will continue to apply where Smart Working is agreed.

3.7 The managers guide will:

- Suggest taking a proactive rather than a reactive approach to flexibility, by seeking out the benefits rather than waiting for individual employee requests. Limitations on flexibility need to be based on clear operational need
- Outline considerations to take when determining the suitability of smart working
- Provide guidance on managing smart working (sharing schedules, trusting employees, making managing by results the norm etc)
- Provide information on managing by output and some tools and tips to assist with this
- Outline team work and self-help protocols
- Confirm that the manager should ensure the needs of the service are met throughout 'normal' office hours (9.00 to 17.00)
- Include a section on rethinking meetings – i.e. is it necessary to meet face to face, can individuals skype into a meeting? Can employees be allocated a time slot for a meeting to avoid them being present for the entire duration when they may not be able to add value etc
- Include information on communication strategies – email updates, video conferencing, skype meetings, dealing with communication concerns asap etc
- Detail what to do if Smart Working is not working for an individual or the business and action to take if employees misuse Smart Working
- Provide Health and Safety guidance and confidentiality of information (i.e. locking laptops and documents away securely, disposing of Council information on Council Premises, using the Council's secure disposal units, storing information on Council equipment only, including Council provided USB sticks as these are encrypted etc) when smart working
- Emphasise that Smart Working cannot be used to care for dependants or as an alternative to sick leave as employees may be called to the office as an emergency.

3.8 Impact upon other terms and conditions/policies:

3.9 As a result of Smart Working, City of Wolverhampton Council is also reviewing the Travel, Subsistence, Hospitality and Gifts Code (2007) within the constitution. It is proposed to introduce a Travel and Subsistence policy so that it is in keeping with Smart Working (i.e. to ensure employees and managers consider the need to travel and alternatives such as skype meetings, holding the meeting where most employees who need to attend are based and most appropriate method of travel etc). This will also assist to reduce unnecessary mileage claims.

3.10 In addition, the working hours policy is also being reviewed – with a recommendation made to SEB that consideration be given to amend current working hours from:

- Morning 08:00 – 09:30 (earliest and latest start time)
- Lunch 12:00 – 14:00 (minimum 30 minutes; maximum 1.5 hours)
- Afternoon 16:00 – 18:00 (earliest and latest finish time)

Thus core hours (times employees have to be present for work) – 09:30 to 12:00 and 14:00 to 16:00.

3.11 To:

07:00 – 19:00 with no core hours.

3.12 However, this is currently under discussion and no decision has been made. Strategic Executive Board (SEB) requested briefing sessions to be held with managers prior to a decision being made. The aim was to consider whether managers at all levels have the relevant skills and training to ensure this would not have a detrimental effect on service. These briefing sessions have been held and feedback will be given to SEB on 18th April 2018.

3.13 Appendix A is a table which shows other Local Authority working hours and agile working conditions. It is important to note that working hours and agile working could be a consideration for prospective employees wishing to work at City of Wolverhampton Council and thus reinforces the need for working hours and smart working to be reviewed.

3.14 SEB are also being asked to consider allowing homeworking at manager discretion during inclement weather.

3.15 Next steps:

- Communicate the Policy through Leadership Team Meetings (cascade information down)
- In City People and Core Brief
- Hold briefing sessions for managers and employees – HR and ICT to be in attendance. To include guidance for managers on managing agile workers, monitoring and measuring productivity/performance and output, what action to take where it is felt that an employee is misusing the scheme, their expectations and responsibilities etc. In addition, a discussion will be held about challenging managers reluctance to allow agile working and applying this in a fair and consistent manner.
- Employee briefing sessions to cover IG considerations, recording work conducted away from the office, how managers will manage by output and their expectations/responsibilities.

4.0 Evaluation of alternative options

4.1 The Council can continue to use the current agile working protocol. However, in continuing to do so the current culture regarding SMART working may not change to the extent that is required to support the future space initiative.

4.2 This is a risk as there are expected to be 1400 desks and 2000 employees housed in the Civic Centre.

5.0 Reasons for decision(s):

5.1 Benefits of Smart Working

- Services delivered more efficiently, with customer needs met more effectively
- Increased productivity and staff morale
- Reduced costs associated with office space, travel to and from work/meetings
- Reduction in the carbon footprint and time spent travelling for work related activity
- Increase in candidate attraction, staff retention and talent acquisition
- Reduction in stress by empowering staff to manage their time and enhance their personal responsibility

5.2 Other considerations

By introducing and agreeing to the introduction of the Smart Working Policy and revision of Working Hours it will ensure CWC is competitive and continues to attract and retain the best talent. Other Local Authorities (as demonstrated in Appendix A) have already implemented changes to working hours and are more flexible that CWC.

6.0 Financial implications

6.1 There are no costs associated with the recommendation in this report. The proposed Smart Working Policy has been developed in house. It is possible that the future adoption of new guidelines on travel and subsistence, consistent with the Smart Working Policy, will reduce travel costs incurred. This cannot, however, be quantified at this stage. [GE/09042018/A]

7.0 Legal implications

7.1 CWC must consider health and safety implications. For example, should core hours be removed, adequate arrangements must be in place to ensure the safety of employees working at any site at any given time. For example, there is limited Keepers presence within the Civic Centre before 07:30 each day.

7.2 With the possible changes to the Working Hours and Smart Working policies, there is potential for employees to work longer hours. CWC must ensure that the principles of the Working Time Directive are not breached, i.e. that employees do not work more than 48 hours per week and managers must be aware of burnout where employees are not always observable.

7.3 CWC must also consider General Data Protection Regulations (GDPR) when allowing employees to work in an agile manner there is potential for documentation to be stolen or misplaced. CWC should ensure training is provided to employees and managers on Information Governance. [RB/0902018/Y]

8.0 Equalities implications

8.1 An Equality Impact Assessment has been completed. For many employees, it may not be practicable for them to take advantage of the working hours scheme and/or the smart working scheme as the needs of the service will make it impossible to operate. Managers must therefore consider the impact of granting access to increased flexi-time/smart working to one group of workers but excluding others within the same team, e.g. care staff and admin staff.

8.2 Additionally some employees may be classed as fixed workers when their actual workstyle is mobile, due to the equipment required to support a disability. Managers must ensure that reasonable adjustments are made to ensure that they are treated as much as possible the same as their mobile counterparts.

8.3 In addition, some managers may wrongly classify employees as fixed workers when they actually could work in an agile manner and this could raise some grievances. CWC need to ensure managers apply the option of agile working in a fair and consistent manner.

9.0 Environmental implications

9.1 Not applicable

10.0 Human resources implications

10.1 Consultation has been undertaken in accordance with HR procedures. The policy supports best practice in employment / Human Resources procedures.

11.0 Corporate landlord implications

11.1 This report has no implications for the Council's property portfolio.

12.0 Schedule of background papers

12.1 Agile working protocol

12.2 Draft Smart Working Policy

12.3 Draft Managers Guide to Smart Working

Appendix A – Core Time and Agile Working Research

Local Authority	Core Time / Flexi-Time	Benefits	Considerations
Dudley MBC	No core hours. Employees are required to commence work no earlier than 07:30 and finish no later than 19:30 hours. 1 x 1.5 hour session to be worked between 7:30 – 14:00 1 x 1.5 hour session to be worked between 12:00 – 19:30 Min 20 minute break between sessions Accounting Period: 4 weeks Credit: 10 hours Debit: 10 hours Flexi Leave: Up to 2 days per accounting period.	• To modernise the working arrangements and improve work-life balance for employees. • Improved employee morale, motivation and productivity. • Improved recruitment and retention rates. • Reduced absence and stress levels. • Accrued flexi-time to be used to attend personal appointments.	• Applicable to all employees except for those employed by governing bodies. • All mobile workers to be trained in the use of mobile technology. • Managers to ensure regular communication is maintained, e.g. appraisals, one to ones and regular team meetings. • There will be roles where face to face contact is always necessary, or necessary equipment is at the office base; therefore home working and agile working may not be possible. • Culture change is required to embed new ways of working, e.g. the view that employees must be visible in the office to be productive.
Hampshire County Council	No core hours; however local arrangements may apply due to service delivery requirements.	• Supports employees and managers to achieve a balance between work life and service delivery.	• Applicable to all employees, except for schools staff.

	Employees are required to commence work no earlier than 07:00 and finish no later than 22:00 hours. Credit: 40 hours at any time. Debit: 8 hours at any time. Flexi Leave: No more than 10 days per year.	• Improves operational efficiency.	• Service delivery is paramount, therefore core hours may need to be implemented locally to ensure service delivery.
Leeds City Council	Core hours 10:00 – 12:00 noon and 14:00 – 16:00 Employees are required to commence work no earlier than 07:30 and finish no later than 18:30 hours. Accounting Period: 4 weeks Credit: 1 day Debit: 1 day Flexi Leave: 1 day per accounting period	• Supports employees to achieve a work-life balance.	• Subject to service delivery – locally agreed core hours may need to be applied.
Lincolnshire County Council	Core hours 09:30 – 11:45 and 14:30 – 15:15. Employees are required to commence work no earlier than 07:30 and finish no later than 18:30. Accounting Period: 4 weeks	• Provides greater flexibility for employees, helping them to achieve a better work-life balance.	• Applicable to all employees except for school-based staff, and those whose roles require them to be in a fixed location / have fixed hours of work to do their job. • Managers should set realistic targets and outputs and ensure

	Credit: 8 hours Debit: 4 hours Flexi Leave: Up to 2 days per accounting period		that performance is monitored regularly. • Manager should ensure that mechanisms are in place to maintain regular communications with their team.
Monmouthshire County Council	No core hours. Flexi-time bandwidth not disclosed.	• Allows employees to balance work and life demands. • Increased performance and productivity.	• Applicable to all office based employees, except for those who have fixed hours included in their contract. • The extent of agile working will vary according to the job role – must consider the impact on access to services by the public. • Appropriate office cover must be in place – core contact time and office cover arrangements must be agreed between the team. • Management must consider the setting of work output and outcomes. • Must consider the ability for employees to work safely and healthily.

Newcastle Under Lyme Borough Council	No core hours. Flexi-time bandwidth not disclosed.	• Increased performance, job satisfaction, motivation, , engagement and productivity. • Reduced absenteeism and costs. • Improved recruitment and retention rates. • Maintaining a good work-life balance. • Financial gain and cost-savings – reduced travel and expense costs, reduction in building costs.	• Applicable to all employees. • Extent of agile working depends on the job undertaken – considerations will include the impact of the ability to meet customer demand and employee welfare. • Managers must ensure regular communication is maintained with employees, e.g. individual and team meetings. • Managers must set and monitor defined performance measures.
Nottinghamshire County Council	No core hours. Employees are required to commence work no earlier than 07:30 and finish no later than 18:30 hours. Accounting Period: 4 weeks Credit: 12 hours Debit: 8 hours Flexi Leave: Up to 2 days per accounting period.	• Improved employee morale, motivation and productivity. • Improved recruitment and retention rates. • Reduced absence and stress levels. • Cost savings – reduced Council footprint by consolidating work bases and selling excess buildings.	• Paramount consideration must be service delivery. • Applicable to all employees; however for many it will not be practicable for them to take advantage of the scheme. Many front-line employees may face difficulties in accessing the scheme as the needs of the service will make it impossible to operate. • Managers to consider the impact of granting access to flexi-time to

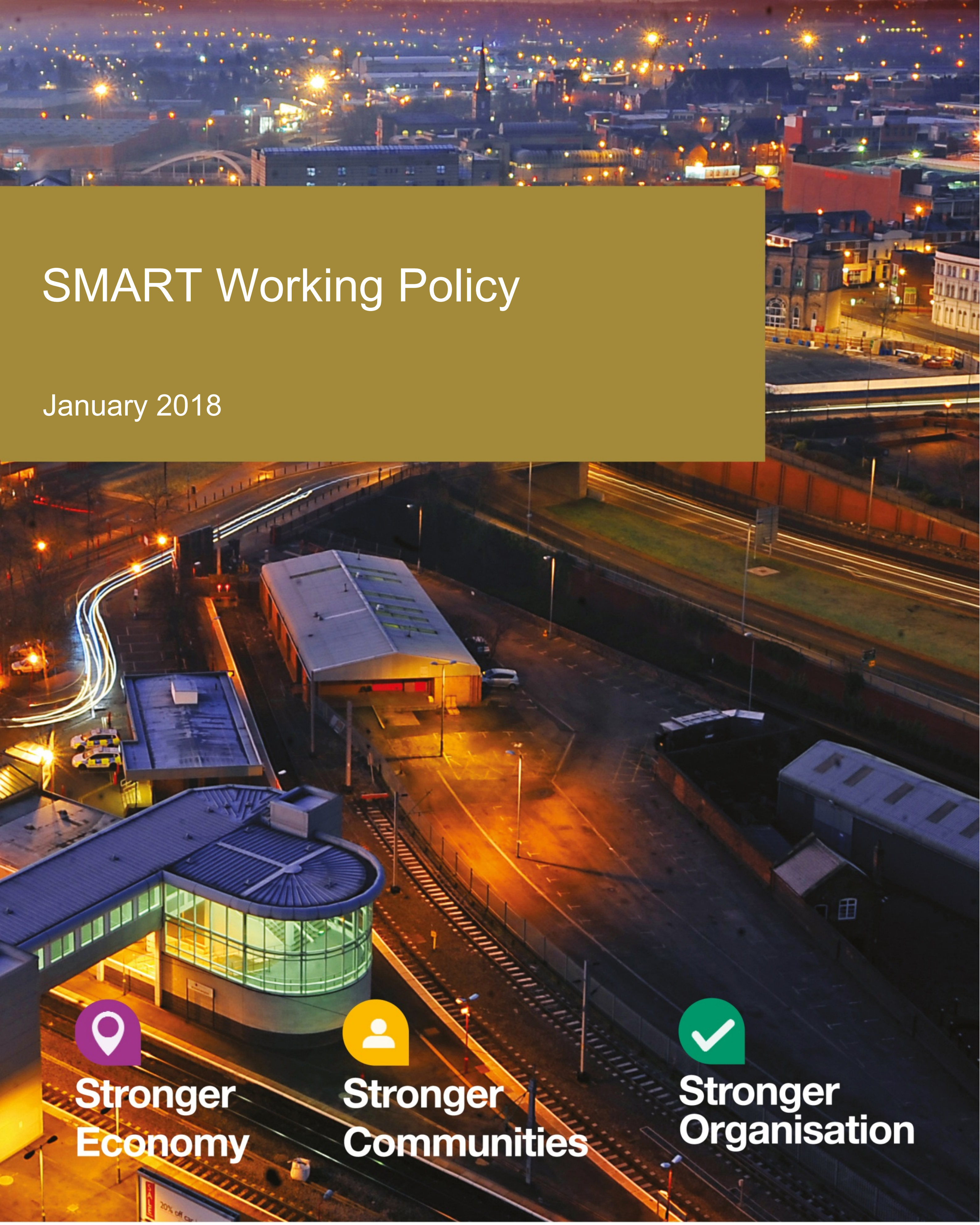
		• Working to a 10:7 ratio of staff to desks, made possible only due to flexible working. • Accrued flexi time to be used to attend personal appointments.	one group of workers but excluding others within the same team (e.g. care staff and admin staff).
Walsall Council	Core hours removed with effect from 01 April 2017 (Previously 10:00 -12:00 and 14:00 – 16:00). Employees are required to commence work no earlier than 07:30 and finish no later than 19:00 hours. Employees wishing to start later than 10:00 or leave before 16:00 must seek management agreement. Accounting Period: 13 weeks Credit: 3 days Debit: 4 hours Flexi Leave: Up to 3 days per accounting period.	• Provides employees a degree of choice in the hours they work. • Flexi breaks can be taken at any point during the working day, subject to management approval. • Accrued flexi time to be used to attend routine medical appointments. Paid time off and hours credited for hospital appointments.	• Applicable to all employees except for: ○ School based staff. ○ Employees required to work fixed hours, such as cleaners. ○ Employees who are employed on shifts or rota patterns. ○ Employees at Assistant Director level or above. ○ Employees whose terms and conditions of employment state otherwise. • Managers must ensure appropriate time recording systems are in place. • Where flexi time cannot be supported due to operational requirements, alternative working arrangements should be put in place to support service delivery requirements.

References:

http://www.acas.org.uk/media/pdf/j/m/Flexible-working-and-work-life-balance.pdf
https://www.cipd.co.uk/Images/hr-getting-smart-agile-working_2014_tcm18-14105.pdf
CWC Working Hours Policy
Dudley MBC Agile Working Guidance
Dudley MBC Equality Impact Assessment
Dudley MBC Time Management Arrangements
Hampshire County Council Flexi Time Scheme
Leeds City Council Flexible Working Policy
Lincolnshire County Council Agile Working Guidance
Monmouthshire County Council Agile Working Policy
Newcastle Under Lyme Borough Council Guide to Agile Working
Nottinghamshire Flexi Scheme Guidance
Walsall Council Flexi-time Scheme
Walsall Council Flexi Scheme FAQs

SMART Working Policy

January 2018



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1.0 Policy Statement

1.1 City of Wolverhampton Council recognises the need to develop modern working practices to enable employees to maximise their performance and productivity whilst maintaining work life balance. Through our Smart Working approach, we will support employees to work in the most effective and efficient way possible.

1.2 This will involve ensuring we are all 'Smart' in the ways we work:

- **S**upported- through policies, processes, procedures, technology and buildings.
- **M**easured- by the work we do, not by where we do it.
- **A**ware- of any changes to the ways in which we work and able to have input into decisions about our working styles.
- **R**esponsive- to our customers' needs, no matter where, when or how we work.
- **T**rained- to use any technology or policies that we are expected to use.

1.3 To enable this we encourage the use of flexible working arrangements in terms of when and where work is carried out, supporting this through communications technology, outcome based measurement of work and appropriate training in policy, management styles and technology.

1.4 Smart Working will help the Council to be more responsive to customer needs while ensuring the Council's vision, values and goals to attract, develop and retain high quality employees are realised.

1.5 Smart Working will empower employees to work with their manager to take a proactive rather than a reactive approach to flexibility in delivering their work. It is about taking a comprehensive and strategic approach to working practices across the Council, underpinned by:

- An approach where flexibility is the norm rather than the exception
- Work being conducted at the most efficient location taking into consideration the task, the customer, the individual and the team. Depending on their role, employees could be supported to work from a range of Council buildings, within the community, at client sites or by varying degrees of home working and regular hot-desking.
- Office space is allocated according to activities, not to individuals or based on seniority
- Use of technology such as the tools in Office 365 and Skype to enable sharing of information in a timely manner and the ability to contact and work collaboratively with people from various locations
- A collaborative approach to Smart Working which balances the freedom to choose where to work with the needs of the business
- Performance measurement based upon managing by output rather than physical presence

1.6 It is accepted that not all roles within the Council can be categorised as totally flexible but there is scope for smarter ways of working. This will be dependent upon the demands of the business and individual preference. With the right planning it is possible for employees to carry out their duties from a variety of locations.

1.7 This policy sets out the Council’s approach to Smart Working.

1.8 The Council will review the policy from time to time in line with statutory procedures and best practice.

2.0 Benefits of Smart Working

2.1 The Council recognises that Smart Working can have many benefits for the business and the employee, which include:

- Services delivered more efficiently, with customer needs met more effectively
- Increased productivity and employee morale
- Reduced costs associated with office space, travel to and from work/meetings
- Reduction in our carbon footprint and time spent travelling for work related activity
- Increase in candidate attraction, employee retention and talent acquisition
- Reduction in stress by empowering employees to manage their time and enhance their personal responsibility

3.0 Scope

3.1 This policy and procedure applies to all employees of the Council including Senior Managers and the Managing Director.

3.2 It excludes NJC employees and Teachers employed by Governing Bodies who are covered by Schools HR Policies. Policies adopted by the City Council may, following discussion with relevant trades unions, also be recommended as good practice models for adoption by maintained school governing bodies.

3.3 It does not consider permanent flexible working options available to employees that they may request using the Council’s flexible working policy and procedure. These are set out in the flexible working policy (examples include term time only working, reduced hours, compressed hours).

4.0 **Principles**

4.1 Managers and employees should consider Smart Working at every opportunity. The best working arrangements for the business and the individual should be discussed and agreed between the employee and their line manager before implementation.

4.2 When agreeing working arrangements, managers will consider the impact upon the business, the employee and the team. If there is a decision that an employee can work from an alternative location, this should not create additional workload for other employees nor affect operational efficiency and effectiveness. Where multiple employees are working from multiple locations, regular contact should be maintained between the team to ensure there is a joined-up approach to delivering the service.

4.3 As part of Smart Working, employees are expected to have personal responsibility for their workload and time management. Managers will be expected to manage employees by output as opposed to physical presence. This will require employees to provide regular progress updates to demonstrate the work they have carried out regardless of their working location.

4.4 Employees working away from the office must provide their colleagues and line manager with details of how they can be contacted – i.e. landline, mobile telephone number and/or skype calling. Employees should make and receive telephone calls and emails as they usually would within the office and within normal working hours.

4.5 Employees must be aware that some roles can only be performed from specific locations. Some employees therefore may consider being able to work smartly as a benefit. The right therefore should be respected and not considered an entitlement, contractual or otherwise.

4.6 There must be no compromise of health and safety, information governance, security of equipment or quality of service delivery when agreeing an alternative working location.

4.7 If working from home is a chosen suitable option, this will not attract any subsidy as the benefits are seen to be mutual

4.8 The Council's working hours policy and Working Time Regulations will apply in the normal way to smart working.

4.9 This policy will be applied fairly and equitably and no employee will suffer any detriment from making a request.

4.10 All other Council policies and procedures will still apply in the usual manner.

5.0 **Smart Working**

5.1 Smart Working involves work taking place at the most effective location and at the most effective time, respecting the needs of the task, the customer, the individual and the team. This could also include the use of technology (such as Skype for Business) to avoid travelling unnecessarily to meetings.

5.2 Where an employee has a usual office base, they can discuss the potential to work away from that office with their Line Manager on an ad-hoc basis. Their Line Manager should consider the following factors before agreeing to the employee working from a different location:

- Will working from a different location or at a different time help the employee be more efficient and more responsive to customer and business needs?
- Is the employee available at short notice if required and would they be required to be physically present in a specific location in an emergency?
- Would there be a positive or negative impact on team members and/or stakeholders?
- Could work be effectively organised amongst employees within the team?
- Would there be a positive or negative impact on work quality or performance?
- Have health and safety and data protection issues been addressed?
- Will the employee have the right tools for the job in the alternative location?
- Are there any planned structural changes to the service, department or the Council which may need the employee to report to a specific location?
- Are there Local specific arrangements in place (i.e. rotas)?
- Are there performance related issues which have been prior discussed between the manager and employee
- Are there any financial considerations related to the employee or the Council?

5.3 (Further guidance for Managers is available in 'Managing Smart Ways of Work – Managers guide').

5.4 Managers should treat all employees fairly and equitably. Where it is not deemed possible to allow an employee to work from an alternative location then a reason should be provided. This should not prevent an employee from making subsequent requests.

5.5 Smart Working arrangements are intended to be ad-hoc and suit a purpose (for example, a specific piece of work needs to be conducted without distraction and therefore an employee makes a request to work at home for a day).

5.6 Where a manager has agreed that an employee can work from an alternative location or an alternative time, then practical and operational arrangements should be agreed between Line Manager and employee. Expected work outputs and arrangements for communication, support and housekeeping rules need to be discussed and established prior to implementation.

5.7 Wherever an employee is based, they will be expected to record work undertaken (on a format discussed and agreed with their line manager) and report to management on progress where requested. Where the employee is working from an alternative location, the frequency and method of communicating progress will need to be agreed with their Line Manager.

5.8 Managers and employees must consider any health and safety implications and conduct a risk assessment if required.

5.9 Where an employee's performance is not acceptable, the manager can withdraw the employee from agile working arrangements as part of a performance action plan to support necessary improvements.

5.10 Employees must note that the ability to work from home is not a substitute for sickness, childcare or similar carer responsibilities. It is the employees responsibility to ensure adequate provision is in place, should they be able to work from home.

6.0 Working Hours

6.1 The Working Hours Policy will continue to apply in the usual manner and employees and managers should ensure this is adhered to unless there are other locally agreed arrangements in place.

6.2 Subject to service needs and with **managerial consent,** employees have the option of working flexibly between the hours of 7 am to 7 pm with no core hours. Full time employees should work a minimum of 37 hours a week between these times and do an average of 7.4 hours a day (i.e. where someone is employed to work Monday to Friday, 37 hours a week, they **cannot** complete 37 hours a week across less than five days). Part time employees must still continue to spread their contracted hours across the number of days they are contracted to work.

6.3 Employees must work a morning and afternoon in a day (where contracted to work a full day) – smart working cannot be used by employees to take a morning or afternoon off work – annual, flexi or other leave can be used for this purpose.

6.4 In agreement with their line manager, an employee can request to start work later, finish earlier, have a longer lunch and so forth to help manage personal commitments and fulfil their workload, whilst ensuring the team is adequately resourced to meet the business and service needs.

6.5 For employees who work 6 hours or above in a day a minimum break of 30 minutes must be taken.

7.0 **Time Recording**

7.1 Time should be recorded using the time sheet available for employees on the intranet. Managers may at their discretion use another time recording method – employees are requested to familiarise themselves with the local practice.

7.2 It is the employee's responsibility to keep accurate records of hours worked. Anomalies may result in disciplinary action. Employees should remind themselves of their responsibilities under their terms and conditions and observe and lead by our values and behaviours. Employees should also abide by Working Time Regulations.

7.3 The line manager should oversee the employee's record of hours – if they fail to do so, they may face disciplinary or capability proceedings in line with their responsibilities and expectations to observe and lead by our values and behaviours. In addition, managers must ensure employees are adhering to Working Time Regulations.

8.0 **Confidentiality and Security of data**

8.1 The Council will ensure that appropriate technical security measures are in place to protect the information used by the employee.

8.2 Employees should ensure they maintain the security of any documentation and equipment used to carry out work activities. Both paper and electronic records of information must be kept secure and confidential at all times. Wherever possible, when equipment or documents are not being used they should be locked away.

8.3 Any paper based documentation that contains personal or confidential information must be disposed of securely on Council premises using the Council approved secure disposal units. Employees are encouraged to use electronic files and documents wherever possible to reduce paper file storage, printing costs and increase security.

8.4 Laptops, tablets or work phones must be kept secure and in a 'locked state' when not in use. Where employees will not be returning to their usual base to store data or equipment such as a tablet, laptop or phone that holds confidential information, they should ensure they are stored at secure premises, inside a lockable cupboard or desk.

8.5 The Council will provide the necessary equipment to employees to enable SMART working. Employees should not use their own personal computer, tablet, USB stick, storage drive or any electronic device to process or store Council information. Council laptops are encrypted which will provide protection of data in case of loss or theft. If a USB stick or external hard drive is required it should be requested from ICT after obtaining management consent as this will be encrypted.

8.6 The Council's policy on Acceptable use of ICT Assets and Social Media contents must be adhered to. This is available to view on the Council's intranet or from Human Resources.

9.0 Health and Safety

9.1 The Health and Safety at work etc. Act 1974 (HSWA) places duties on employers and employees. Under HSWA, employers have a duty to protect the health, safety and welfare of their employees. Employees have responsibility for their own and others health and safety whilst carrying out work activities regardless of location.

9.2 Where employees use other Council locations to work they should familiarise themselves with local arrangements for managing health and safety and fire evacuation procedures. Employees should also ensure they adhere to local signing in and out arrangements.

9.3 If working from home or other work locations is agreed (regardless of frequency), the employee has a responsibility to ensure they have an appropriate workspace with adequate security, storage and screening from activities and noise. There must also be adequate ventilation and lighting. It is necessary to ensure that any workstation used is not likely to cause employees any health risk. In view of this, employees should assess the risks for workstations that are occupied at irregular intervals as a result of flexible working practices such as hot-desking. The basic criteria employees should always check when working with display screen equipment can be found on the Health and Safety Intranet Portal (DSE – Self Assessment Form). Any risks must be discussed with management to help minimise these.

9.4 Employees must not carry out any work meetings in their home, though Skype meetings could be considered.

9.5 Employees who may be lone working should complete a lone working risk assessment (available on the Health and Safety Intranet) and request a Alertcom Device if necessary.

9.6 Health and safety issues and risks must be considered prior to an employee working from a different location or at a different time.

10.0 Risk and Insurance

10.1 The Council's insurance will cover third party and employer liability risk. Council provided equipment in the workplace and at home will also be covered. However, any equipment provided by the employee for work use will not be covered by the Council. A home-based worker must inform their insurers that they are home based working (depending on how much they do from home – it is an employee's responsibility to check this with their insurer).

11.0 **Breach of policy**

11.1 In the event that the SMART working policy is misused, it will be treated seriously as it could constitute fraud. It may be considered gross misconduct and could result in disciplinary action – a potential outcome of which may be dismissal.

12.0 **Management Responsibilities** – managers should:

- Familiarise themselves with the managers guidance for Smart Working and follow the necessary advice provided therein
- Be responsible for their own and team members adherence to this guidance
- To regularly review smart working arrangements agreed within the team and amend these if necessary
- To ensure all employees within the team understand smart working guidance
- To ensure the concept of managing by outcomes has been fully explained to employees within the team and methods to monitor output have been mutually agreed
- To monitor output of all employees and any reduction in performance is dealt with as soon as possible
- To monitor all employees time recording and ensure they are completed accurately and employees are working in accordance with Working Time Regulations
- To ensure maximum flexibility and consideration is afforded to smart working requests whilst remaining focussed on the needs of the service
- To ensure employees are aware of their responsibility to adhere to Council policies and training linked to smart working is undertaken
- To ensure employees who are habitual users of DSE equipment conduct a risk assessment for any workstations used and raise concerns with management
- To conduct risk assessments as necessary and minimise these in relation to smart working and ensure employees meet their health and safety obligations
- To deal with misuse of the SMART working policy in conjunction with HR as soon as possible.

13.1 **Employee responsibilities** – employees should:

- Ensure they are familiar with this policy and others related to it
- Comply with all conditions and guidance within the smart working policy – for example, confidentiality, data protection etc

- To have joint responsibility with their manager to agree smart methods of working where applicable
- To ensure flexibility, openness and constructiveness in relation to discussions and agreements about smart working with their line manager whilst remaining focused on the needs of the service
- When working away from the office, to ensure contact is maintained via telephone, skype and email
- To record time worked and output regardless of location
- Understand and respect that working away from the office base is a mutual benefit and it is not an entitlement
- To adhere to Council policies and undertake training in relation to smart ways of working
- If working from home or hot desking conduct a risk assessment for each work station being used and discuss with management
- Maintain regular contact with the team and their line manager, regardless of work location
- Optimise meetings to minimise the amount of travel time when working off site
- Report immediately once known, any loss, theft or damage to Council equipment or the loss of confidential information.

10.2 **Roles and Responsibilities of HR**

HR will provide operational support to managers in the application of this policy and procedure. Under this policy HR has the specific responsibility to:

- Advise managers on using the standard appraisal templates and documentation including the guidance for managers and employees.
- Provide support and guidance throughout all stages of this policy
- Ensure the communication, maintenance, regular review and updating of this policy assess compliance, legality and effectiveness
- Monitor and review the delivery and impact of the policy
- Ensure policies are kept up to date and in line with this policy

10.3 **Role of Head of HR**

In consultation with the recognised Trade Unions, the Head of HR will exercise delegated authority for and be responsible for the on-going review and updating of this policy to ensure compliance with changes in statutory requirements and operational delivery, including responsibility for identifying the appropriate process for the regular evaluation of the effectiveness of this policy. Any fundamental changes to this policy will be brought before Cabinet (Resources) Panel for approval.

11.0 **Monitoring and Review**

This policy will be reviewed every three years following ratification or sooner if the necessity arises.

12.0 **Related Documents**

Travel and Subsistence Policy
Working Hours Policy
Clear Desk Policy
Flexible Working Policy
Acceptable use of ICT Assets and Social Media Policy

SMART Working

Managers Guidance

Managing Smart Working

The guidance notes have been developed to assist managers when managing employees who work in smart ways. The guidance is to support the application of Council's policy on Smart Working and is not intended as a substitute.

The guidance is based on best practice and does not form part of the Council's Smart Working policy.

For further information, please contact HR on (01902) 552345 or email HR.supportdesk@wolverhampton.gov.uk

1.0 Introduction

1.1 City of Wolverhampton Council recognises the need to develop modern working practices to enable employees to maximise their performance and productivity whilst maintaining work life balance. Through our Smart Working approach, we support employees to work in the most effective and efficient way possible.

1.2 This will involve ensuring we are all 'Smart' in the ways we work:

- **S**upported- through policies, processes, procedures, technology and buildings.
- **M**easured- by the work we do, not by where we do it.
- **A**ware- of any changes to the ways in which we work and able to have input into decisions about our working styles.
- **R**esponsive- to our customers' needs, no matter where, when or how we work.
- **T**rained- to use any technology or policies that we are expected to use.

1.3 Smart Working provides a strategic and business-focussed framework for adopting smart, agile working as the norm. This means taking a proactive rather than a reactive approach to flexibility, by seeking out the benefits rather than waiting for individual employee requests. Limitations on flexibility need to be based on clear operational need.

1.4 It is accepted that not all roles within the Council can be categorised as totally flexible but in most instances, there is scope for smarter ways of working. This will be dependent upon the demands of the business and individual preference. With the right planning it is possible for employees to carry out their duties from a variety of locations.

1.5 Smart working necessitates a culture change to empower employees to work in smarter ways and deliver better services. It will require some managers to change the way that they manage employees and behaviours.

1.6 Employees will also need to consider the best methods of working to get the best outcomes for themselves – i.e. where a specific piece of work needs to be carried out which requires no distraction, work from home or an area of the office that is designated for this type of work. Managers will need to encourage employees to think smartly about the way in which work is conducted and where it is undertaken.

2.0 Determining the appropriateness of Smart Working

2.1 In order to assess whether Smart Working may be appropriate for a role a manager may wish to:

- Examine the tasks involved within the job role, in terms of how effectively they can be done at different times and at different locations
- Consider the preferences of the employee and the ability to meet their expectations
- Consider the potential to reduce the financial and environmental footprint of the organisations working practices
- Consider the impact on teamwork – for example how communication and grouping of tasks may need to evolve to maximise the benefits
- Consider the impact on service delivery
- Consider colleagues and effect of working away from the office could have – i.e. additional workload for others. Where this may be the case, managers may need to decline requests.

3.0 Managing Smart Working

3.1 Managers have a key role to play in the effectiveness of Smart Working and leading by example. On a day to day basis managing Smart Working means moving away from monitoring from behaviour-based to managing by outcome-based controls. Behaviour-based controls often refer to the practice of assessing performance based on employees' observable actions, whereas output-based controls involve assessing performance based on output, products, or other deliverables of the work rather than on the process or behaviours used to generate the output. This may involve different ways of keeping in contact with employees, assessing workloads, monitoring and measuring performance.

3.2 For the team it will involve an increase in sharing of schedules with colleagues, updating skype location and status, filing of information so it can easily be found and accessed by others and methods of updating others about work-in-progress.

3.3 Many managers may already be doing this – the management skills are the same but are required to be applied with more discipline so as to:

- Treat all employees according to their needs – regardless of their location
- Ensure those working at a distance do not feel excluded from the team
- Managing by results should be the norm and not the exception
- Ensure those working in the office do not have increased workloads due to other employees working remotely

3.4 As well as familiarising themselves with the Smart Working policy and managers guide, managers are expected to:

- Undertake the e-learning module 'Agile Working for Managers'
- Undertake the e-learning modules under 'Health and Safety' and encourage Smart Workers to apply the principles of Health and Safety wherever they work
- Carry out performance appraisals as usual
- Manage performance of all employees regardless of work location – ensure employees are aware of their work programmes, responsibilities, tasks, targets, objectives etc and these are met on time and as specified.

- Continue with one to one meetings – keep the lines of communication open, request employees come into the usual office base to keep in touch and avoid the feeling of being isolated
- Provide constructive feedback to all employees on their performance, output and the impact Smart Working may be having on them, the team, customers and service delivery.
- Where Smart Working may be having a negative impact or the individual is not performing to a satisfactory level, managers should address the issues as soon as possible to allow improvement. If an improvement is not made to further address this and review whether Smart Working for that individual is necessary.
- Seek advice from Human Resources where required

3.5 A performance record can be found attached as appendix 1 to this guidance - this can be used by employees and managers to record work progress and 1 : 1 discussions to enable management by outcome. This method should be applied equally to all employees regardless of their work location. The performance record is intended to be used as guidance, managers can adapt this record to suit as necessary.

3.6 Managers should ensure employees understand:

- What tasks they are expected to complete – agree objectives, competencies and development needs, provide deadlines, targets and stretch targets (specific, measurable, achievable, realistic and time-framed)
- The method of agreeing/monitoring workload – measured against objectives and competencies
- How success will be measured
- How this feeds into the one to one and appraisal process
- What communication is required from them and
- How you will communicate with them

4.0 Review Performance

4.1 Reviewing performance should be a continuous process which usually has three elements:

- Regular informal meetings where managers discuss current work, development and offer feedback on achievements. Additionally, any areas for improvement should be discussed and agreed.
- Formal one to one meetings which are usually held monthly. Line managers must discuss progress against objectives and competencies and recorded formally on the one to one template – this has been incorporated into the performance record should managers wish to use it.
- The annual appraisal review where both the manager and the employee have the opportunity to discuss the employee's performance, if objectives set have been met and to plan future targets; to recognise any achievements made since the last review, and address any weaknesses in performance.

4.2 Both employees and managers should keep a record of progress and managers should ensure employees are clear on how they should record this. An example of a performance record can be found #.

5.0 Teamwork protocols

5.1 It is important to establish teamwork protocols about communication and reporting to work effectively and maintain team cohesion. Teamwork protocols should cover:

- A requirement to let others know where and when employees are working (diary entries, including start, finish and break times and details of work location)
- Clear reporting structures
- Sharing of calendars and schedules
- Rigorous use of electronic document management systems to ensure work is easily accessible
- Ensure everyone is flexible about flexible working so not to disadvantage others in office cover provision or attendance at meetings etc
- Etiquette and behaviour in online communication and virtual meetings
- Fairness in usage of office space
- Encourage random discussions between team members – Microsoft Teams can facilitate impromptu chats. This can help to maintain team cohesion and prevent resentment from office based workers as they can maintain contact with colleagues who work away from the office efficiently.

5.2 Initially this may require some enforcement in order to bring about a change in work culture.

6.0 Self-help protocols

6.1 It is important that individuals are encouraged to work in Smart ways but also that they help themselves to make this seamless. Managers should ask employees to:

- Undertake the e-learning module 'Agile Working for Employees'
- Undertake the e-learning module 'Introduction to Health and Safety'
- Familiarise themselves with online tools such as Skype for Business
- Co-operate with team members and management whilst working away from the office
- Update and share on-line diaries
- Undertake the e-learning modules within 'Information Governance' and ensure they are aware of their responsibility to secure Council information
- Adhere to the Council's Working Hours policy

7.0 Rethink Meetings

7.1 It is important to rethink meetings. Routine sharing of information can be carried out through online processes. Physical meetings can still be held for collaborative work such as training, brainstorming and decision making.

7.2 The benefits of Smart Working may be limited by an insistence on employees being physically present for routine meetings. Alternatives if possible could be that meetings can be held using audio, video or web conferencing.

7.3 Managers should consider:

- Replacing physical meetings by online interaction

- Reducing the number of people required at meetings for the entire session, inviting people in remotely by prior appointment and priming them by sending them questions to respond to in advance
- Setting targets for reducing the number of meetings
- Encouraging Skype meetings to prevent unnecessary travel

8.0 Communication

8.1 Having a remote workforce may mean that you may not be able to deal with an issue if it was urgent as work colleagues may not be present. However, online communication tools allow teams to interact just as effectively as if they were in the office. The following strategies can assist in ensuring communication remains open within the team:

- Provision of email updates
- Use of Skype calling, video calling and messaging
- Ensuring skype location and status is updated regularly
- Use of skype video calling and conferencing for virtual meetings
- Telephone contact – provision of telephone numbers to colleagues where skype maybe out of use or not appropriate
- Regular one to one and team meetings
- Keeping calendars up to date
- Address any communication concerns as soon as they arise – record any individual concerns in one to one meetings and if these continue, withdraw the individual from smart working arrangements.

8.2 Remember that a face to face meeting may be the best method of communication when there is bad news or complicated information to impart.

9.0 Time Management

9.1 The Working Hours Policy will continue to apply in the usual manner and employees and managers should ensure this is adhered to unless there are other locally agreed arrangements in place.

9.2 Subject to service needs and with **managerial consent,** employees have the option of working flexibly between the hours of 7 am to 7 pm with no core hours. Full time employees should work a minimum of 37 hours a week between these times and do an average of 7.4 hours a day (i.e. where someone is employed to work Monday to Friday, 37 hours a week, they **cannot** complete 37 hours a week across four days). Part time employees must still continue to spread their contracted hours across the number of days they are contracted to work.

9.3 Employees must work a morning and afternoon in a day (where contracted to work a full day) – smart working cannot be used by employees to take a morning or afternoon off work – annual, flexi or other leave can be used for this purpose.

9.4 In agreement with their line manager, an employee can request to start work later, finish earlier, have a longer lunch and so forth to help manage personal commitments and fulfil their workload, whilst ensuring the team is adequately resourced to meet the business and service needs.

10.0 Time Recording

10.1 Time should be recorded using the time sheet available for employees on the intranet. Managers may at their discretion use another time recording method – employees are requested to familiarise themselves with the local practice.

10.2 It is the employee's responsibility to keep accurate records of hours worked. Anomalies may result in disciplinary action. Employees should remind themselves of their responsibilities under the Code of Conduct and observe and lead by our values and behaviours.

10.3 The line manager should oversee the employee's record of hours – if they fail to do so, they may face disciplinary or capability proceedings in line with their responsibilities and expectations to observe and lead by our values and behaviours.

11.1 Rest Breaks

11.2 Employees should continue to take rest breaks in accordance with DSE Regulations, contractual requirements and the Working Time Regulations (more information can be found on the Health and Safety Executive website).

12.0 Be aware of burnout

12.1 In Acas' research paper (2013) 'Home is where the work is' Acas found that performance is slightly higher for homeworkers and mobile workers. In addition, work hours were the shortest amongst office workers and homeworkers and partial homeworkers are more likely to work in excess of their contracted hours, while mobile workers work significantly more hours in excess of their contracts than all other groups of workers.

12.2 Managers must conduct checks to ensure employees who work away from the office are taking regular breaks and are not working excessively over their contracted hours as this could cause employees to 'burnout'. Signs to look out for are a reduction in productivity/output, uncharacteristic detachment and increased cynicism or complaining. Where managers notice these signs, you could have a conversation with the employee and explore reasons for the changes in behaviour – such as 'what are you working on right now?' or 'I have noticed a reduction in productivity – is there a reason for this', 'do you need any support/assistance' etc. City of Wolverhampton Council have an Employee Assistance Programme (EAP) which can be accessed by employees if they feel they need to talk to a professional in confidence (i.e. for help in dealing with unexpected situations/feelings etc). Information on the EAP can be found on the intranet. For further assistance please contact Human Resources.

13.0 Health and Safety

13.1 A DSE self-assessment should be completed (by employees) and managers should identify and implement control measures and effectively communicate the outcomes to employees and others as appropriate.

13.2 Managers should advise employees to:

- Be aware of any risks as an outcome of the risk assessment and to work within the parameters of control measures
- Be advised to familiarise themselves with fire evacuation and health and safety procedures relevant to their location of work (when working at satellite offices)
- Be advised not to carry out any meetings from home although skype meetings may be considered
- If working from home, ensure they have an appropriate workspace with adequate security, storage and screening from activities and noise in the rest of the home. There must also be adequate ventilation and lighting
- Complete the e-learning module on Health and Safety
- Complete a Display Screen Equipment (DSE) self-assessment form (if they are a habitual user of DSE equipment) for their desk at the office - the principles of which should be followed when working at home. The form can be found on the Health and Safety Intranet.

14.0 Sick Leave and Time off for Dependants

14.1 Where an employee is too unwell to work regardless of work location, the usual sickness reporting procedures apply. Managers should not permit employees to work from home if they have informed them they are not well.

Similarly employees should not be permitted to work from home instead of taking time off for dependants or similar carers leave.

Managers can ask employees who work from home to come into the office to cover emergency situations or where circumstances may change (i.e. another member of staff calls in sick and office cover is required) and employees should be in a position to oblige.

15.0 Confidentiality and security of data

15.1 Managers should ensure employees are aware of their responsibilities when working remotely in relation to maintaining confidentiality and the security of data.

- All employees should complete the Information Governance e-learning modules on Data protection, Information Protective Marking and Protecting Information.
- Where employees will not be returning to their usual base to store data or equipment such as a tablet, laptop or phone that holds confidential information, they should ensure they are stored at secure premises, inside a lockable cupboard or desk.
- When taking short breaks or moving away from the laptop employees must ensure the laptop is kept locked.
- Both paper and electronic records of information must be kept secure and confidential at all times.
- Any paper based documentation that contains personal or confidential information must be disposed of securely using the Council’s confidential waste bins.
- Employees are encouraged to use electronic files and documents wherever possible to reduce paper file storage, printing costs and increase security.
- Electronic formats of documentation should only be processed and stored on Council equipment or storage drives.

- If using a USB stick or external drive to store Council information then this should be encrypted and obtained from ICTS. Employees are not permitted to store Council data on any personal hard drives or personal computers etc.
- The Council's policy on Acceptable use of ICT Assets and Social Media contents must be adhered to.

16.0 File Sharing

16.1 Employees must have access to the files and materials they need to get work done. However, many people rely on email to send and share documents, which could create numerous problems; documents get lost, breaches in data protection, senders forget to attach, no one knows which version is the latest etc.

16.2 Employees should be encouraged to save documents where all employees have access (such as a sharepoint site). Protocols can be developed for version control, naming of files, creating folders etc.

17.0 Manage under-performance

17.1 If through regular, informal and/or 1:1 meetings managers feel that an employee is underperforming, they should discuss this with the individual concerned as soon as practicable and provide a reasonable amount of time for improvement. If thereafter improvement is unsatisfactory the employee should be managed using the capability procedure. The manager may also wish to consider whether the employee is suited to continue to undertake remote working and remove this privilege where it is having a negative impact on output. Further advice about managing underperformance can be sought from Human Resources.

18.0 Further support

Managers can obtain further support from Human Resources who can offer further advice and guidance on Smart Working – contact the HR Support Desk via the Hub Customer Portal (HR), email hr.supportdesk@wolverhampton.gov.uk or telephone (55) 2345, option 1.

Task	Issued by	Date issued	Deadline	Progress	Open/Closed	Date closed

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Items for discussion: **General update** (opportunity for the employee to raise any general issues before focusing on their area of work)

Actions:	When:	By Who:

Workload (follow up on key tasks from previous meeting and record any progress/outstaing actions/issues or concerns and discuss any future actions before next meeting)

Actions:	When:	By Who:

Team Issues (opportunity to clarify any new work processes that may impact upon the team)

Actions:	When:	By Who:

Health and Safety (any relevant issues/concerns)

Actions:	When:	By Who:

Equalities/other issues (must be relevant to work)

Actions:	When:	By Who:

This spreadsheet is intended to be a guide for managers to utilise or as a basis to devise their own performance management mechanisms for each of the employees they manage. It is not mandatory to use this particular style. It is compulsory however, that managers have a method of recording employee performance and output and discussions of these during one to one meetings. These could also be used as a mechanism to inform the appraisal process.

Sheet/Cell	Instruction
Tasks - A (Task)	Insert detail of task delegated
Tasks - B (Issued by)	Insert name of Officer who delegated the particular task (this is useful where more than one officer delegates tasks to the employee)
Tasks - C (Date issued)	Insert date task was set
Tasks - D (Deadline)	Insert deadline for task to be completed by
Tasks - E (Progress)	Insert comments about progress on the tasks delegated (i.e. obtained information, need additional time, need to contact Health and Safety for more information etc)
Tasks - F (Open/Closed)	Insert 'Open' where task is not complete. Insert 'Closed' once task is complete. This will allow you to filter on completed tasks (Closed) and current, outstanding tasks (open)
Tasks - G (Date Closed)	Insert date closed - this may assist in identifying whether someone is able to achieve deadlines set
121 tabs	This is the corporate 121 template which can be used by management to undertake supervision or 121 sessions. Some Service Areas may have their own supervision or 121 templates which can be used instead of these). Insert more sheets for 121's as necessary.

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Agenda Item No: 7

CITY OF WOLVERHAMPTON COUNCIL

Confident Capable Council Scrutiny Panel

18 April 2018

Report title	Treasury Management	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Alison Shannon Tel Email	Chief Accountant 01902 554561 Alison.Shannon@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Scrutiny Panel is recommended to:

1. Scrutinise the arrangements included in the treasury management strategy and policies.

Recommendations for noting:

The Scrutiny Panel is asked to note:

1. The position with regard to the new Codes of Practice on Treasury Management and the Prudential Code where detailed guidance is still to be issued by CIPFA.

2. The position regarding the new guidance issued by the Ministry of Housing, Communities and Local Government on Local Government Investments and Minimum Revenue Provision which is being reviewed by the Director of Finance.

1.0 Purpose

1.1 To bring to the Panel's attention, information about the Council's treasury management activity that has been reported to either Cabinet or Cabinet (Resources) Panel during 2017-2018 including:

- Treasury Management - Annual Report 2016-2017 and Activity Monitoring Quarter One 2017-2018
- Treasury Management Activity Monitoring – Mid Year Review 2017-2018
- Quarter Three Treasury Management Activity Monitoring
- Treasury Management Strategy 2018-2019

2.0 Background

2.1 The treasury management activities of the Council are underpinned by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice. The Code requires a nominated body be responsible for ensuring effective scrutiny of the Council's Treasury Management strategy and policies, the Confident, Capable Council Scrutiny Panel fulfils this role.

2.2 During 2017-2018, three reports have been received by Cabinet, as set out below:

Cabinet, 19 July 2017

- Treasury Management - Annual Report 2016-2017 and Activity Monitoring Quarter One 2017-2018

Cabinet, 29 November 2017

- Treasury Management Activity Monitoring – Mid Year Review 2017-2018

Cabinet, 20 February 2018

- Treasury Management Strategy 2018-2019

2.3 In addition, one report has been received by Cabinet (Resources) Panel, as set out below:

Cabinet (Resources) Panel, 20 March 2018

- Quarter Three Treasury Management Activity Monitoring

With the exception of the Treasury Management Strategy 2018-2019 report which is included at Appendix 1, in order to minimise printing costs, the Panel Chair has agreed that full versions of the reports will not be circulated again. It is recommended, however, that Panel members review the reports ahead of the meeting, and are requested to please bring the full versions that were circulated with the relevant Cabinet and Cabinet

(Resources) Panel agenda papers to the meeting. Summaries of the relevant reports are shown below together with, for each report, a link to the original document.

3.0 Treasury Management - Annual Report 2016-2017 and Activity Monitoring Quarter One 2017-2018

3.1 This report, considered on 19 July 2017, provided Cabinet with an update on matters relating to the year-end position with regard to treasury management arrangements and activity and treasury management activity in 2017-2018. The report is available via this link.

3.2 The report recommended that Cabinet recommends that Council approves the revised Minimum Revenue Provision (MRP) statement setting out the method used to calculate MRP for 2017-2018, in particular, the change regarding investment assets which is being backdated to 1 April 2013, as set out in Appendix F to the report.

3.3 Cabinet also recommended that Council note that:

1. The Council operated within the approved Prudential and Treasury Management Indicators, and also within the requirements set out in the Council's approved Treasury Management Policy Statement during 2016-2017.

2. Revenue savings of £1.7 million for the General Fund and £2.5 million for the Housing Revenue Account were generated from treasury management activities in 2016-2017.

3. Revenue savings of £810,000 for the General Fund and £329,000 for the Housing Revenue Account are forecast from treasury management activities in 2017-2018.

3.4 Cabinet was also asked to note that the capital programme figures included in the report assumed that the updated requests for capital resources which were reported to Cabinet (Resources) Panel on 27 June 2017 and Council on 19 July 2017 were approved. If this were not to be the case revised figures would be provided to Council on 20 September 2017.

4.0 Treasury Management Activity Monitoring – Mid Year Review 2017-2018

4.1 This report was considered on 29 November 2017 and is available via this link.

4.2 The purpose of this report was to provide a monitoring and progress report on treasury management activity for the second quarter of 2017-2018 as part of the mid-year review, in line with the Prudential Indicators approved by Council in March 2017.

4.3 The Cabinet recommended that Council note:

1. That a mid-year review of the Treasury Management Strategy Statement had been undertaken and the Council had operated within the limits and requirements approved in March 2017.

2. That savings of £1.1 million for the General Fund and £643,000 for the Housing Revenue Account (HRA) were forecast from treasury management activities in 2017-2018.

5.0 Treasury Management Strategy 2018-2019

5.1 The Treasury Management Strategy for 2018-2019 was presented to Cabinet on 20 February 2018. The report (available via this link and also included at the end of this report with associated appendices) sets out the Council's Treasury Management Strategy for 2018-2019 for approval by Council.

5.2 The strategy incorporates six elements, which are detailed in separate documents appended to the report (the Treasury Management Strategy, the Annual Investment Strategy, the Prudential and Treasury Management Indicators, Minimum Revenue Provision (MRP) Statement, the Disclosure for Certainty Rate and the Treasury Management Policy Statement and Treasury Management Practices).

Changes in Code of Practice

5.3 The report also included how CIPFA have updated and released new versions of both the Code of Practice on Treasury Management and Prudential Code in December 2017.

- The Code of Practice on Treasury Management underpins the treasury management activities of the Council.
- The system of controls on local authority capital investment is based largely on self-regulation by local authorities themselves, at its heart is the Prudential Code.

5.4 Although the Codes have been released and are effective for the 2018-2019 financial year, the detailed sector specific guidance has not been issued. In addition, CIPFA have acknowledged that the requirement to produce a Capital Strategy, which is a new requirement under the Prudential Code, may require a longer lead-in time and that this requirement may not be able to be fully implemented until 2019-2020 financial year.

5.5 The Capital Strategy report is intended to provide the following:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed.
- The implications for future financial sustainability.

The aim is to ensure that all elected Councillors at Council fully understand the overall strategy, governance procedures and risk appetite entailed by the Strategy. The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all Councillors to understand how stewardship, value for money, prudence, sustainability and affordability will be secured. CIPFA are recommending that the requirement of both Codes are implemented as soon as possible.

Until this detailed guidance is received by the Council, the strategy statements appended to the report were prepared on an interpretation of the Codes to ensure compliance.

Changes in Statutory Guidance

5.6 On 2 February 2018 the Ministry of Housing, Communities & Local Government (MHCLG) issued its new Statutory Guidance on Local Government Investments and Minimum Revenue Provision. This new guidance was issued after a period of consultation which focused mainly on the following changes:

- The widening of the definition of an investment to include items not managed as part of the normal treasury management processes and delegations e.g. loans to a wholly owned company/associate, joint ventures or third parties or non-financial investments relating to assets.
- Strengthening the transparency and accountability of these investments including ensuring all parties, officers and councillors, involved in these activities are aware of the core principles of the prudential framework.
- Changing the definition of MRP prudent provision and overpayment.
- Introducing maximum useful economic lives of assets for applying to MRP calculations.

Both sets of the new guidance are currently under review by the Director of Finance to assess any necessary changes to the Council's strategies with regard to investments and MRP. Therefore, due to timescales the report and appendices were based on the guidance previously issued and not the new versions.

5.7 The guidance on Local Government Investments is effective from 1 April 2018, however, MHCLG has acknowledged due to timescales this may not be practical to implement and approve before this date. Where this is the case, the disclosures and requirements should be presented for approval the first time the relevant strategy document is updated or superseded after 1 April 2018.

5.8 With regard to the guidance on Minimum Revenue Provision the effective date is 1 April 2019, except for the elements 'Changing Methods for Calculating MRP' which apply from 1 April 2018. Early adoption of the guidance is encouraged.

5.9 As a result of the report, Cabinet recommended that Council approved:

1. The authorised borrowing limit for 2018-2019 as required under Section 3(1) of the Local Government Act 2003 be set at £1,087.5 million (PI 3, Appendix 3 to the report).

2. The Treasury Management Strategy Statement 2018-2019 as set out in Appendix 1 of the report.

3. The Annual Investment Strategy 2018-2019 as set out in Appendix 2 of the report.

4. The Prudential and Treasury Management Indicators as set out in Appendix 3 of the report.

5. The Annual Minimum Revenue Provision (MRP) Statement setting out the method used to calculate MRP for 2018-2019 onwards as set out in Appendix 4 of the report.

6. The Treasury Management Policy Statement and Treasury Management Practices as set out in Appendix 5 of the report.

7. That authority continues to be delegated to the Director of Finance to amend the Treasury Management Policy and Practices and any corresponding changes required to the Treasury Management Strategy, the Prudential and Treasury Management Indicators, the Investment Strategy and the Annual MRP Statement to ensure they remain aligned. Any amendments will be reported to the Cabinet Member for Resources and Cabinet (Resources) Panel as appropriate.

5.10 Cabinet also recommended that Council note:

1. That the MRP charge for the financial year 2018-2019 will be £7.8 million increasing to £14.7 million in 2019-2020 (paragraph 2.16 of the report).

2. That Cabinet (Resources) Panel and Council will receive regular Treasury Management reports during 2018-2019 on performance against the key targets and Prudential and Treasury Management Indicators in the Treasury Management Strategy and Investment Strategy as set out in paragraph 2.14 and Appendices 2 and 3 of the report.

3. That the detailed guidance notes for the new Code of Practice on Treasury Management and the Prudential Code are still to be published by CIPFA and therefore the current statements are based on the Council's interpretation of these Codes.

4. Revised guidance on Local Government Investments and Minimum Revenue Provision was issued by the Ministry of Housing, Communities and Local Government on 2 February 2018. The new guidance is currently being reviewed by the Director of Finance and updates will be provided to Councillors in due Course.

5.11 Cabinet were asked to note:

1. The financial information included in the report was based on the 'Capital programme 2017-2018 to 2021-2022 quarter three review and 2018-2019 to 2022-2023 budget strategy' report also on the agenda for the meeting. The capital report was subject to a report being separately approved by Cabinet also at the meeting. Therefore, if the approval was not obtained, a revised version of the report would be presented to Council on 7 March 2018.

6.0 Quarter Three Treasury Management Activity Monitoring

6.1 This report was considered by Cabinet (Resources) Panel on 20 March 2018 and is available via this link.

6.2 The report provided a monitoring and progress report on treasury management activity for the third quarter of 2017-2018, in line with the Prudential Indicators approved by Council in March 2017.

6.3 Cabinet (Resources) Panel was asked to note:

1. The contents of the report and in particular that the Council is continuing to operate within the Prudential and Treasury Management Indicators approved by Council, and also within the requirements set out in the Council's approved Treasury Management Policy Statement for 2017-2018.

2. Saving of £821,000 for the General Fund and £677,000 for the Housing Revenue Account are forecast from treasury management activities in 2017-2018.

7.0 Financial implications

7.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.
[MH/09042018/C]

8.0 Legal implications

8.1 These are detailed within the individual reports to Cabinet and Cabinet (Resources) Panel.
[RB/09042018/W]

9.0 Equalities implications

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

10.0 Environmental implications

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

11.0 Human resources implications

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

12.0 Corporate landlord implications

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

13.0 Schedule of background papers

Treasury Management - Annual Report 2016-2017 and Activity Monitoring Quarter One 2017-2018, report to Cabinet, 19 July 2017

Treasury Management Activity Monitoring – Mid Year Review 2017-2018, report to Cabinet, 29 November 2017

Treasury Management Strategy 2018-2019, report to Cabinet, 20 February 2018

Quarter Three Treasury Management Activity Monitoring, report to Cabinet (Resources) Panel, 20 March 2018

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CITY OF WOLVERHAMPTON COUNCIL	**Cabinet Meeting** 20 February 2018

Report title	Treasury Management Strategy 2018-2019	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Corporate Plan priority	Confident Capable Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	(All Wards)	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Michelle Howell Tel Email	Finance Business Partner 01902 553197 Michelle.Howell@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Council Confident, Capable Council Scrutiny Board	6 February 2018 7 March 2018 18 April 2018

Recommendations for decision:

That Cabinet recommends that Council approves:

1. The authorised borrowing limit for 2018-2019 as required under Section 3(1) of the Local Government Act 2003 be set at £1,087.5 million (PI 3, Appendix 3 to this report).

2. The Treasury Management Strategy Statement 2018-2019 as set out in Appendix 1 to this report.

3. The Annual Investment Strategy 2018-2019 as set out in Appendix 2 to this report.

4. The Prudential and Treasury Management Indicators as set out in Appendix 3 to this report.

5. The Annual Minimum Revenue Provision (MRP) Statement setting out the method used to calculate MRP for 2018-2019 onwards as set out in Appendix 4 to this report.

6. The Treasury Management Policy Statement and Treasury Management Practices as set out in Appendix 5 to this report.

7. That authority continues to be delegated to the Director of Finance to amend the Treasury Management Policy and Practices and any corresponding changes required to the Treasury Management Strategy, the Prudential and Treasury Management Indicators, the Investment Strategy and the Annual MRP Statement to ensure they remain aligned. Any amendments will be reported to the Cabinet Member for Resources and Cabinet (Resources) Panel as appropriate.

That Cabinet recommends that Council notes:

1. That the MRP charge for the financial year 2018-2019 will be £7.8 million increasing to £14.7 million in 2019-2020 (paragraph 2.16).

2. That Cabinet (Resources) Panel and Council will receive regular Treasury Management reports during 2018-2019 on performance against the key targets and Prudential and Treasury Management Indicators in the Treasury Management Strategy and Investment Strategy as set out in paragraph 2.14 and Appendices 2 and 3 to this report.

3. That the detailed guidance notes for the new Code of Practice on Treasury Management and the Prudential Code are still to be published by CIPFA and therefore the current statements are based on the Council's interpretation of these Codes.

4. Revised guidance on Local Government Investments and Minimum Revenue Provision was issued by the Ministry of Housing, Communities and Local Government on 2 February 2018. The new guidance is currently being reviewed by the Director of Finance and updates will be provided to Councillors in due course.

Recommendations for noting:

That Cabinet is asked to note:

1. The financial information included in this report is based on the 'Capital programme 2017-2018 to 2021-2022 quarter three review and 2018-2019 to 2022-2023 budget strategy' report also on the agenda for this meeting. The capital report is subject a report being separately approved by Cabinet also at this meeting. Therefore, if this approval is not obtained, a revised version of this report will be presented to Council on 7 March 2018.

1.0 Purpose

1.1 This report sets out the Council's Treasury Management Strategy for 2018-2019 for approval by full Council. The strategy incorporates six elements, which are detailed in separate documents, appended to this report. These documents are:

- The Treasury Management Strategy
- The Annual Investment Strategy
- The Prudential and Treasury Management Indicators
- Minimum Revenue Provision (MRP) Statement
- The Disclosure for Certainty Rate
- The Treasury Management Policy

2.0 Background

2.1 The treasury management activities of the Council are underpinned by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. For further information on the requirements of the Code please refer to the Treasury Management Policy Statement and Treasury Management Practices which is appended to this report.

2.2 Treasury management is defined as:

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

2.3 The system of controls on local authority capital investment is based largely on self-regulation by local authorities themselves. At its heart is CIPFA's Prudential Code for Capital Finance.

2.4 CIPFA updated and released new versions of both the Code of Practice on Treasury Management and Prudential Code in December 2017. However, although the Codes have been released and are effective for the 2018-2019 financial year, the detailed sector specific guidance have not been issued. In addition, CIPFA have acknowledged that the requirement to produce a Capital Strategy, which is a requirement under the Prudential Code, may require a longer lead-in time and that this requirement may not be able to be fully implemented until 2019-2020 financial year. CIPFA are recommending that the requirement of both Codes are implemented as soon as possible.

2.5 Until this detailed guidance is received by the Council the strategy statements appended to this report have been prepared on an interpretation of the Codes to ensure compliance. Accordingly, the Council's Treasury Management Strategy will be approved annually by Council and there will also be a mid-year report to Council. In addition there will be quarterly monitoring reports and regular review by Councillors in both executive and scrutiny functions. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

2.6 This Council will adopt the following reporting arrangements in accordance with the requirements of the Code.

Area of Responsibility	**Council / Committee / Employee**	**Frequency of Update and Approval**
Treasury Management Policy Statement and Treasury Management Practices	Director of Finance	As required
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Cabinet (Feb) & Full Council (March)	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – mid-year report	Full Council	Mid-year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Full Council	As required
Annual Treasury Outturn Report	Cabinet and Full Council	Annually by 30 September after the end of the year
Treasury Management Monitoring Reports	Cabinet (Resources) Panel	Quarterly
Scrutiny and review of treasury management strategy	Audit / Scrutiny Committee	Annually before the start of the year
Scrutiny and review of treasury management performance	Audit / Scrutiny Committee	Quarterly

2.7 As mentioned in paragraph 2.4 above, there is now a requirement for an additional report, a Capital Strategy report, which is intended to provide the following:

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

The aim of this report is to ensure that all elected Councillors at Council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

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

2.8 On 2 February 2018 the Ministry of Housing, Communities & Local Government (MHCLG) issued its new Statutory Guidance on Local Government Investments and Minimum Revenue Provision. This new guidance has been issued, after a period of consultation, following the implementation of more innovative types of investment activity and calculating MRP practices by local authorities over recent years due to the economic environment. The main consultation focus was on the following changes:

- The widening of the definition of an investment to include items not managed as part of the normal treasury management processes and delegations e.g. loans to a wholly owned company/associate, joint ventures or third parties or non-financial investments relating to assets.
- Strengthening the transparency and accountability of these investments including ensuring all parties, officers and councillors, involved in these activities are aware of the core principles of the prudential framework.
- Changing the definition of MRP prudent provision and overpayment.
- Introducing maximum useful economic lives of assets for applying to MRP calculations.

Both sets of the new guidance are currently under review by the Director of Finance to assess any necessary changes to the Council’s strategies with regards investments and MRP. Therefore, due to timescales, this report and appendices are based on the guidance previously issued and not these new versions.

2.9 The guidance on Local Government Investments is effective from 1 April 2018, however, MHCLG has acknowledge due to timescales this may not be practical to implement and approve before this date. Where this is the case, the disclosures and requirements should be presented for approval the first time the relevant strategy document is updated or superseded after 1 April 2018.

2.10 With regards the guidance on Minimum Revenue Provision the effective date is 1 April 2019, except for the elements ‘Changing Methods for Calculating MRP’ which apply from 1 April 2018. Early adoption of the guidance is encouraged.

2.11 **The treasury management role of the Director of Finance**

The following are the key duties of the Director of Finance under the Code:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations

- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers

The revised Codes include an extension of the functions of this role, especially in respect of non-financial investments (which CIPFA has defined as being part of treasury management):

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe e.g. 20+ years or number appropriate for local priorities.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- ensuring the due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.
- provision to Councillors of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- ensuring that Councillors are adequately informed and understand the risk exposures taken on by the authority.
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following:
    - risk management (NTMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios.
    - performance measurement and management (NTMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments.
    - decision making, governance and organisation (NTMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.

- reporting and management information (NTMP6 and schedules), including where and how often monitoring reports are taken.
- training and qualifications (NTMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

2.12 With regards the Treasury Management Practices for non-treasury investments, the main focus is that these types of investment should be of benefit to the economic, social or environmental well-being of the area served by City of Wolverhampton Council and/or the West Midlands Combined Authority.

2.13 **Treasury Management Strategy (Appendix 1)**

Attached at Appendix 1 to the report is the recommended Treasury Management Strategy for 2018-2019. This has been prepared in accordance with the CIPFA Treasury Management Code, and fully reflects the requirements of the Code under the Council's interpretation. It summarises in strategic terms the approach the Council will take in performing its treasury management activities during 2018-2019. It also highlights some of the key current risks and issues relating to treasury management that will be monitored over the course of the year.

2.14 **Annual Investment Strategy (Appendix 2)**

The recommended Annual Investment Strategy for 2018-2019 is attached at Appendix 2 to the report. This builds on the Treasury Management Strategy by focussing in greater detail on investment activities. It sets out in considerable detail the conditions under which the Council will place investments. This represents the Council's approach to managing a number of risks inherently associated with investment. These are discussed in greater detail in the Strategy itself.

2.15 **Prudential and Treasury Management Indicators (Appendix 3)**

Attached at Appendix 3 to the report are the recommended prudential indicators for the Council for 2018-2019. The Prudential Code requires authorities to set and observe a range of prudential and treasury management indicators, and to keep these under review. The indicators set out in the appendix are the minimum required by the Code and associated guidance.

2.16 **MRP Statement (Appendix 4)**

The recommended MRP statement for 2018-2019 is attached at Appendix 4 to the report. The formula for calculating MRP is unchanged from the annuity basis used in 2017-2018. The result is a £7.8 million charge for 2018-2019, increasing to £14.7 million in 2019-2020. As Councillors are aware, following a review of the MRP policy a switch was made to the annuity method back in 2014-2015. This identified an over-prudent sum of some

£37.0 million which has been utilised each year since 2014-2015 resulting in a zero MRP charge for these years. This over-prudent sum is fully recognised as being recovered during 2018-2019 resulting in a lower charge for this year, with the full MRP amount being charged from 2019-2020 onwards. The Council's Section 151 Officer considers that this approach is prudent.

2.17 **Certainty Rate (Appendix 5)**

As part of the Budget 2012 announced by Government, a new 'certainty rate' was introduced from 1 November 2012. This rate enables eligible councils to access cheaper borrowing rates of 20 basis points below the standard rate across all loan types and maturities from the Public Works Loan Board. In exchange for the reduced rate, councils must complete an annual return to the Department for Communities and Local Government detailing their budgeted plans for capital expenditure and borrowing requirements. Appendix 5 to the report details the information that will be required to enable the Council to submit a return for 2018-2019.

2.18 **Treasury Management Policy Statement and Practices (Appendix 6)**

Attached at Appendix 6 to the report is an updated version of the Council's treasury management policy statement and practices as required by the CIFPA Code of Practice on Treasury Management.

2.19 **Allocation of net interest payable**

As a result of the introduction of the Housing Revenue Account (HRA) self-financing regime in 2012-2013, the Council was required to determine a method of splitting its interest costs between the HRA and the General Fund. In so doing, it was required to determine a method that in its view was fair and reasonable. The method of splitting interest is unchanged from that used in 2017-2018 (the inferred net cash balance of each fund). As mentioned in the 2017-2018 Strategy, because the HRA is making voluntary debt repayments this is resulting in a disproportionate favourable split to the HRA. The policy of how to split interest is therefore still under review to identify an alternative method.

3.0 Evaluation of alternative options

3.1 The Treasury Management Strategy 2018-2019 outlined in this document meets the Council's interpretation of the requirements of CIPFA's Code of Practice on Treasury Management and the Prudential Code for Capital Finance along with the DCLG's Guidance on Local Government Investments. The DCLG guidance defines a prudent investment policy as having two objectives, security which must be achieved first, followed by liquidity. Only after these have been met should yield be considered. The Council's risk appetite is low in order to give priority to the security of its investments.

The criteria included in this report is that which meets all the above guidance and risk appetite.

4.0 Reasons for decisions

4.1 To seek approval of the Treasury Management Strategy 2018-2019 in accordance with both government guidance and Codes of Practice.

5.0 Financial implications

5.1 These are detailed within the report.
[SH/02022018/Y]

6.0 Legal implications

6.1 The Council's Treasury Management activity must be carried out in accordance with the requirements of the Local Government Act 2003. In addition the Local Government and Housing Act 1989 sets out requirements for local authorities in respect of capital controls, borrowing and credit arrangements. The Council is also required to comply with the Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

6.2 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.

6.3 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 advise on Treasury Management Strategy. Investment strategy is regulated by 'DCLG Guidance on Local Government Investments' issues initially in 2004 and re-issued in 2010. Part 2 of this Guidance is statutory guidance.
[TS/01022018/R]

7.0 Equalities implications

7.1 This report has no equalities implications.

8.0 Environmental implications

8.1 This report has no environmental implications.

9.0 Human resources implications

9.1 This report has no human resources implications.

10.0 Corporate Landlord implications

10.1 This report has no corporate landlord implications.

11.0 Schedule of background papers

2018-2019 Budget and Medium Term Financial Strategy 2018-2019 to 2021-2022, Report to Cabinet, 20 February 2018.

Capital Programme 2017-2018 to 2021-2022 quarter three review and 2018-2019 to 2022-2023 Budget Strategy, Report to Cabinet, 20 February 2018.

12.0 Appendices

Appendix 1: Treasury Management Strategy Statement 2018-2019

Appendix 2: Annual Investment Strategy 2018-2019

Appendix 3: Prudential and Treasury Management Indicators

Appendix 4: Annual MRP Statement 2018-2019

Appendix 5: Disclosure for Certainty Rate

Appendix 6: Treasury Management Policy Statement and Treasury Management Practices February 2018.

Treasury Management Strategy Statement 2018-2019

1.0 Introduction

1.1 The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice, and to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as Appendix 2 of this report), which sets out the Council's policies for managing its investments and in particular for giving priority to the security and liquidity of those investments.

1.3 The recommended strategy for 2018-2019 in respect of the following aspects of the treasury management function is based upon the Director of Finance's views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Link Asset Services (formerly known as Capita Asset Services).

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers
- the Minimum Revenue Provision (MRP) strategy

1.4 **Balanced budget requirement**

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority, when calculating its budget requirement for the forthcoming financial year, to include the revenue costs that result from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in interest charges, MRP and other costs associated with borrowing to finance capital expenditure, as well as any increases in running costs from new capital projects, are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

1.5 **Training**

The CIPFA Code requires the Director of Finance to ensure that councillors with responsibility for treasury management receive adequate training in treasury management. The training needs of councillors and treasury management employees are periodically reviewed to ensure that they have the appropriate level of knowledge for their roles in respect of treasury management.

1.6 **Treasury management consultants**

The Council uses Link Asset Services, Treasury solutions (previously known as Capita Asset Services) as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon the external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2.0 Treasury limits for 2018-2019 to 2020-2021

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

2.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council tax and Council housing rent levels is 'acceptable'.

2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of financing such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. Details of the Authorised Limit can be found in Appendix 3 of this report.

2.4 The revised Treasury Management Code of Practice has removed the interest rate exposure indicator from a formal indicator to a narrative in the Treasury Management Strategy. The Council will continue to manage and monitor its interest rate exposure against the limits set previously:

Upper limit for fixed rate	100%
Upper limit for variable rate	20%

3.0 Current portfolio position

3.1 The Council's forecast treasury portfolio position at 31 March 2018 is shown below:

	Forecast £000	Average Rate %
External Debt		
Fixed rate borrowing - PWLB / Local Authorities	616,742	3.6275
Fixed rate borrowing - Market	55,800	4.4700
Variable rate borrowing - Market	48,000	4.2823
Total Gross Borrowing	720,542	3.7458
Other Long Term Liabilities	94,553	-
Total External Debt	815,095	-
Total Investments *	5,000	0.2427

*It is the policy to use cash balances to fund capital expenditure to avoid the need for borrowing, therefore, the level of cash investments is forecast to be minimal.

4.0 Borrowing requirement

4.1 The Council's forecast borrowing requirement is as follows:

	2017-2018 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
New borrowing	65,481	134,207	89,303	74,461
MRP and HRA voluntary debt repayment	(17,229)	(22,961)	(27,891)	(28,016)
Replacement borrowing	109,114	40,000	72,000	62,500
Total Borrowing Requirement	**157,366**	**151,246**	**133,412**	**108,945**

5.0 Prospects for interest rates

5.1 The Council has appointed Link Asset Services (previously known as Capita Asset Services) as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. A more detailed interest rate view can be found in Appendix 2. The following gives Link's central view.

Link Bank Rate forecast for financial year ends (March)

- 2017-2018 0.50%
- 2018-2019 0.75%
- 2019-2020 1.00%
- 2020-2021 1.25%

5.2 As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

5.3 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

5.4 Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

5.5 From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

5.6 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

5.7 The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

5.8 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.

- Weak capitalisation of some European banks.

- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.

- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.

- Rising protectionism under President Trump.

- A sharp Chinese downturn and its impact on emerging market countries.

5.9 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

5.10 Investment and borrowing rates:

- Investment returns are likely to remain low during 2018-2019 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

6.0 Borrowing strategy

6.1 Borrowing rates

The Link forecast for the PWLB new borrowing rate is as follows:

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

When undertaking any new borrowing the Director of Finance will give consideration to the following to ensure the best deal is obtained for the Council:

1. Internal / external borrowing.
2. Temporary borrowing (less than 1 year).
3. Variable / fixed rate.
4. Short / long term borrowing.
5. PWLB / market debt.

When considering the above, the balance and spread of debt in the Council's portfolio will be taken into account along with the financial implications for the medium term financial strategy.

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

6.2 Sensitivity of the forecast – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. Council employees, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

6.3 **External versus internal borrowing**

The general aim of this treasury management strategy is to maintain cash balances at a reduced level, therefore keeping to a minimum the credit risk incurred by holding investments. Measures taken over the last few years have already reduced substantially the level of credit risk and the difference between borrowing rates and investment rates has been carefully considered to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

Over the next year, investment rates are expected to be below long term borrowing rates, in which case, 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 debt (this is referred to as internal borrowing).

However, short term savings by avoiding new long term external borrowing in 2018-2019 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be higher.

6.4 **Policy on borrowing in advance of need**

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

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

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

7.0 Debt rescheduling

7.1 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which was compounded in 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds in using replacement PWLB refinancing. However, some interest savings might still be achievable through using other market loans, as the source of replacement financing.

7.2 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

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

7.3 Consideration will continue to be given to identifying any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

7.4 All rescheduling will be reported to the Cabinet (Resources) Panel, at the earliest meeting following its action.

8.0 Municipal Bond Agency

8.1 It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council may make use of this new source of borrowing as and when appropriate.

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Annual Investment Strategy 2018-2019

1.0 Annual Investment Strategy

1.1 Investment policy

The Council will have regard to the Department for Communities and Local Government's Guidance on Local Government Investments ("the Guidance") issued in March 2004, any revisions to that guidance, the Audit Commission's report on Icelandic investments and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:

(a) firstly, the security of capital and

(b) secondly, the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to the security of its investments.

In accordance with the guidance mentioned above, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

1.2 Creditworthiness policy

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach using credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The table below details Link's recommendations of bands and durations along with the more prudent parameters that the Council will apply:

	Link	Wolverhampton
Purple	2 years	1 year
Blue (only applies to nationalised or semi nationalised UK Banks)	1 year	3 months
Orange	1 year	6 months
Red	6 months	3 months
Green	100 days	50 days
No Colour	Not to be used	Not to be used

This list will be reviewed on any changes to the methodology used by Link and the Council may revert back to using Link's recommended durations if or when investment balances are at higher levels and longer deposits are possible without significantly increased risk to liquidity.

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

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

All credit ratings will be monitored each time the Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. A severe downgrade may prompt the Director of Finance to instruct treasury management employees to take steps to withdraw any investment considered to be at risk. The potential penalties for such an action would need to be assessed.

- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx benchmark and other market data on a daily basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this bought-in service. In addition the Council will also use market data and market information, information on any external support for banks to help support its decision making process.

1.3 **Country limits**

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report is shown below. This list will be amended by employees should ratings change in accordance with this policy.

Approved countries for investments

AAA
- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A.

AA+
- Finland
- Hong Kong

AA
- Abu Dhabi (UAE)
- France
- U.K.

1.4 **Specified investments:**

All such investments will be sterling denominated, with maturities up to a maximum of one year, meeting the minimum ‘high’ rating criteria where applicable.

	Minimum 'High' Credit Criteria
Debt Management Agency Deposit Facility	Government backed
Money Market Funds	AAAmmf / Aaa-mf
Term deposits - UK Government	Government backed
Term deposits - Local Authorities	High Security
Term deposits - Banks & Building Societies	Short-term F1+, Long-term AA-

1.5 **Non-specified investments:**

These are any investments which do not meet the specified investment criteria. A maximum of 50% of total investments with a cap of £35.0 million can be held in aggregate in non-specified investments.

	Minimum Credit Criteria	Max Limit	Max Maturity Period
Term deposits - UK Government (with maturities in excess of 1 year)	Government Backed	£10.0 million	5 years
Term deposits - Local Authorities (with maturities in excess of 1 year)	High Security	£10.0 million per LA	5 years
Term deposits - Banks & Building Societies (with maturities in excess of 1 year)	Short-term F1+ Long-term AA-	£10.0 million per Bank	5 years

1.6 **Accounting treatment of investments**

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

1.7 **Investment strategy**

In-house funds: All of the Council's funds are managed in-house. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Interest rate outlook: Bank Rate is forecast to stay flat at 0.50% until quarter four of 2018 and not to rise above 1.25% by quarter one 2021. Bank Rate forecasts for financial year ends (March) are:

- 2018-2019 0.75%
- 2019-2020 1.00%
- 2020-2021 1.25%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile, within the risk parameters set by this Council.

For 2018-2019 the Council will budget for an investment return of 0.30% on investments placed during the financial year.

For its cash flow generated balances, the Council will seek to use its money market funds, business reserve accounts and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest, whilst maintaining liquidity.

1.8 **End of year investment report**

At the end of the financial year, a report will be submitted to the Cabinet and full Council on the Council's investment activity as part of its Annual Treasury Report.

1.9 **Combined Authority**

The Council will be prepared to lend to the Combined Authority. Such lending may be as part of arrangements agreed with the Combined Authority and other constituent authorities.

1.10 **Council Owned Companies**

The Council will be prepared to lend or invest in companies which are wholly or partly owned by the Council. In doing this, consideration will be given to the benefits and risks to the Council.

2.0 Interest rate forecasts

2.1 The table below has been provided by Link Asset Services and shows a more detailed interest rate view along with the view of Capital Economics (an independent forecasting consultancy). PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of 1 November 2012.

APPENDIX 2

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
3 Month LIBID	0.40%	0.40%	0.40%	0.60%	0.60%	0.60%	0.70%	0.90%	0.90%	1.00%	1.20%	1.20%	1.20%
6 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%
12 Month LIBID	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.60%
5yr PWLB Rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
5yr PWLB Rate													
Link Asset Services	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
10yr PWLB Rate													
Link Asset Services	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
50yr PWLB Rate													
Link Asset Services	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

APPENDIX 2

City of Wolverhampton Council

Specified Investments Lending List

Institution	Country (Sovereign Rating)	Limit £000	Term Limit
Australia & New Zealand Banking Group Ltd	Australia (AAA)	10,000	6 mths
Bank Netherlandse Gemeenten	Netherlands (AAA)	20,000	12 mths
Bank of Montreal	Canada (AAA)	10,000	6 mths
Bank of Nova Scotia	Canada (AAA)	10,000	6 mths
Canadian Imperial Bank of Commerce	Canada (AAA)	10,000	6 mths
Commonwealth Bank of Australia	Australia (AAA)	10,000	6 mths
DBS Bank Ltd	Singapore (AAA)	10,000	6 mths
HSBC Bank plc	UK (AA)	10,000	6 mths
National Australia Bank Ltd	Australia (AAA)	10,000	6 mths
National Bank of Abu Dhabi	Abu Dhabi (U.A.E) (AA)	5,000	3 mths
Oversea Chinese Banking Corporation Ltd	Singapore (AAA)	10,000	6 mths
Royal Bank of Canada	Canada (AAA)	10,000	6 mths
Toronto Dominion Bank	Canada (AAA)	10,000	6 mths
United Overseas Bank Ltd	Singapore (AAA)	10,000	6 mths
Westpac Banking Corporation	Australia (AAA)	10,000	6 mths
Nationalised Banks			
Royal Bank of Scotland Group plc			
National Westminster Bank plc	UK (AA)	10,000	3 mths
The Royal Bank of Scotland plc	UK (AA)	10,000	3 mths
Money Market Funds	**Fund Rating**		
Invesco STIC Account	Fitch AAAmmf	20,000	Instant Access
Standard Life Investments Sterling Liquidity Fund	Fitch AAAmmf	20,000	Instant Access
Federated Short-Term Sterling Prime Fund	Fitch AAAmmf	20,000	Instant Access
Black Rock Sterling Liquidity Fund	Moody's Aaa-mf	20,000	Instant Access
Scottish Widows Sterling Liquidity Fund	Moody's Aaa-mf	20,000	Instant Access

Non-rated Institutions

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

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APPENDIX 3

Prudential Indicators (PI) required by The Prudential Code

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

PI 1 - Estimates and actual capital expenditure.
Full details of capital expenditure plans and funding can be found in the quarter three capital budget monitoring 2017-2018 report. This indicator was called PI 3 up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
General Fund	92,770	147,670	85,025	41,747
HRA	39,201	64,390	69,390	67,650
	131,971	212,060	154,415	109,397

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. This indicator was called PI 4 up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
General Fund	647,011	736,387	765,583	779,265
HRA	260,979	279,027	307,117	335,603
	907,990	1,015,414	1,072,700	1,114,868

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 indicator was called PI 5 up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Limit £000	2018-2019 Limit £000	2019-2020 Limit £000	2020-2021 Limit £000
Borrowing	929,492	996,745	1,068,662	1,136,052
Other Long Term Liabilities	94,591	90,754	86,628	82,351
Total Authorised Limit	1,024,083	1,087,499	1,155,290	1,218,403
Actual and Forecast External Debt as at 20 February 2018	815,094	945,480	1,023,937	1,089,641
Variance (Under) / Over Authorised limit	(208,989)	(142,019)	(131,353)	(128,762)

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 indicator was called PI 6 up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Limit £000	2018-2019 Limit £000	2019-2020 Limit £000	2020-2021 Limit £000
Borrowing	904,372	964,873	1,047,456	1,117,437
Other Long Term Liabilities	94,591	90,731	86,606	82,328
Total Operational Boundary Limit	998,963	1,055,604	1,134,062	1,199,765
Actual and Forecast External Debt as at 20 February 2018	815,094	945,480	1,023,937	1,089,641
Variance (Under) / Over Operational Boundary Limit	(183,869)	(110,124)	(110,125)	(110,124)

Prudential Indicators (PI) required by The Prudential Code

PI 5 - Gross debt and the capital financing requirement.
"In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years". This replaced PI 8 net debt and the capital financing requirement from 2013-2014 onwards and was called PI 8a up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,072,701	1,114,868	1,114,868	1,114,868
Gross Debt	815,094	945,480	1,023,937	1,089,641
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	Yes	Yes

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

PI 6 - Estimates and actual ratio of financing costs to net revenue stream.
This represents the cost of financing capital expenditure as a % of net revenue for both the General Fund and HRA. This indicator was called PI 1 up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Forecast	2018-2019 Forecast	2019-2020 Forecast	2020-2021 Forecast
General Fund	7.0%	11.5%	15.6%	17.1%
HRA	33.2%	34.0%	33.6%	34.7%

Local Prudential Indicators (LPI) set by City of Wolverhampton Council

LPI 1 - Estimates of the incremental impact of capital investment decisions on the council tax and housing rents.
The Council could consider different options for its capital investment programme in relation to their different impact on the council tax and housing rents. Negatives reflect a reduction in total capital expenditure. This indicator was called PI 2 up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Forecast £	2018-2019 Forecast £	2019-2020 Forecast £	2020-2021 Forecast £
Financial year impact				
Implications of the capital programme for year:				
For Band D council tax	82.48	215.17	277.34	326.34
For average weekly housing rents	0.74	3.44	6.79	10.04
Marginal impact to previous quarter				
Implications of the capital programme for year:				
For Band D council tax	(47.56)	(45.46)	2.78	21.68
For average weekly housing rents	(0.06)	0.33	0.78	1.17

LPI 2 - HRA limit on indebtedness.
This maximum debt limit has been set by Government as part of the self-financing regime and is compared to the HRA capital financing requirement. This indicator was called PI 7 up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
HRA Debt Limit	356,770	356,770	356,770	356,770
HRA Capital Financing Requirement	260,979	279,027	307,117	335,603
Headroom	95,791	77,743	49,653	21,167

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

TMI 1 - Upper limits to the total of principal sums invested over 365 days.
This details the maximum amount which can be invested for up to 5 years (as per paragraph 1.5 of the Annual Investment Strategy). It has been deteremined 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. This indicator was called TMI 3 up to 2018-2019.

	As at 20 February 2018			
	2017-2018 Limit £000	**2018-2019 Limit £000**	**2019-2020 Limit £000**	**2020-2021 Limit £000**
Upper limit for more than 365 days	35,000	35,000	35,000	35,000
Actual and Forecast Invested at 20 February 2018	-	-	-	-
Variance (Under) / Over Limit	(35,000)	(35,000)	(35,000)	(35,000)

TMI 2 - Upper and lower limits to the maturity structure of its borrowing.
These limits relate to the % of fixed and variable rate debt maturing. Upto 2018-2019 this indicator only included fixed rate debt, the new Code of Practice issued December 2017 changed this requirement to include variable debt from 2018-2019.

	As at 20 February 2018		
	Upper Limit	**Lower Limit**	**March 2018 Forecast**
Under 12 months	25%	0%	1.52%
12 months and within 24 months	25%	0%	1.79%
24 months and within 5 years	40%	0%	3.13%
5 years and within 10 years	50%	0%	4.84%
10 years and above	90%	50%	88.72%

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Annual MRP Statement 2018-2019

Minimum Revenue Provision – an introduction

1. What is Minimum Revenue Provision?

Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. In accordance with proper practice, the financing of such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual charge known as Minimum Revenue Provision (MRP), which is determined by the Council under guidance.

2. Statutory duty

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended by Statutory Instrument 2008 no. 414 s4) lay down that:

"A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent."

3. Government guidance

Along with the above duty, the Government issued guidance which came into force on 31 March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to "have regard" to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. Although it is up to each Council to determine for itself how to calculate its MRP, the guidance suggests four methodologies, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to 'have regard' to the guidance therefore means that:

1. Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

2. It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

4. Timing

This statement shall take effect from 1 April 2018, unless an alternative date is stated below, and shall take precedence over any statements previously approved.

5. Calculation

MRP shall be calculated by adding together the amount calculated using the method as stated below.

Method

To be used for all capital expenditure taking into account only capital expenditure and financing decisions, and the classification of fixed assets, reflected in the Council's accounts for the preceding year.

With the variations set out below, MRP will be calculated, on an individual fixed asset basis (unless they are land or community assets (no depreciation), where it is capitalised under statute/direction (equal pay, REFCUS etc.) or when one grouped "asset" is created for MRP calculation purposes for each category for individual years), in accordance with the annuity method whereby MRP for each year will be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at the specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life.

The specified rate of interest will be the average interest rate of the Council's debt as at the end of the year preceding the first year in which the annuity rate is to be applied. Where the interest rate on debt is variable the rate to be used in calculating the average shall be the interest rate on the debt at 31 March of the year for which the average is being calculated.

MRP will thus be calculated in accordance with the following formula:

PPMT (A,B,C,D-E) + F - G

Where

PPMT is the PPMT financial function in Microsoft Excel 2010

A is the specified interest rate

B is the number of years (including the current year) for which MRP has been charged on an annuity basis

C is the useful economic life of the asset as at the start of the year for which MRP is first charged on an annuity basis. C shall be equal to the useful life of the fixed asset in question, as estimated by the Council. For assets with a useful life of more than 99 years, C shall equal 99. C shall not be varied for changes in the useful life of the asset unless the Council considers that special circumstances apply that would mean that a change would result in MRP being more reasonably calculated on a prudent basis; for example the useful life of a particular asset (as assessed for depreciation purposes) could change so dramatically that continued use of the option would no longer be supportable as prudent. For example, a property could be sold only a short time into its originally estimated useful life.

D is the total need to borrow for capital purposes (resulting from capital expenditure).

E is the aggregate value of any anticipated future capital receipts that are an integral part of the capital scheme in question. E shall be reviewed each year on performing the calculation, and amended if necessary.

F is an amount determined by the Section 151 Officer. The cumulative total of F, taken across all past and current years, shall never be less than zero.

G is an adjustment arising where the Section 151 Officer considers that the previous method of calculating MRP has been overly prudent. An adjustment can be made (G) to reverse the overly prudent sum; the following conditions apply to this adjustment:

(a) The total MRP after applying this new adjustment (G) will not be less than zero in any financial year;

(b) The cumulative total of this new adjustment (G) will never exceed the amount of the calculated overly prudent sum.

(c) The use of the new adjustment will be reviewed on an annual basis or more frequently if there is a mid-year revision for any reason.

The Method shall be varied in the following circumstances:

(a) For non-operational assets, for which no charge will be made. Where an asset is classed as non-operational because it is under construction, the method above will commence once the asset becomes operational.

(b) For expenditure on fixed assets that are not or would not be classed as fixed assets of the Council in accordance with proper accounting practice, in these instances C shall initially be equal to the estimated remaining useful life of the fixed asset in question.

(c) For expenditure capitalised under direction, for which C shall initially equal 20, and shall not be reviewed or amended.

(d) For land acquired on or after 1 April 2015, no charge will be made. In circumstances where an acquisition relates to both land and buildings this policy will only be applied to the element relating to the land value.

(e) For historical Magistrates' Courts Loan Charges, 4% charge will be made.

(f) West Midlands Combined Authority: Collective Investment Fund
The agreed Combined Authority Devolution Deal proposes the establishment of a Collective Investment Fund to support investment in the region. It is possible that some of this investment may be delivered by individual districts, and funded from prudential borrowing.

MRP on capitalised loan advances to other organisations or individuals will not be required. Instead, the capital receipts arising from the capitalised loan repayments will be used as provision to repay debt. However, revenue MRP contributions would still be required equal to the amount of any impairment of the loan advanced.

MRP on investments in Equities will be made on an annuity profile over 20 years, as recommended by Government Guidance.

(g) With regard to PFI and leases the most appropriate MRP method as deemed by the Section 151 Officer will be charged; either in accordance with the financial model imbedded in the legal agreements or annuity and useful economic life.

(h) Where an asset is classified as an investment asset from 1 April 2013 and generates sufficient income to meet the total costs of borrowing, no charge will be made.

APPENDIX 5

Disclosure for Certainty Rate

Certainty Rate This table details the information that is required to enable the Council to submit a return for 2018-2019				
		As at 20 February 2018		
	2017-2018 Forecast £000	**2018-2019 Forecast £000**	**2019-2020 Forecast £000**	**2020-2021 Forecast £000**
Net Borrowing Requirement:				
Borrowing to finance planned capital expenditure	65,481	134,207	89,303	74,461
Existing maturity loans to be replaced during the year	109,114	40,000	72,000	62,500
Less:				
Minimum Revenue Provision for debt repayment	(20)	(7,775)	(14,650)	(16,316)
Voluntary debt repayment	(17,209)	(15,186)	(13,241)	(11,700)
	(17,229)	(22,961)	(27,891)	(28,016)
Loans replaced less debt repayment	91,885	17,039	44,109	34,484
Net Advance Requirement	**157,366**	**151,246**	**133,412**	**108,945**

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APPENDIX 6

Treasury Management Policy Statement and Treasury Management Practices February 2018

1.0 Introduction

1.1 The Council has previously adopted the 2002, 2009 and 2011 CIPFA Codes of Practice on Treasury Management and fully complied with their guidance. CIPFA issued a revised code in December 2017 following developments in the marketplace and the introduction of the Localism Act 2011. Although the Code has been released the detailed sector specific guidance has not been. Therefore, until this detailed guidance is received by the Council it has had to interpret the Code to ensure compliance. It is a requirement of the Code that the Council should formally adopt the Code.

1.2 The Code seeks to satisfy nine main purposes:

1. To assist public service organisations in the development and maintenance of firm foundations and clear objectives for their treasury management activities and thereby to add to their credibility in the public eye.
2. To emphasise the overriding importance of effective risk management as the foundation for treasury management in all public service bodies.
3. To provide transparency for treasury management decisions including the use of counterparties and financial instruments that individual public service organisations intend to use for the prudent management of their financial affairs.
4. To encourage the pursuit of value for money in treasury management, and to promote the reasoned use, development and appreciation of appropriate and practical measures of performance.
5. To enable CIPFA members to fulfil their professional and contractual responsibilities to the organisations they serve and, in accordance with the members' charter, "to maintain and develop the professional competence of both themselves and those they supervise".
6. To help facilitate a standardisation and codification of treasury management policies and practices in the public services.
7. To assist those involved in the regulation and review of treasury management in the public services, particularly those charged with the audit of the same.
8. To foster a continuing debate on the relevance and currency of the statutory and regulatory regimes under which treasury management in the various parts of the public services operates.
9. To further the understanding and confidence of, and to act as a reference work for, financial and other institutions whose businesses bring them into contact with the treasury management activities of public service organisations.

1.3 The approved activities cover borrowing arrangements for funding capital expenditure, debt repayment and rescheduling, managing cash flow and investment of surplus balances and monitoring the underlying risks associated with the Authority's activities.

1.4 Arrangements made for the control and operation of bank accounts operated by schools come within this definition but day-to-day management of funds is the responsibility of the Head Teachers and the Governors under arrangements for the local management of schools. Banking arrangements for schools with their own cheque accounts are closely monitored by the Director of Finance.

1.5 Management of the West Midlands Pension Fund is not included as part of Wolverhampton Council's treasury management activities but similar arrangements have been adopted by the Pension Fund Investments Division.

1.6 Subject to the above, the Council's cash is aggregated for the purposes of treasury management and is under the control of the Director of Finance in accordance with Section 151 of the Local Government Act 1972. The executive control and administration of financial policy is under the direction of the Cabinet (Resources) Panel.

1.7 All external investments of surplus internal balances are restricted to authorised investments in accordance with the Local Authorities (Capital Finance and Approved Investments) (Amendment) Regulations 1996. The Director of Finance is responsible for making any investments, subject to the guidelines agreed by the Council or subsequently amended by the Cabinet (Resources) Panel.

2.0 Adoption of the code

2.1 The revised 2017 CIPFA Code identifies three key principles:

Key Principle 1

The Council puts in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.

Key Principle 2

That these policies and practices make clear that the effective management and control of risk are prime objectives of its treasury management activities and the responsibility for these lie clearly within the Council. The Council's appetite for risk should form part of its annual strategy including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing treasury management funds.

Key Principle 3

To acknowledge that the pursuit of value for money in treasury management and the use of suitable performance measures are valid and important tools to employ in support of the Council's business and service objectives; and that within the context of effective risk management, its treasury management policies and practices reflect this.

2.2 In order to achieve the above, the Council will adopt the following four clauses:

1. The Council will create and maintain, as the cornerstones for effective treasury management:

   - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;

   - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code’s key principles.

2. Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.

3. Full Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet (Resources) Panel, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. The Council nominates Confident, Capable Council Scrutiny Panel to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

3.0 Treasury Management Policy Statement

3.1 The Council's treasury management policy statement defines the policies and objectives of its treasury management activities, as follows:

1. Treasury management activities are defined as:

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

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4.0 Treasury Management Practices (TMPs) – Main principles

4.1 The Council's Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. The main principles are below with more detailed explanations in the attached schedules; these follow the CIPFA Code and have been suitably amended where necessary to reflect the Council's particular needs and circumstances.

4.2 TMP 1 – Risk management

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Director of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in Schedule 1 to this document.

[1] Credit and counterparty risk management

The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

[2] Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

[3] Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

[4] Exchange rate risk management

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

[5] Inflation risk management

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

[6] Refinancing risk management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

[7] Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

[8] Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[9] Price risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

4.3 TMP 2 – Performance measurement

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of on-going analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in Schedule 2 to this document.

4.4 TMP 3 – Decision-making and analysis

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reach those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in Schedule 3 to this document.

4.5 TMP 4 – Approved instruments, methods and techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in Schedule 4 to this document, and within the limits and parameters defined in TMP1 Risk management.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council has reviewed its classification with financial institutions under MIFID II and has set out in Schedule 4 to this document those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

4.6 TMP 5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, the reduction of the risk of fraud or error, and the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Director of Finance will ensure that the reasons are properly reported in accordance with TMP 6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Director of Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The Director of Finance will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in Schedule 5 to this document.

The Director of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in Schedule 5 to this document.

The delegations to the Director of Finance in respect of treasury management are set out in Schedule 5 to this document. The Director of Finance will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and CIPFA's the Standard of Professional Practice on Treasury Management.

4.7 TMP 6 – Reporting requirements and management information arrangements

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

Cabinet (Resources) Panel will receive regular monitoring reports on treasury management activities and risks.

Confident, Capable Council Scrutiny Panel will have responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector-specific guidance notes.

The present arrangements and the form of these reports are detailed in Schedule 6 to this document.

4.8 TMP 7 – Budgeting, accounting and audit arrangements

The Director of Finance will prepare, and Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP 1 Risk management, TMP 2 Performance measurement, and TMP 4 Approved instruments, methods and techniques. The Director of Finance will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP 6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

4.9 **TMP 8 – Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Director of Finance, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Director of Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] Liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in Schedule 8 of this document.

4.10 **TMP 9 – Money laundering**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in Schedule 9 to this document.

4.11 **TMP 10 – Training and qualifications**

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Director of Finance will recommend and implement the necessary arrangements.

The Director of Finance will ensure that councillors tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in Schedule 10 to this document.

4.12 TMP 11 – Use of external service providers

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Director of Finance, and details of the current arrangements are set out in Schedule 11 to this document.

4.13 TMP 12 – Corporate governance

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in Schedule 12 to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Director of Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

5.0 Management practices for non-treasury investments

5.1 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all the organisation’s investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation’s risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

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

The Council has separate schedules covering this subject, these are attached with the heading ‘Non-treasury management investments practices (NTMIP)’.

Treasury management schedules

Schedule 1 : TMP 1 – Risk management

1.1 **Creditworthiness policy**

The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.

This Council applies the creditworthiness service provided by Link Asset Services (previously known as Capita Asset Services). This service employs a sophisticated modelling approach using credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The table below details Link's recommendations of bands and durations along with the more prudent parameters that the Council will apply:

	Link	Wolverhampton
Purple	2 years	1 year
Blue (only applies to nationalised or semi nationalised UK Banks)	1 year	3 months
Orange	1 year	6 months
Red	6 months	3 months
Green	100 days	50 days
No Colour	Not to be used	Not to be used

This list will be reviewed on any changes to the methodology used by Link and the Council may revert back to using Link's recommended durations if or when investment balances are at higher levels and longer deposits are possible without significantly increased risk to liquidity.

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

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

All credit ratings will be monitored each time the Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. A severe downgrade may prompt the Director of Finance to instruct treasury management employees to take steps to withdraw any investment considered to be at risk. The potential penalties for such an action would need to be assessed.

- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this bought-in service. In addition the Council will also use market data and market information, information on any external support for banks to help support its decision making process.

Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide).

Approved counterparties

The complete list of approved counterparties is included in the Treasury Management Strategy and in each quarterly monitoring report. The Finance Manager will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection.

Investment Strategy

The Council will have regard to the CLG's Guidance on Local Government Investments, the Audit Commission's report on Icelandic investments and the 2017 revised CIPFA Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code").

This Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the heading Specified investments and Non-specified investments. These are listed below:

Specified investments - all investments listed below must be sterling-denominated.

Investment	Share / Loan Capital?	Repay / Redeem within 12 months?	Security / Minimum Credit Rating	Capital Expenditure	Use	Maximum Period
Term deposits with credit-rated deposit takers, including callable deposits, with maturities up to 1 year :	No	Yes	Yes	No	In-house	1 year
- UK Government			Government backed			
- Local Authorities			High Security			
- Banks & Building Societies			Short-term F1+, Long-term AA-			
Money Market Funds - these funds do not have any maturity date	No	Yes	Yes AAAmmf / Aaa-mf	No	In-house	Period of investment may not be determined at outset but will be subject to cash flow and liquidity requirements
Debt Management Agency Deposit Facility	No	Yes	Yes Government backed	No	In-house	1 year

Non-specified investments – a maximum of £35.0 million will be held in aggregate

Investment	Share / Loan Capital?	Repay / Redeem within 12 months?	Security / Minimum Credit Rating	Capital Expenditure	Use	Maximum Period
Term deposits with credit-rated deposit takers, with maturities in excess of 1 year:	No	Yes	Yes	No	In-house	5 years
- UK Government			Government backed			
- Local Authorities			High Security although Local Authorities are not credit rated			
- Banks & Building Societies			Short-term F1+, Long-term AA-			

The strategy also sets out:

- The procedures for determining the use of each asset class (advantages and associated risk).
- The maximum periods for which funds may be prudently committed in each asset class.
- The £ or % limit to be invested in each asset class.
- Whether the investment instrument is to be used by the Council's in-house employees.
- The minimum amount to be held in short-term investments.

Accounting treatment of investments

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

1.2 **Liquidity**

Cash Balances

Cash balances are derived from reserves, surpluses, provisions and any capital receipts held pending future use. These are invested externally with approved institutions.

Investment of surplus funds

After the aggregation of all internal balances, surplus funds will be invested externally to earn interest and returned to the Council in order to meet projected future shortfalls in cash flow.

The Council's aggregate daily internal balances can vary quite markedly from day-to-day. Active cash flow management is essential to ensure that sufficient cash balances are available to meet commitments on pay days and creditor and other payment days.

Temporary loans (maximum of 364 days)

Temporary loans can be obtained within the borrowing limits to provide short term finance or to match any cash flow shortfall pending receipt of other revenues or longer term loans. In the current low interest rate climate, they may be used to obtain short term borrowing at exceptionally low interest rates.

Banking facilities and limits

The Council's banking arrangements are conducted in accordance with the statutory requirement including:

- the Local Government Finance Acts 1988 and 1992
- the Education Reform Act 1988
- the Local Government and Housing Act 1989

An overdraft facility is provided on a net balance and on the aggregate of the core main account balances.

As some of the accounts may be in debit whilst others may be in credit, the net balance of each account will be maintained within the net limit. The aggregate of all balances will be maintained within the gross limit.

Net Limit:	£500,000
Gross limit:	£9,000,000

Core main bank accounts:

- WCC Current Account
- WCC Automated Income Account
- WCC Payments Account
- WCC Local Taxes Account

Overdraft pricing is based on base rate + 1% with an annual fee of £2,500.

There is an additional group of Imprest bank accounts whose balances are pooled for interest purposes, these do not have an authorised overdraft facility.

Gross limit: £1,000,000

If an individual account does go overdrawn, the interest charged is base rate + 3%.

Bankers' Automated Clearing Services (BACS) - the following service credit limits are in place:

993695	Payroll	£25,000,000
972860	Payments	£20,000,000
971926	Council Tax	£1,250,000
920046	NNDR	£2,500,000
973636	Housing Benefit	£4,000,000
973531	Electoral	£150,000

Clearing House Automated Payments System (CHAPS) - CHAPS are able to be made when insufficient funds are held on the bank balance.

The bank will make payment in anticipation of receiving covering funds by the end of the business day. This risk is called the intraday limit which is set at £40,000,000.

The bank reserves the right to refuse any payment in excess of this limit.

The bank may review the risk it is willing to take on this limit with the Council at its discretion.

These transactions are completed using online banking and are done in accordance with the Council's procedures.

Policy in terms of borrowing in advance of need

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

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

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

1.3 **Interest rate**

Maximum proportions of variable rate debt/interest

The Council will continue to manage and monitor its upper limits on variable interest rate exposure against the limit previously set of:

Upper limit for variable rate 20%

Maximum proportions of fixed rate debt/interest

The Council will continue to manage and monitor its upper limits on fixed interest rate exposure against the limit previously set of:

Upper limit for fixed rate 100%

Policies concerning the use of financial derivatives for interest rate risk management

Financial derivatives are not an approved instrument and will therefore not be used.

1.4 **Exchange rate**

Details of approved exchange rate exposure limits for cash investments/debt

It is council policy to undertake transactions in pounds sterling only and therefore, the exposure to fluctuations in exchange rates is limited to grants or payments from a third party that may be received in a foreign currency. Accordingly, there are no approved exchange rate exposure limits.

Approved criteria for managing changes in exchange rate levels

In respect of any sums received in a foreign currency, steps will be taken to convert to sterling as soon as practicable to minimise the risk. In respect of third party payments, the third party carries this risk.

Policies concerning the use of financial derivatives for exchange rate risk management

Financial derivatives are not an approved instrument and will therefore not be used.

1.5 **Refinancing**

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- the generation of cash savings at minimum risk
- to reduce the average interest rate
- to amend the maturity profile and/or the balance of volatility of the debt portfolio

Rescheduling will be reported to the Cabinet (Resources) Panel at the meeting immediately following its action.

In considering the affordability of its capital plans, the Council will consider all the resources currently available estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will also take into account affordability in the longer term beyond this three year period.

The Council will always keep revenue implications of capital financing under review to ensure they continue to be affordable and sustainable in the context of the Medium Term Financial Strategy.

The Council will use the definition provided in the Prudential Code for borrowing, capital expenditure, capital financing requirement, debt, financing costs, investments, net borrowing, net revenue stream and other long term liabilities.

1.6 Fraud, error and corruption, and contingency management

Details of systems and procedures to be followed including internet services

In all the services the Council undertakes, it is committed to acting at all times with integrity and in an open and honest manner.

The Council will not accept any level of fraud or corruption and will vigorously investigate all allegations of fraud or corruption.

The Council is committed to having in place procedures and systems so as to limit as far as possible the opportunities for fraudulent acts or enable their early detection, together with procedures to ensure such acts are promptly and thoroughly investigated. The Council will:

- Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

The practices and procedures outlined in the Treasury Management Practices are designed to fully document all transactions and to clearly demonstrate that the highest standards have been adhered to.

Emergency and contingency planning arrangements

In the event of an emergency or other events which prevent the Director of Finance and his staff from carrying out treasury management activities, the Director of Finance, or his Deputy in his absence, will authorise the Council's bankers in writing (the National Westminster Bank plc, trading as RBS Commercial & Private Banking) to roll-over surplus cash balances on a daily basis to accrue interest.

Insurance cover details

It is normal practice in the private and public sector for employing bodies to indemnify their employees. Employees are currently covered by a Finance and General Purposes Committee Resolution of 13 April 1987:

"That the Council shall indemnify in perpetuity all employees and former employees of the Council against all liability, professional or otherwise for negligence or negligent omission or breach of contractual or statutory duty arising out of the employee's employment with the Council and that such indemnity shall extend to any such liability arising out of the employee's engagement of duties undertaken by the Council on behalf of any other authority or body.

Provided that such indemnity shall not extend to any liability arising as a result of fraud, dishonesty or other criminal activity or of wilful misconduct, gross negligence or gross dereliction of duty on the part of the employee".

The indemnity will not apply if any employee, without the written authority of the Authority, admits liability or negotiates or attempts to negotiate a settlement of any claim falling within the scope of this Resolution.

The indemnity does not extend to loss or damage directly or indirectly caused by or arising from:

- Fraud, dishonesty or any other criminal act on the part of the employee;
- Actions outside his/her normal duties;
- Wilful misconduct, gross negligence or gross dereliction of duty, including liability in respect of surcharges made by the External Auditor.

Insurance cover for employees is as follows:

- Public and employers' liability
- Officers' indemnity (financial loss to third parties)
- Libel and slander
- Fidelity guarantee and special contingency for cheques
- Cash in transit
- Personal accident (assault)
- Travel cover on request for official journeys outside the U.K.

1.7 **Market value of investments**

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDS, etc.)

In the event that opportunities for making such investments appear to the Director of Finance to be in the Council's financial interests, a report will be submitted to the Cabinet (Resources) Panel setting out the costs, benefits and potential risks.

No such investments will proceed without prior approval of such a report by the Cabinet (Resources) Panel.

Schedule 2 : TMP 2 – Performance measurement

2.1 **Evaluation and review of treasury management decisions**

The Council has a number of approaches to evaluating treasury management decisions:

- the treasury management team will carry out ongoing reviews of its activities
- reviews will be undertaken with its treasury management consultants
- annual review after the end of the year is reported to full council
- quarterly reports to Cabinet (Resources) Panel
- comparative reviews with other local authorities
- strategic, scrutiny and efficiency value for money reviews

Ongoing periodic reviews during the financial year

The Director of Finance regularly reviews the actual activity against the Treasury Management Strategy Statement and cash flow forecasts. This includes monitoring debt including average rate, maturity profile and the Council's borrowing strategy; and investments including average rate, maturity profile and changes to the above from the previous review and against the Treasury Management Strategy (Annual Investment Strategy). The Council's credit rating methodology and current counterparty list is also reviewed regularly.

Reviews with the Council's treasury management consultants

The treasury management team holds reviews with the Council's treasury management consultants to review the performance of its investments and debt portfolios. The Council's borrowing strategy and counterparty risk strategy are also reviewed at these meetings, which are held periodically, usually to coincide with a specific need (e.g. the imminent need to borrow, or following a significant change in the market/economy). At least one review meeting is held during each financial year.

Annual review after the end of the financial year

An Annual Treasury Report is submitted to the Council each year after the end of the financial year which reviews the performance of the debt/investment portfolios. This report covers the following:

- total debt and investments at the beginning and close of the financial year and average interest rates
- borrowing strategy for the year compared to actual strategy
- investment strategy for the year compared to actual strategy
- explanations for variance between original strategies and actual
- debt rescheduling done in the year
- actual borrowing and investment rates available through the year
- comparison of return on investments to the investment benchmark
- compliance with Prudential and Treasury Indicators any other relevant information

Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios, (but allowing for the fact that Prudential and Treasury Indicators are locally set). Date used will be sourced from:

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club
- WM Treasurers Support Group Benchmarking Club

2.2 Benchmarks and calculation methodology

Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

Investment

The performance of investment earnings will be measured against the following benchmarks:-

Bank of England Base Lending Rate; 7 day LIBID; 1 month LIBID; 3 month LIBID

2.3 Policy concerning methods for testing value for money in treasury management

Frequency and processes of tendering

These will be determined in accordance with the Council's Constitution.

Banking services

Banking services will be re-tendered every five years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

Money-broking services

Money market brokers are used for placing surplus internal funds with approved financial institutions on a short term basis as part of the Council's cash flow management. Surplus internal funds are invested in the money markets in accordance with the guidelines set out in Section 1.1. Money market brokers are also used to assist the Council in meeting any temporary borrowing requirements. The current panel of brokers used by the Council are as follows:

- Tullett Prebon (Europe) Limited
- Martin Brokers (UK) plc
- ICAP Europe Limited
- Tradition (UK) Limited trading as City Deposit Brokers

Consultants'/advisers' services

The Council has appointed Link Asset Services as its professional treasury management advisers.

Policy on external managers (other than relating to pension funds)

The Council's current policy is not to appoint external investment fund managers. The reasons for this are:

- the estimated level of surplus funds likely to be available over the medium term can be adequately managed by the Director of Finance;
- In light of this appointment of external fund managers would not be cost effective.

Schedule 3 : TMP 3 – Decision-making and analysis

3.1 Funding, borrowing, lending and new instruments/techniques

Records to be kept

The Director of Finance shall be the Council's registrar of stocks, bonds and mortgages and shall maintain records of all borrowings and investments of money by the Council. All records and documents shall be available for inspection by internal audit and the Council's external auditors. All borrowings and investments of money under the Council's control shall be made in the name of the Council.

Processes to be pursued

The Chief Accountant shall document for the approval of the Director of Finance the systems, procedures and processes which deliver the approved Treasury Management Policies and Practices. The documentation will be kept up-to-date. The aim will be to provide a treasury management systems document which has day to day relevance and within which all treasury management staff are aware of their duties and responsibilities.

Issues to be addressed

In respect of every decision made, the Council will:

- above all be clear about the nature and extent of the risks to which the organisation may become exposed;
- be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;
- be content that the documentation is adequate both to deliver the organisation's objectives and protect the organisation's interests, and to deliver good housekeeping;
- ensure that third parties are judged satisfactory in the context of the organisation's creditworthiness policies, and that limits have not been exceeded;
- be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions, the Council will:

- evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
- consider the alternative interest rate options available, the most appropriate periods to fund and repayment profiles to use, consider the on-going revenue costs, and the implications for the Council's future plans and budgets.

In respect of investment decisions, the Council will:

- consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

Schedule 4 : TMP 4 – Approved instruments, methods and techniques

4.1 Approved activities of the treasury management operation

- Borrowing
- Lending
- debt repayment and rescheduling
- consideration, approval and use of new financial instruments and treasury management techniques
- managing cash flow
- banking activities
- leasing
- the use of external fund managers (other than in respect of the Pension Fund)
- managing the underlying risk associated with the Council's capital finance and investment activities

4.2 Approved instruments for investments

In accordance with The Local Authorities (Capital Finance and Approved Investments) (Amendment) Regulations 1996, the instruments approved for investment and commonly used by local councils are:

- Gilts
- Treasury Bills
- Deposits with banks, building societies or local organisations (and certain other bodies) for up to 364 days
- Certificates of deposits with banks or building societies for up to 364 days
- Euro-Sterling issues by certain Supra-national bodies listed on the London and Dublin Stock Exchanges
- Triple A rated money market funds
- Debt Management Account (run by DMO/PWLB)

4.3 Approved techniques

The following are approved techniques:

- Forward dealing up to 5 years
- There was a limit of £20.0 million for deposits over 1 year and up to 5 years; this was increased to £35.0 million in 2008-2009 to take advantage of exceptionally high interest rates available on longer term deals. This decision was approved by Cabinet (Resources) Panel 15 July 2008.

The following may be used by organisations which are not local authorities:

- Swaps
- Caps
- Collars
- Options

The Council will not use any of the above techniques.

4.4 Approved methods and sources of raising capital finance

Finance will only be raised in accordance with statute, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On balance sheet

- PWLB
- EIB
- Finance Leases
- Market (long term)
- Market (temporary)
- Market (LOBOs)
- Stock issues
- Local Temporary
- Local Bonds
- Overdraft
- Negotiable Bonds
- Internal (capital receipts and revenue balances)
- Commercial Paper
- Medium Term Notes
- Deferred Purchase

Other methods of financing

- Government and EC Capital Grants
- Lottery monies
- PFI / PPP
- Operating Leases

All forms of funding will be considered by the Director of Finance taking into consideration the prevailing economic climate, regulations and local considerations. The Director of Finance has delegated powers through this Policy and the Strategy to take the most appropriate form of borrowing from the approved sources.

All borrowing transactions entered into by the Director of Finance will be reported to the Cabinet (Resources) Panel.

4.5 **Professional client status under MIFID II**

The following is a list of institutions where the Council has opted up to professional client status under MIFID II.

Confirmed professional client status:

Money Market Funds
- Federated Cash Management Fund
- Invesco Global Asset Management Limited

External treasury management advisors
- Link Asset Services

Money-broking services
- ICAP plc
- Martin Brokers (UK) plc
- Tullet Prebon
- Tradition UK Limited

Application outstanding:

Money Market Funds
- Standard Life Investments Liquidity Fund submitted 8 December 2017.

No requirement to opt up

Money Market Funds
- Black Rock Institutional Sterling Liquidity Fund

Schedule 5 : TMP 5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements

5.1 Limits to responsibilities/discretion at Council and Cabinet (Resources) Panel

Council

- Approving the annual report on treasury management policies, practices and activities.
- Approving the Treasury Management Strategy Statement/Annual Investment Strategy/MRP Policy, including a mid-year review and any other revisions/updates.
- Approving the Annual Treasury Report
- Approval of Treasury Management budgets

Cabinet

- Recommending the Annual Treasury Report to Council.

Cabinet (Resources) Panel

- Receiving and reviewing the quarterly Treasury Management Monitoring reports.
- Monitoring performance against budgets.
- Approval of the division of responsibilities.
- Receiving and reviewing external audit reports and acting on recommendations.
- Approving the selection of external service providers and agreeing terms of appointment.

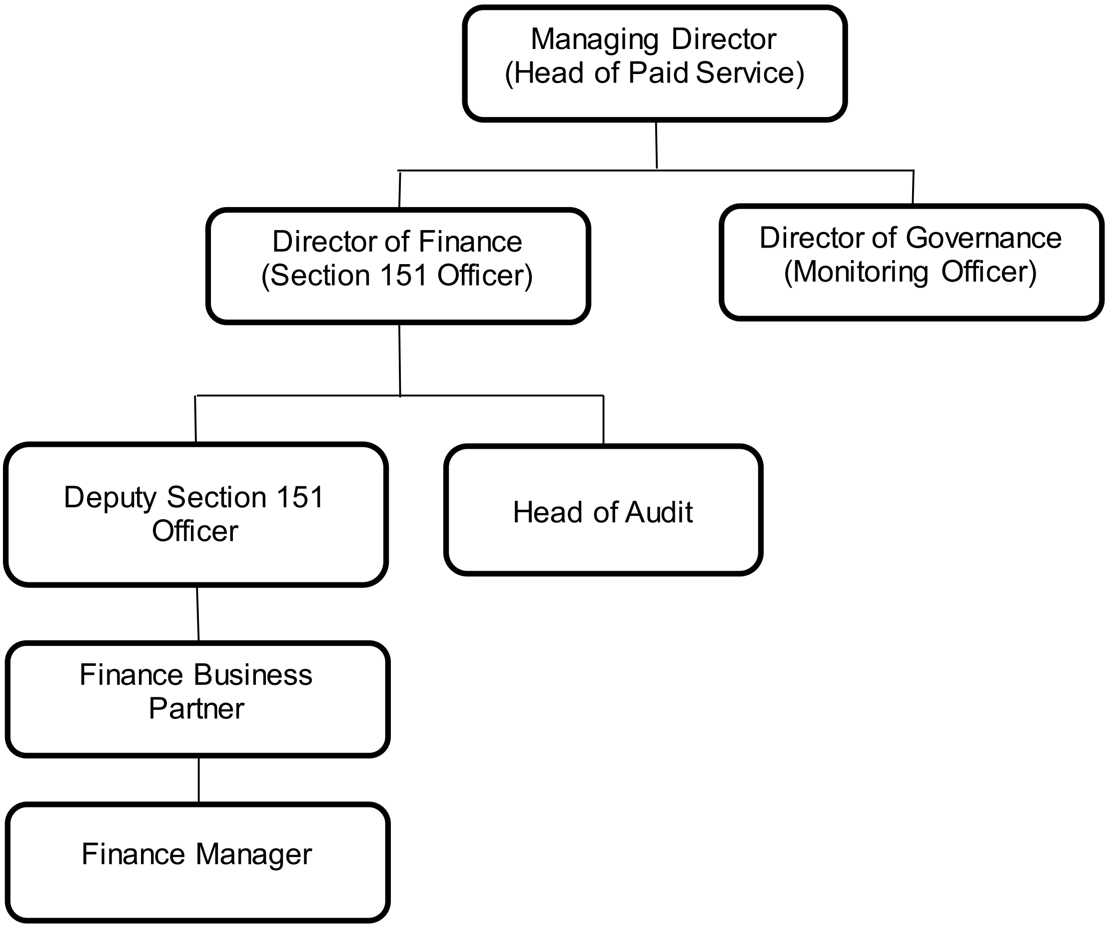
5.2 Principles and practices concerning segregation of duties

The varied aspects of treasury management and the large volume of funds involved require a clear segregation of duties. The Council's Treasury Management Practices reflect the separation of duties, namely:

- Policy formulation - approved by Council and monitored/amended by Cabinet (Resources) Panel.
- Treasury advice - the Director of Finance is the responsible officer for advising Council and Cabinet (Resources) Panel. The recommendations made to Councillors will also reflect the advice provided to the Director of Finance by specialist external advisors.
- Dealing in the Market - undertaken by rotating use of one of four approved brokers based on best rates on offer.
- Recording and administration is carried out by the Finance Manager (Treasury Management).
- All transactions are subject to both internal and external audit.
- The Managing Director has responsibility for ensuring that a specified system is implemented.
- The Director of Governance has responsibility for ensuring compliance with the law.

5.3 Treasury management organisation chart

The treasury management organisation chart as at February 2018 is as follows:



5.4 Statement of duties/responsibilities of each treasury post

5.4.1 Director of Finance (Section 151 Officer)

1. The Director of Finance will:

- Recommend treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submit regular treasury management policy reports to Cabinet (Resources) Panel.
- Submit reports on performance against budgets to Cabinet (Resources) Panel.
- Receive and review management information reports.
- Review the performance of the treasury management function and promote best value reviews.
- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensure the adequacy of internal audit.
- Liaising with external audit.

- Recommend the appointment of external service providers.

2. The Director of Finance has delegated powers to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.
3. The Director of Finance may delegate their power to borrow and invest to members of their staff. The Director of Finance, Deputy Section 151 Officer, Finance Business Partner or the Finance Manager must conduct all dealing transactions, or staff authorised by the Director of Finance to act as temporary cover for leave/sickness. All transactions must be authorised by at least one of the named officers above.
4. The Director of Finance and the Director of Governance will ensure that the treasury management policy is adhered to, and if not, will bring the matter to the attention of elected councillors as soon as possible.
5. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Finance to be satisfied, by reference if appropriate to the Director of Governance, and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.
6. It is also the responsibility of the Director of Finance to ensure that the Council complies with the requirements of the UK Money Markets Code (which supersedes The Non Investment Products Code, formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2 **Finance Manager**

Under the direction and supervision of either the Director of Finance or, in their absence, the Deputy Section 151 Officer, the Finance Manager will be responsible for:

- Execution of transactions
- Adherence to agreed policies and practices on a day-to-day basis
- Ensuring that adequate records are maintained and procedures are fully documented
- Maintaining cash flow projections
- Maintaining relationships with third parties and external service providers
- Supervising treasury management staff
- Monitoring performance on a day-to-day basis
- Submitting regular management information reports to the Director of Finance
- Identifying and recommending opportunities for improved practices
- Reporting any actual or potential variations to agreed policies and procedures as they arise.

5.4.3 **Managing Director (Head of the Paid Service)**

The responsibilities of this post will be:

- Ensuring that the treasury management system is specified and implemented
- Ensuring that the Director of Finance reports regularly to the Council and Cabinet (Resources) Panel on treasury policy, activity and performance.

5.4.4 **Director of Governance (Monitoring Officer)**

The responsibilities of this post will be:

- Ensuring compliance by the Director of Finance with the treasury management policy statement and treasury management practices and that they comply with the law.
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- Giving advice to the Director of Finance when advice is sought.

5.4.5 **Internal Audit**

The responsibilities of Internal Audit will be:

- Reviewing compliance with approved policy and procedures.
- Reviewing division of duties and operational practice.
- Assessing value for money from treasury activities.
- Undertaking probity audit of treasury function.

5.5 **Absence cover arrangements**

The Deputy Section 151 Officer will ensure that other staff within Strategic Finance who do not deal with treasury management activities on a daily basis are sufficiently trained so that they can provide absence cover. Such cover will be limited to dealing with the production of daily up-dates of the Council's cash flow statements and, in exceptional circumstances, communicating deals through to the Council's brokers and bank once instructions have been received from either the Director of Finance or the Deputy Section 151 Officer.

5.6 **List of approved brokers**

ICap Europe Ltd
Martin Brokers (UK) plc
Tullett Prebon (Europe) Ltd
Tradition UK Limited

5.7 **Policy on brokers' services**

To avoid an over-reliance on a single broker and thereby enhance objective dealings, deals will be spread amongst brokers on a rotation basis. The exception being when undertaking temporary borrowing in which case all brokers will be approached to obtain the best rate available.

5.8 **Policy on taping of conversations**

Taping of conversations with the Council's brokers and bank is not normally carried out by the Director of Finance or his staff.

5.9 **Direct dealing practices**

Direct dealing with counterparties by the Director of Finance or their staff is undertaken with the following, in order to achieve higher rates than dealing with them via our brokers and to maintain adequate levels of liquidity:

- The Council's bankers (National Westminster Bank plc, trading as RBS Commercial & Private Banking) - overnight deposits only
- Invesco Global Asset Management Limited (previously Aim Global Ltd and STIC) - Money Market Fund
- Black Rock Institutional Sterling Liquidity Fund – Money Market Fund
- Standard Life Investments Liquidity Fund (previously called Ignis Sterling Liquidity Fund) – Money Market Fund
- Federated Cash Management Funds (previously Prime Rate Sterling Liquidity Fund) - Money Market Fund
- Santander - Business Reserve Account
- BOS – Corporate Instant Access Account
- Natwest - Call Account
- Allied Irish Bank (GB) – Fixed Term Account
- Bank of Ireland – Time Deposit Account
- Scottish Widows Institutional Sterling Liquidity Fund - Money Market Fund

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. However, the accounts will remain open for future dealings if or when their credit ratings recover.

5.10 **Settlement transmission procedures**

Deals will normally be made by telephone and confirmed by fax, with payments being made and sums being received by telephonic transfer.

5.11 **Documentation requirements**

Every deal will be fully documented showing the name of the broker used, amount, period, counterparty, interest rate, date, commission and transmission arrangements. All documentation will be available for inspection by internal and external audit. All documentation will be retained for six years.

5.12 **Arrangements concerning the management of third party funds**

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

Schedule 6 : TMP 6 – Reporting requirements and management information arrangements

6.1 **Annual Treasury Management Strategy Statement**

The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Council for approval as part of the overall budget and council tax determination process prior to the commencement of each financial year.

The formulation of the annual Treasury Management Statement involves determining the appropriate borrowing and investment decisions in light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the Director of Finance may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early (subject to borrowing in advance of need) if fixed interest rates are expected to rise.

The Treasury Management Strategy is concerned with the following elements:

- Prudential and Treasury Indicators
- current treasury portfolio positions
- borrowing requirement
- prospects for interest rates
- borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- investment strategy
- creditworthiness policy
- policy on the use of external service providers
- any extraordinary treasury issues
- the Council's MRP policy

The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.2 **Annual Investment Strategy**

At the same time that the Council receives the Treasury Management Strategy Statement it will also receive a report the Annual Investment Strategy which will set out the following:

- the Council's risk appetite in respect of security, liquidity and optimum performance
- the definition of high credit quality
- the investment instruments that the Council will use
- whether they will be used by the in-house team, external managers or both
- the Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- which credit ratings the council will use

- how the Council will deal with changes in rating, rating watches and rating outlooks
- limits for individual counterparties and group limits
- country limits
- levels of cash balances
- interest rate outlook
- budget for investment earnings
- policy on the use of external fund providers

6.3 **Annual Minimum Revenue Provisions Statement**

This will set out how the Council will make revenue provision for repayment of its borrowing and will be submitted at the same time as the Annual Treasury Management Strategy Statement and Annual Investment Strategy Statement.

6.4 **Policy on Prudential and Treasury Indicators**

The Council will approve before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

The Director of Finance is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Director of Finance shall submit the changes for approval to full Council.

6.5 **Mid-year review**

In addition to the annual review, the council will review its treasury management activities and strategy on at least one occasion during the financial year in question. This review will consider the following:

- activities undertaken
- variations, if any, from agreed policy/practices
- interim performance report
- regular monitoring
- monitoring of treasury management indicators for local authorities

6.6 **Annual report on treasury management activity**

An annual report will be presented to the Cabinet and to Council, at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

- transactions executed and their revenue effects
- report on risk implications of decisions taken and transactions executed
- compliance report on agreed policies and practices, and on statutory/regulatory requirements

- performance report
- report on compliance with CIPFA Code recommendations
- monitoring of treasury management indicators

6.7 **Management information reports**

Management information reports will be prepared regularly by the Finance Manager and will be presented to the Director of Finance.

These reports will contain the following information:

- a summary of transactions executed and their revenue effects
- measurements of performance including effect on loan charges/investment income
- degree of compliance with original strategy and explanation of variances
- any non-compliance with Prudential limits or other treasury management limits

6.8 **Quarterly monitoring reports**

A quarterly monitoring report will be submitted by the Director of Finance to meetings of the Cabinet (Resources) Panel or Cabinet as appropriate to compare actual performance, practices and activity with the current approved Treasury Management Policy Statement/Practices.

Schedule 7 : TMP 7 – Budgeting, accounting and audit arrangements

7.1 **Statutory/regulatory requirements**

The accounts are drawn up in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's Treasury Management in the Public Services – Code of Practice (the CIPFA Code), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 **Accounting practices and standards**

Due regard is given to the Code of Practice on Local Authority Accounting in the United Kingdom.

7.3 **Sample budgets / accounts / prudential and treasury indicators**

The Director of Finance will prepare a medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Director of Finance will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4 **List of information requirements of external auditors**

- Reconciliation of loans outstanding in the financial ledger to treasury management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

Schedule 8 : TMP 8 – Cash and cash flow management

8.1 **Arrangements for preparing/submitting cash flow statements**

The Finance Manager prior to the start of a new financial year will prepare a cash flow statement showing the Council's expected payments and income over that forthcoming financial year. This will be updated daily by no later than 11.00 a.m. to form rolling cash flow forecasts. The cash flow forecast will be monitored on a regular basis by the Director of Finance or, in his absence, the Deputy Section 151 Officer.

The cash flow forecast will identify the following factors:

- Payments
  - Repayment of maturity and instalment loans
  - Profile of salary payments
  - Profile of payments to HMRC for income tax and national insurance
  - Profile of payments to precepting authorities
  - Profile of creditor payments
  - CHAPS and Telephone Transfer payments to be identified in advance
- Income
  - Profile of Government Grants for RSG purposes
  - Profile of Dedicated Schools Grant
  - Profile of other Government Grants
  - Profile of daily cash income
  - Profile of VAT reimbursements
  - Profile of weekly Collection Fund income
  - Large capital receipts to be identified

The cash flow forecast for the financial year will be updated on a daily basis. In addition, a forecast for the following financial year will be created 3 months prior to the start of that year. Forecasts will be monitored against daily bankings and clearings.

The estimated daily bank overdraft is not to exceed £500,000.

8.2 **Bank statement procedures**

Daily bank statements for all accounts are available through online banking which are reconciled to all income and expenditure.

8.3 **Payment scheduling and agreed terms of trade with creditors**

All contracts for the supply of goods or services must be subject to the Council's standard payment terms – monthly in arrears. Any contracts which require special financing arrangements these must be agreed by the Director of Finance.

Where a contract provides for payments to be made by instalments following the delivery of services or completion of work, a cost plan must be prepared for such contracts and payments monitored against that plan.

Work carried out by 'statutory undertakings' is excluded from the Competition Requirements of the Contracts Procedure Rules and payment in advance of the works being carried out is considered to be acceptable.

The standard method of payment of creditors is by BACS, 30 days from date of invoice unless the invoice is in dispute.

8.4 **Arrangements for monitoring debtor/creditor levels**

Revenues and Benefits carry out monthly analysis (which is audited) of debtor levels against performance targets.

The Hub Payments Team will carry out monthly analysis (which is audited) of creditor levels against performance targets.

8.5 **Procedures for banking of funds**

The Director of Finance shall approve the arrangements for the collection and banking of all money due to the Council.

Each officer shall ensure the prompt raising of debtor invoices for the recovery of income due.

All stationery used in connection with the collection and allocation of income shall be held and distributed under approval from the Director of Finance.

On receipt of income the employee shall; immediately record the transaction, provide the customer with verification of payment and subsequently bank the monies in accordance with Council procedure rules.

No deduction may be made from any income receipted without approval from the Director of Finance.

In accordance with the Accounts and Audit Regulations 2015, the amount of each cheque shall be recorded on either the bank paying in slip or an attached cheque listing detailing; the amount, the receipt number or reconciling information.

Personal cheques shall not be cashed through the Council's bank accounts.

Any transfer of physical money from one employee to another will be evidenced in the records of the responsible service.

The Council has established an Anti-Money Laundering Policy to ensure it is compliant with the requirements of the current Money Laundering Regulations.

Therefore, all employees receiving cash on behalf of the Council should ensure that they comply with this policy.

To help prevent money laundering, cash payments (including notes, coin or travellers cheques in any currency) above £5,000 will not be accepted for any Council service.

All income streams in excess of £25,000 that were not included in the approved budget shall be reported to the Director of Finance at the earliest opportunity.

Schedule 9 : TMP 9 – Money laundering

The Council refreshed its anti-money laundering policy and procedure in March 2017, below is a copy of this policy approved by Audit and Risk Committee 13 March 2017.

9.1 **Introduction**

Money laundering is any process whereby funds derived from criminal activity are given the appearance of being legitimate. The Council must be alert to the possibility that attempts could be made to utilise funds obtained from criminal activity to pay for Council services.

The Council is committed to preventing money laundering by having anti-money laundering systems in place to establish the legitimacy of the sources of income.

This Anti-Money Laundering Policy makes it clear that it is extremely important that all employees are familiar with:

- the legal responsibilities;
- the criminal sanctions that may be imposed for breaches of the money laundering legislation;
- the need to be vigilant and take appropriate steps to reduce the opportunities for breaches of the Money Laundering Regulations;
- The key requirement to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.

9.2 **Legal requirements**

The Money Laundering Regulations 2007

These regulations set out detailed requirements for organisations to establish procedures to prevent its services being utilised for the purposes of money laundering.

While public authorities are not legally obliged to apply the provisions of the regulations as they do not fall under the term ‘regulated activity’. Certain public authorities must, if they know or suspect or have reasonable grounds for knowing or suspecting, that a person is or has engaged in money laundering or terrorist financing, as soon as reasonably practical inform the National Crime Agency. The Council is not one of the certain public authorities, but it will nonetheless inform the National Crime Agency in the same way.

Therefore, as a responsible public body the Council is employing policies and procedures which embrace the UK’s anti-terrorist financing, and anti-money laundering requirements, with a particular focus on CIPFA’s “Combatting Financial Crime – Further Guidance on Anti-money Laundering for Public Service Organisations”.

The Terrorism Act 2000

This applies to all individuals and businesses in the UK and therefore all employees and councillors within the Council have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for terrorism or its laundering where it relates to information that comes to them in the course of their business or employment. The primary offence states a person commits an offence if he enters into or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property by concealment, by removal from the jurisdiction, by transfer to nominees, or in any other way.

The Proceeds of Crime Act (POCA) 2002

This Act applies to all individuals and organisations and further defines the offences of money laundering and creates mechanisms for investigating and recovering the proceeds of crime as well as placing an obligation on the Council, employees and councillors to report suspected money laundering activities. The primary offences are:

- Section 327 - concealing, disguising, converting, transferring or removing criminal property from the UK;
- Section 328 - entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- Section 329 - acquiring, using or possessing criminal property.

9.3 **Which service areas may be affected by money laundering?**

Examples of how the Council may be exposed to money laundering include accepting large cash amounts, the involvement of third parties, the request of a large refund and property investment or purchases.

Also, the Money Laundering legislation defines 'regulated activity' as the provision 'by way of business' of advice about tax affairs, accounting services, treasury management, investment or other financial services, audit services, legal services, estate agency, services involving the formation, operation or arrangement of a company or trust or, dealing in goods wherever a transaction involves a payment of €15,000 (approx. £12,500) or more.

To help prevent money laundering, cash payments (including notes, coin or travellers cheques in any currency) above £5,000 will not be accepted for any Council service.

9.4 **Establishing the identity of a new business relationship**

As a responsible Council, we should be aware of any suspicions arising out of funds received from a source from which we are unfamiliar. If the Council forms a new business relationship (including a significant one-off transaction) care should be taken to ensure that the client is identifiable by making basic checks on their credentials, along with confirmation of where funds are coming from. This should not be an onerous task, but, we should ensure that we are clear about whom we are conducting business with. This will be especially important if the parties concerned are not physically present for identification purposes and to situations where someone may be acting for absent third parties. This is known as due diligence and must be carried out before any such business is entered into with the customer. If there is uncertainty whether such due diligence is required then advice must be obtained from the Money Laundering Reporting Officer.

Due diligence can be used to evidence a customer's identity by, for example:

- checking with the customer's website to confirm their business address
- conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors
- Conducting personal identity checks for example, requesting that the customer provide their current passport/driving licence, birth certificates

In certain circumstances enhanced customer due diligence may need to be carried out, for example, where:

- the customer has not been physically present for identification
- the customer is a politically exposed person
- there is a beneficial owner who is not the customer – a beneficial owner is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

If it is believed that enhanced customer due diligence is required then the Money Laundering Reporting Officer should be consulted prior to carrying it out. Customer due diligence should be completed for all relevant new customers and for existing customers, during the life of a business relationship, proportionate to the risk of money laundering and terrorist funding.

9.5 **Reporting suspected cases of Money Laundering**

Where an employee or Councillor knows or suspects that money laundering activity is taking/has taken place, or becomes concerned that their involvement in a matter may amount to a prohibited act under sections 327 to 329 of POCA, they must disclose this without delay or as soon as reasonably practicable to the Money Laundering Reporting Officer. Failure to report such activity may render the employee subject to prosecution and/or disciplinary action in accordance with the Council's disciplinary policy. The procedure for disclosure is:

- to complete a 'Disclosure Report to the Money Laundering Reporting Officer Form' and to include as much detail as possible e.g. name, date of birth, address, company names, directorships, phone numbers, nature of the activity etc;

The Council has appointed the following employee as the Money Laundering Reporting Officer (MLRO):

Peter Farrow - Head of Audit Services
Tel: (01902) 554460
e-mail: peter.farrow@wolverhampton.gov.uk

In the absence of the MLRO listed above, the following employee is authorised to deputise:

Mark Wilkes, Client Lead Auditor
Tel: (01902) 554462
e-mail: mark.wilkes@wolverhampton.gov.uk

Further advice on money laundering matters can also be obtained from:

Claire Nye – Director of Finance (S151 Officer)
Tel: (01902) 550478
e-mail: claire.nye@wolverhampton.gov.uk

Kevin O'Keefe – Director of Governance/Monitoring Officer
Tel: (01902) 554910
e-mail: kevin.o'keefe@wolverhampton.gov.uk

9.6 **Investigating and Reporting Money Laundering**

How will the Money Laundering Reporting Officer investigate a disclosure?

The Money Laundering Reporting Officer will:

- acknowledge receipt of the disclosure report;
- assess the information provided to make a judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering activities and;
- prepare a Suspicious Activity Report (SAR) to the National Crime Agency (NCA), where appropriate;
- The employee or councillor must follow any directions given by the Money Laundering Reporting Officer
- The employee or councillor must cease all involvement in the transaction (not make any further enquiries into the matter themselves) unless or until consent is provided by the NCA.
- The employee or councillor must specify in the disclosure report if such consent is required to comply with any transaction deadlines.
- Any necessary investigation will be undertaken by the NCA. Employees and councillors will be required to co-operate with any subsequent money laundering investigation.
- At no time and under no circumstances should the employee or councillor voice any suspicions to the person(s) suspected of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the Money Laundering Reporting Officer.
- Where the Money Laundering Reporting Officer concludes that there are no reasonable grounds to suspect money laundering then they shall mark the disclosure report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.

- All in-house disclosure reports and NCA Suspicious Activity Reports will be retained for a minimum of five years after the business relationship ends or an occasional transaction is completed.

9.7 **Record Keeping**

Each area of the Council which conducts relevant business must maintain suitable records of any completed due diligence checks and details of relevant transactions must be maintained for at least five years. This provides an audit trail and evidence for any subsequent investigation into money laundering, for example, distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

9.8 **Review of the Money Laundering Policy**

The Money Laundering Policy will be reviewed on an annual basis by the Head of Audit and the Audit and Risk Committee to ensure that it remains up to date, fit for purpose and represents generally acceptable good practice.

Schedule 10 : TMP 10 – Training and qualifications

10.1 Details of approved training courses, etc.

Principally using seminars and training, where appropriate, provided by Link Asset Services:

- bi-annual seminars, including workshops
- regional training
- specific training or individual briefing sessions

A record will be maintained of all training courses and seminars attended by staff and councillors engaged in treasury management activities.

All staff engaged on treasury management activities will undergo regular management development reviews to assist in career development.

The Deputy Section 151 Officer, Finance Business Partner and Finance Manager will be professionally qualified accountants, preferably CIPFA.

Councillors charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

10.2 Standards of professional practice (SOPP)

The Council's Director of Finance is a member of CIPFA. The postholder is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other senior staff involved in treasury management activities who are members of CIPFA will also comply with the SOPP.

Schedule 11 : TMP 11 – Use of external service providers

11.1 **Details of contracts with service providers, including bankers, brokers, consultants, advisers and details of services provided**

11.1.1 **Core Banking Services**

Name of supplier of service - National Westminster Bank plc, trading as RBS Commercial & Private Banking.

Contract commenced 1 April 2015 and runs for five years with the option to extend for a further two years.

The above contract was awarded by Individual Executive Decision Notice on 11 November 2014.

11.1.2 **Merchant Acquiring Services (Card Acquiring Services)**

Name of supplier service – Lloyds Banking Group.

Contract commenced 1 April 2015 and runs for five years with the option to extend for a further two years.

The above contract was awarded by Individual Executive Decision Notice on 30 January 2015.

11.1.3 **Money-broking services**

ICAP plc (formerly Intercapital plc)

Martin Brokers (UK) plc

Tullett Prebon (formerly Prebon Yamane)

Tradition UK Limited

11.1.4 **Cash/fund management services**

No external suppliers are used to provide these services.

11.1.5 **Consultants'/advisers' services**

Name of supplier of service – Link Asset Services

Contract commenced 1 January 2018 for three years until 31 December 2020 with a possibility of two further extensions of twelve months each.

Service provided - treasury management specialist advice

11.2 **Procedures and frequency for tendering services**

See Schedule 2 : TMP 2 Performance measurement.

Schedule 12 : TMP 12 – Corporate governance

12.1 List of documents to be made available for public inspection

The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

The Council will make available to any interested party:

- Treasury Management Policy and Practices Statement
- Treasury Management Strategy Statement
- Annual Investment Strategy
- Minimum Revenue Provision policy statement
- Annual Treasury Report
- Treasury Management monitoring reports (quarterly)
- Annual Statement of Accounts and financial instruments disclosure note
- Annual budget and Medium Term Financial Strategy
- HRA Business Plan
- Approved Capital Programme
- Minutes of Council/Cabinet meetings

12.2 Procedures for consultation with stakeholders

Stakeholders have an opportunity to comment on the Council's Treasury Management activities as part of the overall annual budget consultation process and to inspect any transactions when the Council's accounts are placed on deposit for inspection each year.

12.3 List of external funds managed on behalf of others and the basis of attributing interest earned and costs to these investments

The Council does not manage funds on behalf of other organisations.

Non-treasury management investments schedules

Schedule 1 : NTMIP 1 – Risk management

1.1 **Investment criteria**

All non-treasury management investments must meet the criteria detailed in Schedule 4: Approved instruments, methods and techniques.

In addition, where applicable the following should be met:

- Return on investment should cover all revenue expenditure incurred over the life of the investment.
- Due consideration should be given to the rate of the return.
- A predictable and stable rental income with risks that are understood.
- Any required regeneration and community benefits.

1.2 **Risk management criteria**

A full risk assessment should be undertaken at the proposal stage in accordance with Council practice. This should be reviewed on a regular basis.

The outcome of the risk assessment should be that risks are:

- quantifiable – the impact can be valued
- understandable – the probability is understood
- manageable – have mitigation actions that can be put in place
- range of outcomes – the best, worst and expected cases are assessed

1.3 **Legal and regulatory**

Each proposal for investment must state their purpose and be clear under what statutory powers and regulations the investment is allowed for example:

- an expenditure power to cover the purchase and any associated increase in external borrowing, or
- an investment power to authorise the investing of existing cash resources

There are three potential legal powers which could be considered:

The General Power of Competence (GPOC)

The Localism Act 2011 granted local authorities a general power of competence which allows it do things which any individual including private sector organisations can do and:

- to do it anywhere in the United Kingdom or elsewhere,
- to do it for a commercial purpose or otherwise for a charge, or without charge, and

- to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

This power is limited however where there is existing legislation relating to the particular activity. There are also limits on using this power for commercial purposes:

- the general power confers power on a local authority to do things for a commercial purpose only if they are things which the authority may, in exercise of the general power, do otherwise than for a commercial purpose.
- where, in exercise of the general power, a local authority does things for a commercial purpose, the authority must do them through a company.
- a local authority may not, in exercise of the general power, do things for a commercial purpose in relation to a person if a statutory provision requires the authority to do those things in relation to the person.

Local Government Act 1972

S.120 of the Local Government Act 1972 – Acquisition of land by agreement by principal councils states:

For the purposes of –
- any of their functions under this or any other enactment, or
- the benefit, improvement or development of their area,

a principal council may acquire by agreement any land, whether situated inside or outside their area.

A legal view should be taken if whether an improved financial position due to the investment can satisfy the legislative requirement of the benefit to an authority's area.

S.12 of the Local Government Act 2003

This is the power to invest, a local authority may invest:
- for any purpose relevant to its functions under any enactment, or
- for the purposes of the prudent management of its financial affairs.

However, investments under this power do not represent expenditure and are accounted for as short or long term investments. This means borrowing to facilitate an investment in a commercial property etc. is not lawful.

1.4 **Market value of investments**

Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate.

In the event that opportunities for making such investments appear to the Director of Finance to be in the Council's financial interests, a report will be submitted to the Cabinet/Cabinet (Resources) Panel setting out the costs, benefits and potential risks.

No such investments will proceed without prior approval of such a report by the Cabinet/Cabinet (Resources) Panel.

Schedule 2 : NTMIP 2 – Performance measurement

2.1 **Methodology and criteria for assessing the performance and success**

The performance of the investment will be regularly reviewed by the appropriate Officer comparing actual achievements against the original business case. Any material deviations from expected performance must be brought to the attention of the Director of Finance in a timely manner.

Schedule 3 : NTMIP 3 – Decision making and analysis

3.1 **Records to be kept**

The relevant officer shall maintain records of the process followed and analysis undertaken for the investment. All records and documents shall be available for inspection by internal audit and the Council's external auditors. All investments shall be made in the name of the Council.

3.2 **Processes to be pursued**

The proposed investment should follow the Council's process for review and approval. The investment should not be placed until the appropriate democratic approval has been received in line with the Council's Constitution.

3.3 **Issues to be addressed**

In respect of every decision made, the Council will:

- above all be clear about the nature and extent of the risks to which the organisation may become exposed;
- be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;
- be content that the documentation is adequate both to deliver the organisation's objectives and protect the organisation's interests, and to deliver good housekeeping;
- ensure that third parties are judged satisfactory in the context of the organisation's creditworthiness policies, and that limits have not been exceeded;
- be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

Schedule 4 : NTMIP 4 – Approved instruments, methods and techniques

4.1 **Approved investments**

The Council will only invest in the following non-treasury investment activities:

- The investment should be of benefit to the economic, social or environmental well-being of the area served by City of Wolverhampton Council and/or the West Midlands Combined Authority.
- The investment should meet strategic priorities included in the Council's Corporate Plan.

Schedule 5 : NTMIP 5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements

5.1 **Statement of the governance requirements for decision making**

Decision making should follow the Council's internal process and formal decision making in accordance with the Council's Constitution.

5.2 **Arrangements to ensure that appropriate professional due diligence is carried out to support decision making**.

The requirements of NTMIP 3 – Decision making and analysis must be fully met and documented as part of the business case to be submitted to Councillors for approval.

In addition, if required, independent professional advisors will be appointed to ensure the due diligence is carried out. The appointment of such advisors shall be in accordance with the Council's procurement policies.

Schedule 6 : NTMIP 6 – Reporting requirements and management information arrangements

6.1 Where and how often monitoring reports are taken

Monitoring reports will be submitted to either Cabinet or Cabinet (Resources) Panel. The frequency of reporting will be dependent on the investment involved but as a minimum on an annual basis.

Schedule 10 : NTMIP 10 – Training and qualifications

10.1 **Arrangement of relevant knowledge and skills**

All employees or professional advisors involved in the development of the business case of non-treasury management investments, must have the relevant knowledge, skills and qualifications required for their area of expertise.

In addition, they must be aware of the prudential framework.

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