BROMSGROVE DISTRICT COUNCIL

YOU ARE HEREBY SUMMONED to attend a MEETING of BROMSGROVE DISTRICT COUNCIL to be held in the Council Chamber at Parkside Suite - Parkside at 6.00 p.m. on Wednesday 27th March 2019, when the business referred to below will be brought under consideration:-

1. **To receive apologies for absence**

2. **Declarations of Interest**

   To invite Councillors to declare any Disclosable Pecuniary Interests or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. **To confirm the accuracy of the minutes of the meeting of the Council held on 27th February 2019** (Pages 1 - 24)

4. **To receive any announcements from the Chairman and/or Head of Paid Service**

5. **To receive any announcements from the Leader**

6. **Report of an Urgent Decision - Council Tax Resolution** (Pages 25 - 26)

7. **To receive comments, questions or petitions from members of the public**

   A period of up to 15 minutes is allowed for members of the public to make a comment, ask questions or present petitions. Each member of the public has up to 3 minutes to do this. A councillor may also present a petition on behalf of a member of the public.

8. **Recommendations from the Cabinet** (Pages 27 - 28)

To consider the recommendations from the meeting(s) of the Cabinet held on 13th March and 27th March 2019.

Any recommendations in respect of 27th March will be tabled at the meeting.

9. **To note the minutes of the meetings of the Cabinet held on 27th February and 13th March 2019** (Pages 29 - 42)

10. **To receive and consider a report from the Portfolio Holder for Health and Well Being and Environmental Services** (Pages 43 - 56)

Up to 30 minutes is allowed for this item; no longer than 10 minutes for presentation of the report and then up to 3 minutes for each question to be put and answered.

11. **Questions on Notice (to be circulated at the meeting)**

To deal with any questions on notice from Members of the Council, in the order in which they have been received.

A period of up to 15 minutes is allocated for the asking and answering of questions. This may be extended at the discretion of the Chairman with the agreement of the majority of those present.

12. **Motions on Notice (to follow if any)**

A period of up to one hour is allocated to consider the motions on notice. This may only be extended with the agreement of the Council.

13. **Background Information on the recommendations from the Cabinet meeting held on 13th March 2019**

(i) Finance Monitoring Quarter 3 Report (Pages 57 - 70)

(ii) Treasury Capital and Half Year Report (Pages 71 - 106)

(iii) Investment Strategy 2019/20 (Pages 107 - 114)

14. **Background Information on the recommendations from the Cabinet meeting held on 27th March 2019**

(i) ERP System Report - to follow

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

TO ALL MEMBERS OF THE BROMSGROVE DISTRICT COUNCIL

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BROMSGROVE DISTRICT COUNCIL

MEETING OF THE COUNCIL

27TH FEBRUARY 2019, AT 6.00 P.M.

PRESENT: Councillors C. J. Spencer (Chairman), M. J. A. Webb (Vice-Chairman), C. Allen-Jones, S. J. Baxter, C. J. Bloore, M. T. Buxton, S. R. Colella, B. T. Cooper, R. J. Deeming, G. N. Denaro, R. L. Dent, M. Glass, C.A. Hotham, R. E. Jenkins, H. J. Jones, R. J. Laight, L. C. R. Mallett, K.J. May, C. M. McDonald, P. M. McDonald, S. R. Peters, S. P. Shannon, M. A. Sherrey, C. B. Taylor, P.L. Thomas, M. Thompson, L. J. Turner, K. J. Van Der Plank, S. A. Webb and P. J. Whittaker

78\18 **TO RECEIVE APOLOGIES FOR ABSENCE**

The Chairman invited a representative from St. Basil's, based at Aston Fields, to give a short presentation on the work the organisation carried out with the young people.

The Chairman held a minutes silence in memory of the late Mrs J. Luck a former Member of the Council. Members and officers stood in silence in tribute to her memory.

Apologies for absence were received from Councillor J. Griffiths and it was noted that Councillor R. Jenkins would be a little late.

79\18 **DECLARATIONS OF INTEREST**

The Monitoring Officer reminded Members that at the Audit Standards and Governance meeting on 16th July 2015 it was resolved that a dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of the Budget, Council Tax and Members' Allowances. At the same meeting a dispensation to allow Members to participate and vote at Council and committee meetings when considering the adoption of any new or updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District. This would apply for the purpose of the discussions in respect of the Council Tax Support Scheme later in the agenda.

Councillors C. Bloore and L. Mallett declared an other disclosable interest in respect of Minute No. 89/18 the Motion on Notice for litter pickers. Councillor Bloore clarified that through his Worcestershire County Council divisional funds he had given some funding to Keep Bromsgrove Beautiful. Councillor Mallett clarified that he was also in the process of providing some funding to Keep Bromsgrove Beautiful through his divisional funds.

80\18 **MINUTES**

The minutes of the meeting of Council held on 23rd January 2019 were submitted.

During consideration of the minutes the following areas were raised as a matter of accuracy:

- Councillor M. Thompson asked for it to be recorded that under Minute No 69/18, that the matter had also been discussed at Worcestershire County Council (WCC) and that a number of "dual hatted" Members who had supported the motion at District level they had not done so at County level. It was further clarified that the dual hatted Members form the Labour Group had voted for it on both occasions.
- Members briefly discussed matters which were discussed at both County and District level and whether it was relevant to accept motions which were to be considered at both, as a different decision was often reached at County level. The Monitoring Officer confirmed that this Council considered things in its own right.
- Clarification in respect of the information provided by the Portfolio Holder for Leisure and Cultural Services in respect of the contract with BAM being signed. Minute No. 77/18 and the Motion from Councillor C. Bloore and whether the letter had been sent to the Prime Minster and a copy sent to the local MP. The Leader responded that his understanding was that the matter had, in the first instance, been referred to the Cabinet and a report on the matter would be received by them in due course.
- Councillor Hotham questioned how amendments to the Minutes were recorded and the Monitoring Officer clarified that any amendments would be shown in the next set of minutes received at the following meeting. Councillor Thompson highlighted that if someone was looking at the minutes as a standalone item, they would not be aware that any amendment had been made. The Monitoring Officer further clarified that this was the manner in which it had been agreed to take the minutes of each meeting.

RESOLVED that the minutes of the meeting of Council held on 23rd January be approved subject to the pre-amble above.

81\18 **TO RECEIVE ANY ANNOUNCEMENTS FROM THE CHAIRMAN AND/OR HEAD OF PAID SERVICE**

The Chairman provided details of the Houseman Commemoration to be held on Tuesday 26th March at 12.30 pm at the statue, followed by refreshments in the Parkside Suite.

82\18 **TO RECEIVE ANY ANNOUNCEMENTS FROM THE LEADER**

The Chairman reminded Members that under the Leader's announcement any questions should be in respect of clarification of items raised by the Leader. Any other matter should be directed to the Leader after the meeting or by email.

The Leader advised that he had received a further response from the Department of Health and Social Care in respect of hospital car parking:

"We have made it very clear that patients, their families and our hardworking staff should not be subjected to unfair parking charges. NHS Trusts are responsible for these charges and ensuring revenue goes back into frontline services and we want to see Trusts coming up with options that put staff, patients and their families first.

While we expect all NHS organisations to follow the published NHS Car Parking Principles, they have the freedom to make decisions on their car parking, including charges to reflect their local situation. If any excess is generated, income generation rules require that it is used to fund clinical services."

Councillor M. Thompson raised a point of clarification in respect of the closure of the Sports Hall and it was confirmed that this would be addressed under the Portfolio Holder's Annual Report item.

83\18 **TO RECEIVE COMMENTS, QUESTIONS OR PETITIONS FROM MEMBERS OF THE PUBLIC**

The Chairman invited Mr M. Worrall, a member of the public, to present his question.

Mr. Worrall explained that he was a Parish Councillor for Alvechurch Parish Council and chaired the Alvechurch Neighbourhood Plan Steering Group. At this evening's meeting Members would be considering the final stage of this process in considering the Plan and formally adopting it. He noted that there were several other Parishes throughout the district who were beginning this process and therefore put the following question to Council.

"I would like to remind members that the Alvechurch Parish Neighbourhood Plan has recently been formally adopted, the first, we hope, of several in the Bromsgrove District. I'd like to thank Mike Dunphy, and his current and former planning colleagues, for their support and encouragement over recent years. The Alvechurch experience showed the benefits of collaborative working and bringing a community along with you. Would members please explain how they will ensure other Parishes are similarly successful?"
Councillor C. B. Taylor, Portfolio Holder for Planning and Strategic Housing thanked Mr Worrall for his kind words. He assured him that all Parishes would be treated with the same courtesy that Alvechurch

Parish Council had received and the Council was happy to work collaboratively with all those concerned.

84\18 **RECOMMENDATIONS FROM THE CABINET MEETING HELD ON 13TH FEBRUARY 2019 AND 27TH FEBRUARY 2019**

Cabinet Recommendations 13th February 2019

Environmental Services Business Cases for Investment in the Domestic Waste Service, Commercial Waste Services and Place Team

Councillor M. Sherrey, Portfolio Holder for Health and Well Being and Environmental Services proposed the recommendations for the Environmental Services Business Cases for Investment in the Domestic Waste Service, Commercial Waste Service and Place Team. These were seconded by Councillor G. Denaro.

In proposing the recommendations Councillor Sherrey explained that officers had drawn up three business cases to outline current pressures on Environmental Services, as well as opportunities for additional income generation.

The business cases reflected each area within Environmental Services and briefly consisted of:

- Commercial Waste – it was explained that having expanded its services significantly over the last two years and generated considerable additional income for the Council, the Commercial Waste Team now required additional investment to support continued growth. This investment was expected to generate additional income that fully balanced out the additional investment from year one, supporting the sustainability of the wider service at best value to the Council's residents.
- Domestic Waste – Having seen an increase in new housing across the District in the last few years, the current service has expanded within existing resources to support this, but has incurred unsustainable overspends as a result of high Agency costs due to a lack of resilience to cover annual leave and sickness. This lack of resilience eventually resulted in service failure during August/September 2018. In order to address this, the business case sets out the case for additional investment to secure the service without a reliance on Agency staff to cover standard services over the next few years, whilst a full service review is carried out. This would consider how best to deliver the service in a sustainable manner for the future, taking into account increased housing in the district and changes currently being considered by Central Government to what services the Council has to supply to residents, such as a free garden waste service and weekly dedicated food waste collections. Both of these

would require significant investment to be provided in addition to the current services.

- Place Teams – the cleaning and grounds maintenance services are carried out by the Place Teams across the District and as with the Domestic Waste, there has been a significant increase in their workload as a result of increased housing and traffic on the roads, which generate more litter and fly tipping. This takes considerable resources to manage and has limited the Council's ability to deliver the full benefits of Place working, resulting in a more reactive focus to some areas of work and lower standards.

Councillor Sherrey highlighted that the business cases and recommendation had been reviewed by the Overview and Scrutiny Board and Cabinet had approved all the recommendations as set out in the covering report and business cases attached to the agenda papers.

Following presentation of the report Members discussed a number of areas in more detail, including:

- Members were grateful that this had been looked at following the issues that had arisen in the previous year and hoped that this would mean that a similar situation would be avoided in the future.
- Whether consideration could be given to the new vehicles purchased being electric or more environmentally friendly than those currently used. Councillor Sherrey confirmed that a number of alternatives were being considered.
- A full scale review of the service was welcomed and the possibility of generating more revenue. However, Members were concerned as to the reasons for the disruption the previous year as housing growth throughout the District was something which was not unexpected and therefore should have been planned for in advance. It was agreed that this was due to a lack of foresight and lack of planning for the long term.
- Members took the opportunity to thank Matt Austin, the Environmental Services Manager and Guy Revans, the Head of Environmental Services for taking the time to attend the Overview and Scrutiny Board meeting and giving a detailed honest view of the situation the previous year and presentation of the business cases recently.

RESOLVED:

a) that the Domestic Waste Collection Business Case and allocate £1456,646 revenue funding to Environmental Services to fund five members of staff, vehicle maintenance costs and running costs to support the service be approved;
b) that the Capital Investment of £137,000 for one new Collection Vehicle which will incur annual borrowing costs of £21,823 from 2020/21 on the corporate financing revenue account be approved;

c) that the Commercial Waste Business Case and allocate £184,558 additional revenue funding to Environmental Services to fund six additional members of staff, vehicle maintenance and running costs to support the service and the generation of additional income for the Council be approved;
d) that the Capital Investment of £340,000 for two new collection vehicles, which will incur annual borrowing costs of £54,162 from 2020/21 on the corporate financing revenue account be approved; and
e) that the Future Delivery of Place Team Working Business case, and allocate £166,697 additional revenue funding to Environmental Services to fund six additional members of staff to support the service on a phased implementation over the next three years be approved.

Alvechurch Parish Neighbourhood Plan

The recommendation from Cabinet in respect of the Alvechurch Parish Neighbourhood Plan were proposed by Councillor C. B. Taylor and seconded by Councillor G. Denaro.

In proposing the recommendations Councillor Taylor reminded Members that this matter had been well documented and discussed on numerous occasions. He advised Members that the referendum had received a good response, which was down to the hard work of officers and the Alvechurch Parish Council. Councillor Taylor reiterated the thanks which had been given earlier in the meeting to the Strategic Planning and Conservation Manager and his team.

RESOLVED that the Alvechurch Parish Neighbourhood Plan be 'made' (formally adopted) immediately, in accordance with the relevant legislation.

Medium Term Financial Plan 2019/20 – 2022/23

The recommendation from Cabinet in respect of the Medium Term Financial Plan (MTFP) were proposed by Councillor B. Cooper and seconded by Councillor G. Denaro.

In presenting the recommendations Councillor Cooper suggested that it might be of interest to members to put the Council's position in perspective. He advised that the state of Local Government finance in England was challenging. A recent survey by the LGIU, had found that 80% of Councils were not confident that Local Government was sustainable. In the coming year 53% could only balance their budgets using cash balances, 30% were seeing a decline in their services, 25% were planning service reductions, and 97% were increasing Council Tax. 84% of Councils thought that it was a high priority, if not essential, that Councils explored other sources of income for example through commercialisation of council services, selling assets, investing in property. 53% of Councils had increased borrowing in the last year.

Councillor Cooper highlighted that in the Medium Term Financial Plan approved by Council a year ago, it was predicted that there would be an over spend of £625k at the end of the year 2019/20. The table 3.5 on page 181 showed Members how additions and subtractions were made across the table and it could be seen that the Council was now predicting a zero overspend; a great improvement on the prediction for the year. There were commentaries on each of the additions and subtractions in the text. However, Councillor Cooper highlighted the following points:

- Savings of £332k had been identified which would reduce the deficit.
- Other savings had not been identified in the past. In discussion with the auditors, it was feel that these unidentified savings should be included so £645k had been added to the deficit.
- The negative revenue support grant had not materialised so £740k could be taken out.
- As the Council had not built enough houses, the income from New Homes Bonus (NHB) was predicted to be less than envisaged in last year's MTFP, therefore £82k would be added to the deficit.
- For the same reason, as above the council tax income was predicted to be down by £140k.

In view of the Council's financial situation, particularly looking to years 2 to 4 of the MTFP, the Cabinet feel that it would not be prudent or responsible to leave the level of Council Tax unchanged. Therefore, it was with regret that Cabinet was recommending increasing it by 2.99%. The Council Tax paid on a Band D house would rise by £6.47 to £223 pa.

It was noted that the balanced budget had been achieved without the use of balances and without any reduction of services. Councillor Cooper suggested these were great achievements by the Council for the residents of Bromsgrove District, at a time when many other councils had reduced services or used balances or both to get anywhere near a balanced budget.

The Council’s auditors required it to produce a four year financial plan. Therefore, in addition to the figures for as 2019/2020, the figures for the three years 2020/21, 2021/22, 2022/23 were also included. The figures were of concern, particularly as by the last year of the MTFP, the general balances could have fallen to £1.1m. This was the level below which Members had determined that it would not be prudent to go.

The reasons for this position were summarised as being the consequence of not enough houses being built in Bromsgrove, uncertainty over the future of the NHB scheme, additional costs of borrowing for our capital programme and perhaps even more importantly, a complete lack of certainty from Central Government about funding for Local Government from 2020/21. As Members would know, there were national consultations this year on business rates retention reform and on the fair funding review of relative needs and resources. Members were reminded that up until recently the Council received £3m a year in revenue support from Central Government. From this current year onwards, it would receive nothing.

There would be increased borrowing costs and repayment of debt over the three years for the capital programme especially vehicles, and for the leisure centre, Parkside, and the Burcot Lane development and for contributions to the employee pension fund. However, Councillor Cooper stressed to members that the figures for years 2 to 4 of the MTFP represented the worst-case scenario and assumed that nothing would have been done to improve the situation. In the next year it would be important to review all costs and to identify more savings. The Council must reduce the total of what was currently described as unidentified savings and capital programmes might have to be reviewed. It was stressed that requests for new expenditure must be scrutinised very closely and be accompanied by a robust business case. The house building blockage needed be solved as it had led to a quadruple whammy - loss of Council Tax revenue, a reduction in NHB income, lower than expected income from planning applications, and the cost of Mott MacDonald to provide advice on infrastructure related to big planning applications. It was anticipated that projects such as Burcot Lane would generate income by the end of the four-year period. This income was not included in the MTFP. Councillor Cooper went on to advise Members that attached to the report were appendices which showed unavoidable pressures, new revenue bids, savings and additional income, capital bids, and the capital programme.

In conclusion, Councillor Cooper advised that whilst the three years after next would be challenging, he had no doubt that Members and officers would work together to ensure that the financial future of the Council would turn out to be not nearly as difficult as the MTFP suggested.

It was noted that the Council was required by law to approve a pay policy statement each year and this was included within the report. It was important to note that the Council complied with all current legislation in determining the pay and remuneration for all its employees. The policy took into account the changes to pay policy approved by Council at its previous meeting. The levels of remuneration were nationally determined by the National Joint Council. The salary points within a grade, up to grade 11, were nationally determined. The salary points above this were locally determined using an external assessor, West Midlands Employers, which was a stand-alone regional employers' organisation co-owned by 32 West Midlands councils.

Members were advised that the papers in respect of council tax setting were included within the second supplementary agenda pack. The levels of tax documented in the report took account of the requirements of Bromsgrove District Council, Worcestershire County Council, the

West Mercia Police and Crime Commissioner, Hereford and Worcester Fire & Rescue Authority and the various Parish Councils. The Council Tax resolutions that Council was asked to approve detailed the statutory approvals in relation to the 2019/ 2020 budget and the Council Tax to be recovered on behalf of WCC, the Police and Crime Commissioner and the Fire and Rescue Service

Councillor Cooper took the opportunity to pass on his gratitude for the input of the Members of the Finance and Budget Working Group to the budget process and also thanked Ms Pickering, Mr Forrester, Ms Goldey and the rest of the finance team for their hard work in putting together the budget and MTFP. He also paid tribute to the Heads of Service and their teams for engaging with and being supportive of the budget setting process, which had been much more robust this year than before.

Councillor M. Thompson responded to the presentation of the budget and advised that his Group would not be putting forward an alternative budget. However, he wished to highlight what he believed were a number of failures, including the estimated £1m given to the County Council for the Parkside offices, a failed IT system, unpaid rent at Sherwood Road and thousands of pounds wasted on an empty building at Burcot Lane. The £150k to be given to the Greater Birmingham LEP was questioned as the Council was also a member of the Worcestershire LEP. Councillor Thompson also raised concerns that the Council continued to pay Mott McDonald for work carried out to review planning applications, due to the Council's lack of confidence in the WCC's Highways Team and the models used. The amount of funds spent on legal consultants when the Council employed a Legal Team who should be able to advice the Council on legal matters. It was suggested that this wastage could be invested in frontline services and give back benefits to local communities, for example free swimming for the under 18s, rebuilding the sports hall and investment in green spaces and community gardens. Building cycle racks in the town centre and the reintroduction of pensioners' and free parking for the disabled were also suggested.

Councillor Thompson went on to ask a number of rhetorical questions of the Portfolio Holder for Finance:

- Why did the budget not contain anything aspirational – there had been talk at previous meeting of Bromsgrove becoming a centre for business and innovation but there did not appears to be any plans within the budget which reflected this?
- Why was it now costing to run the market when Members had originally been advised that it would be at no cost to the Council and may bring in a small income stream?
- Why had the planned savings reduced from £625k to £300k?
- Why there was no mention that the building company was going to bring in an income?
- Why was there no mention of the Burcot Lane site development?

Councillor Thompson also questioned what would happen in future years when the reserves were taken below the recommended limit. He believed that the budget was balanced on the assumption that the Council did not have to pay the Negative Revenue Grant and was concerned as he understood that this was only guaranteed for one year and what would be the likely outcome should this be reinstated in future years. Councillor Thompson urged the Council to be more imaginative and find ways of reigniting the local economy. It was important to approach WCC and have an open and frank discussion with them around the Mott MacDonald issue and ask for them to refund the cost of this work. It was important that the Council made better use of its assets and not selling them off. He also urged the Council to carry out a review of the senior management, highlighting that a saving had already been made by the transfer of the Head of Leisure and Cultural Services, as he did not believe it was necessary for this vacant post to be filled, as the leisure asset was run by a private company. He believed that the budget did not add up and that services were being cut whilst senior management salaries remained at their current rates.

An amendment to the Medium Term Financial Plan (MTFP) were proposed by Councillor C. Hotham and seconded by Councillor S. Colella.

In proposing the amendment Councillor Hotham explained the Independent Alliance's budget was a simple budget which was designed to maximise the financial stability of the Council. He believed that the current budget merely ran down the Council's reserves with the hope that something would turn up in order to resolve matters. He explained that the Council needed to explore all possibilities to protect its position. As a recent CIPFA report had stated an attitude of "nowhere to run, nowhere to hide" was needed. Members were advised that the bulk of the proposals put forward were merely to deliver on previous promises. The current budget proposed running down reserves from £4.179m to £1.111m. Councillor Hotham believed that this was unacceptable and it was now time for action and for the Council to be ambitious in moving forward.

Councillor Hotham took Members through each line of the proposals, which were in the supplementary agenda pack 2 providing explanatory detail where necessary. He drew particular attention the New Homes Bonus Community Grants Scheme, which his Group believed had an important part to play in contributing to local communities and that they would also introduce a Member Ward Fund, to give Members the opportunity to fund small projects that they were aware of within their own Ward. He also confirmed that the budget allowed for any funds from the Business Rates Pilot Scheme to be invested back into communities in respect of community projects and further support for the Lifeline service. Councillor Hotham also made reference to the Efficiency Plan which had been completed at the request of Central Government, but which appeared to no longer be taken into consideration.

It was further explained that buried within the Medium Term Financial Plan, was financing for £20m of investment, but with no indication as to how this would be spent. It was proposed that by pushing for greater efficiencies, demanding the Council's fair consideration from WCC, improving parking control and supporting the local community at the same time as improving the Council's reserve position the Council would have a positive future.

In summing up, Councillor Hotham said he was proposing to push harder on achieving already promised efficiencies with an ambitious budget in order to try and secure the financial future of the Council with long term investment at the same time as supporting communities. If this was not supported he hoped that as had been suggested, some of the ideas put forward would be considered by Cabinet in the future.

In support of the amendment Councillor S. Baxter explained the ethos of her Group and how they had come up with the alternative budget, she had not presented this as it had been formulated by two of her Members who had taken part in detailed discussions through their roles on the Finance and Budget Working Group and therefore had a better understanding and knowledge of the Council's financial position. She reiterated the concerns raised in respect of the continued use and cost of Mott MacDonald and the need for this cost be recharged to Worcestershire County Council. She also spoke in support of the increase to the New Homes Bonus Community Grants Scheme and the introduction of a Member Ward Fund, as it was important that projects continued to be supported and encouraged.

Councillor Cooper thanked the Independent Alliance and suggested that there were some interesting ideas within it which would need to be developed more fully into business cases before any agreement or consideration could be given to them. He hoped that the charges for Mott MacDonald in this coming financial year would be the last ones.

Members discussed a number of areas considered within the amendment in more detail, including:

- The introduction of an energy plant to support the District's housing growth and where this would be located and more importantly the cost.
- The feasibility of such a plant.
- The importance of the Council having a vision and aiming to make improvements that would benefit all its residents.
- Councillor Colella asked for it to be minuted that he was disappoint with the ridicule that the Independent Alliance's budget had received and found the comments childish.
- The ongoing infrastructure problems in the District and how these would be addressed.
- The importance of libraries and the role they played in the local communities.

- The need to give residents the reassurance that the Council was doing its best for them.

Councillor Hotham thanked Councillor Cooper for acknowledging that some of the suggestions within the budget were worth further consideration and he hoped that if nothing else, these would be taken forward. He stressed the importance for the efficiencies to be carried through and the need for long term investments to be made in order for the Council to become as sustainable as possible in the future.

As required under the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 a named vote was taken on the proposed amendment.

For the amendment: Councillors Baxter, Colella, Hotham, Peters, Turner, Van der Plank (6)

Against the amendment: Councillors Allen-Jones, Cooper, Deeming, Denaro, Dent, Glass, Jones, Laight, May, Sherrey, Taylor, Thomas, Mike Webb, Shirley Webb, Whittaker (15)

Abstentions from the amendment: Councillors Bloore, Buxton, Jenkins, Peter McDonald, Christine McDonald, Mallett, Shannon, Thompson (8)

The amendment was lost.

The Leader spoke in support of the substantive recommendation and highlighted that there were a number of investment projects which were underway, for example the Burcot Lane redevelopment, Homes England had agreed the Heads of Terms for this and discussions were underway in respect of developing the land, which was unfortunately at this stage confidential. Consideration was also being given to a digester system in partnership with Severn Trent Water.

Members discussed what the Council had achieved over the last three years, despite the cuts to its budget at a national level. Significant progress had been made and this had been recognised by the Auditors when the final accounts for the previous year had been presented to them. Councillor Colella commented that whilst the Auditors had been positive about the accounts, the Audit, Standards and Governance Committee had looked at the process which had improved and not the budget position. Councillor C. Bloore commented on the amount of cuts that had been made and that this level was unsustainable. The Council needed to stand up to Central Government to ensure that this did not continue, in order to ensure that services were not cut.

Councillor P. McDonald was concerned that cutbacks could impact on a number of areas and suggested that something similar to what happened at the Marlbrook Tip site could happen if the Council did not take the necessary action. He suggested that the removal of asbestos from local schools was of concern. The Deputy Leader responded that this was a matter for the County Council.

In summing up Councillor Cooper said the suggestions made had been taken on board and needed to be developed further. The budget was for one year and for the following years the Council needed to ensure that the necessary improvements and savings were made.

As required under the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 a named vote was taken on the Medium Term Financial Plan 2019/20 – 2022/23, the Pay Policy Statement and the Council Tax Resolutions.

For the recommendations: Councillors Allen-Jones, Cooper, Deeming, Denaro, Dent, Glass, Jones, Laight, May, Sherrey, Taylor, Thomas, Mike Webb, Shirley Webb, Whittaker (15)

Against the recommendations: Councillors Bloore, Buxton, Mallett, Peter McDonald, Christine McDonald, Shannon, Thompson, Turner, Van der Plank (9)

Abstentions from the recommendations: Councillors Baxter, Colella, Hotham, Jenkins, Peters (5)

RESOLVED:

a) that the Unavoidable costs as attached at Appendix1 be approved:
2019/20 £366k
2020/21 £240k
2021/22 £243k
2022/23 £245k

b) that the Revenue Bids as attached at Appendix 2 be approved:
2019/20 £67k
2019/20 £42k
2020/21 £25k
2021/22 £25k

c) that the Identified savings as attached at Appendix 3 be approved:
2018/19 £332k
2019/20 £335k
2020/21 £355k
2021/22 £459k

d) that the Capital Programme bids as attached at Appendix 4 be approved:
2018/19 £687k
2019/20 £40k
2020/21 £40k
2021/22 £1,113k

e) that the approval of the Pay Policy Statement as attached in Appendix 6 of the report be approved;

f) that the Council Tax Resolutions as attached at Appendix 1 (to these minutes) to include the increase of the Council Tax per Band D @ 2.99% be approved; and

g) that the release from reserves of £150k to fund Mott Macdonald in 2019/20 only be approved.

Cabinet Recommendations 27th February 2019

Council Tax Support Scheme

The recommendation from Cabinet in respect of the Council Tax Support Scheme were proposed by Councillor B. Cooper and seconded by Councillor G. Denaro.

In presenting the recommendations Councillor Cooper advised that the Council was required to review its Council Tax Reduction or Support Scheme for working age recipients each year and that support for pension age applicants was determined by Central Government.

Councillor Cooper reminded Members that last year there were several developments concerning the support scheme for working age applicants. In January 2018, Council approved the recommendation that there would be no change to the scheme for 2018/19 which gave up to 80% relief for working age claimants. It also passed a resolution promoted by Councillor Bloore, that a review was commenced to be concluded by September 2018 and at that time, a draft scheme would be put out to consultation to include an ‘in principle’ 5% increase in support. In April 2018, Council considered a resolution passed by WCC that all care leavers should have up to 100% Council Tax relief until the age of 25. This could not be incorporated into the scheme for the current year, so it was to be considered for inclusion in the next year’s scheme. In the meantime, it was agreed that care leavers would be paid out of the hardship fund. Councillor Cooper further advised that In the autumn, a revised scheme was drawn up which included up to100% relief for the care leavers and an increase in relief to a maximum of 85% for working age claimants which has gone out to consultation. The responses were shown within the report and indicated support for increasing the Council Tax relief up to 85%. The other preceptors, WCC, the Police and the Fire and Rescue Service did not support this increase. If the Council were to go ahead with the increase, it could cost the preceptors about £100k a year for the working age claimants and about £20k for care leavers.

Members were advised that a full review of the scheme in terms of its administration and the levels of support was thought to be necessary, particularly in view of the introduction of universal credit to Bromsgrove. Unfortunately, this review had not taken place last year in part because of the long- term sickness of the senior officer who was tasked to carry it out and it was therefore proposed that this would be done in the coming year.

Councillor Cooper clarified that In the meantime, Cabinet was proposing to Council that the Local Council Tax Support scheme was revised for 2019 / 2020 as detailed in the report.

RESOLVED:

that the Local Council Tax Support scheme is revised to provide:

a) Increase to maximum level of support for working age claimants from 80% of liability to 85% of liability;
b) Care Leavers under 21 years of age are treated as a protected group and provided 100% Local Council Tax Reduction (LCTR);
c) Care leavers aged 21 years or over and under 25 years of age are treated as a protected group and provided up to 100% LCT;
d) The scheme is uprated in line with national welfare benefits; and
e) Council Tax Hardship Scheme is amended to enable transitional support to be provided to care leavers under 25 whose income results in significant withdrawal of support

85\18 **ALTERNATIVE BUDGET PROPOSALS - INDEPENDENT ALLIANCE**

The alternative Budget Proposals from the Independent Alliance were considered under the Medium Term Financial Plan item as detailed in Minute No. 85/18.

86\18 **TO NOTE THE MINUTES OF THE MEETINGS OF THE CABINET HELD ON 13TH FEBRUARY 2019**

The Minutes from the Cabinet meeting held on 13th February were submitted for information and noted by Members.

87\18 **TO RECEIVE AND CONSIDER A REPORT FROM THE PORTFOLIO HOLDER FOR LEISURE, CULTURAL, COMMUNITY AND WORCESTERSHIRE REGULATORY SERVICES**

A request was made and accepted to allow questions to be asked as the report was presented page by page. Councillor P. Whittaker, the Portfolio Holder for Leisure and Cultural Services, Community Services and Worcestershire Regulatory Services, was happy to do this and advised Members that he was not proposing to give a lengthy introduction to his detailed report and if he was unable to answer any questions would be happy to respond outside of the meeting.

Before presenting his annual report Councillor Whittaker provided Members with an update in respect of the Sports Hall. He advised that there had been a number of occasions of trespass and vandalism on the site therefore officers undertook a full health, safety and security assessment last Friday (22nd February 2019). During this review some issues relating to security and health and safety were identified and officers recommended closure of the site to ensure the safety of all users and staff. The issues included limited lighting provision, water ingress and damage to exit and access arrangements. Officers had commenced a programme of installing additional security fencing and hoarding to ensure access to the site was restricted.

It was confirmed that whilst the current casual users of the Sports hall had been contacted by Everyone Active, officers had also asked for a contact list so that they could be contacted to understand their current position. Councillor Whittaker was also able to confirm that in respect of the use of the Sports hall at North Bromsgrove High School, the signed Heads of Terms were with BAM for their sign off and the final contract was also with their legal team.

Councillor P. McDonald asked a question in respect of the new food businesses as detailed on page 35 of the agenda pack. He asked what the procedure was when people moved in to new premises. He was aware that this had happened and if a number of residents had not alerted Worcestershire Regulatory Services (WRS) they would have been unaware of the business. He was particularly concerned that there may be other businesses that did not meet the legal requirements for food businesses which were operating without WRS's knowledge.

Following discussion, Councillor Whittaker agreed to take this matter up with WRS to get a clear picture of the process in place and to ensure that if there was a gap in that process it would be addressed. Councillor Whittaker agreed to provide Councillor McDonald with the outcome of his findings outside of the meeting.

Councillor Hotham also raised a question in respect of page 35 and the number of premises rated at Level 2 or less in respect of Food Hygiene and what actions were taken to support improvement at these premises. Councillor Whittaker advised that the "scores on the doors" system had been introduced some time ago and aimed to provide users with the information in respect of premises. Those premises wishing to make improvements would be supported by WRS officers and where there were particularly low rating targeted inspections would be made if appropriate.

Councillor Whittaker confirmed to Members that he had been involved in the writing of the report with the support of a number of officers. A number of Members disputed the statement on page 37 which referenced the revocation of the Air Quality Management Area (AQMA) on the Kidderminster Road, Hagley. It was believed that the levels were in fact rising further and that the way in which the monitoring had been carried out was not accurate. Councillor Whittaker assured Members that the monitoring carried out was in line with DEFRA guidelines and met the necessary requirements. There was disappointment expressed that this section of the report did not provide more around a subject which was of such importance and was seen as the biggest threat. It was also noted that consideration was being given to a further AQMA in Wychbold and it was confirmed that whilst this was on the border of the District, the AQMA would be under the jurisdiction of Wychavon District Council. Councillor R. Laight, as the Chairman of the WRS Joint Board, assured Members that air quality was something which he brought up with officers at regular intervals as he appreciated that it was of concern to both Members and many residents. Regular reports were also received by the Joint Board in respect of this matter and he would continue to be proactive in any way he could to ensure that it remained on the agenda.

On page 38 of the report, reference was made to MATES, a form of multi-agency working which had been used by Licensing Officers and the Police. Members asked what this stood for and Councillor Whittaker agreed to confirm this outside of the meeting.

In respect of the Health and Physical Activity (Sports Development) section of the report Members raised a number of points, including that Bromsgrove showed a higher than average level of excess weight in adults and what actions were being taken to address this. Reference was made to the closure of the Sports Hall and its impact on the groups using it, for example the Over 50's badminton, whilst it was suggested that there were facilities in Barnt Green, this was not considered to be a suitable alternative. Sponsorship of roundabouts and "street furniture" was also discussed and whether this was appropriate. Councillor Whittaker responded that he understood that this was subject to planning permission in some cases.

The Chairman reminded Members that there was a thirty minute time limit on this item and Councillor Whittaker advised Members that he was happy to take any further questions outside of the meeting if Members wished to contact him directly.

88\18 **QUESTIONS ON NOTICE**

Question submitted by Councillor S. Colella

"As the Leader stated at the Full Council meeting of 23rd January 2019 that there was to be a joint BDC and WCC Leadership meeting on 25th January in relation to Highways issues and that officers would circulate briefing notes from that meeting to Cabinet members, Group Leaders and the Chair of Overview and Scrutiny, can the Leader explain why details of what was discussed at that meeting were not reported to the Cabinet meeting of 13th February, can he confirm briefing notes have indeed been circulated to all relevant members mentioned above and indeed can he now take this opportunity to give a detailed update to Full Council of that meeting?"

The Leader responded that he was surprised that Councillor Colella had not seen the note he had issued on 6th February to all Group

Leaders, as it had merely set out procedural matters going forward. Officers would be monitoring the position and recommendations would be made through the Overview and Scrutiny Board and Strategic Planning Group to Cabinet in due course.

Questions submitted by Councillor S. Baxter

"Please can the leader report on the amount of business rates that have been paid for on the Burcot Lane site since the Council vacated the site and what the expected total bill for business rates will be by the time the old council offices are demolished."

The Leader responded that £320k had been paid in Business Rates with a £45k reduction in the ensuing year.

Question submitted by Councillor S. Shannon

"Has the Leader noticed the current condition of Bromsgrove High Street, after a splendid resurface job carried out a couple of years ago the High St surface is now despoiled with hundreds, possibly thousands of lumps of discarded chewing gum also oil and diesel fuel stains. Worst of all, a large section of the former pristine paving in front of the Specsavers store has been excavated and replaced with poor quality black-top. After several months of this temporary surface sinking, a tripping hazard has developed for pedestrians, some with eye sight issues frequenting this section of the High Street. Can the Leader give notice of any planned cleaning/maintenance schedule for what has now become a rather grubby High Street?"

Councillor K. May, Deputy Leader and Portfolio Holder for Economic Development, the Town Centre and Strategic Partnerships responded that she had met with officers from Worcestershire County Council (WCC), officers from this Council and the County Member who represents the Town Centre on 26th February, to discuss the issues that Councillor Shannon had raised and that she had previously noted. WCC were to meet with the utility companies to discuss the standard of their re-instatement work on the High Street and address the issues which had been raised. The Place Team were to introduce a cleaning programme, which Councillor May would be looking at closely.

Question submitted by Councillor R. Jenkins

"With Worcestershire Councils including this Council having been chosen to take part in the Government's 75% business rates retention scheme for 2019/20 and with all Worcestershire Councils agreeing that the extra income is to be spent on projects which then reduce spending on social care, can the Leader state how soon members will be able to submit applications for investing this additional income in their ward areas?"

The Leader responded that as Members were aware from the initial bid, it had been agreed that the collective gain from being a pilot would be invested in District and County services that prevented or reduced the cost of social care.

The formal Governance arrangements were currently being developed with the aim that business cases for new and innovative projects to reduce social care be approved by the Worcestershire Leaders Board. Once the arrangements were finalised, officers would be working with Members to identify areas of spend, which could include:

- Funding community transport to help reduce isolation.
- Additional work with Housing providers and District to plan and build facilities for the most vulnerable, including care leaves and those young people at risk of homelessness.
- Additional spending above the Disabled Facilities Grant to help people live in their homes longer and support disabled children and young people to live at home.
- Districts taking more responsibility for running community facilities.
- Joint work with Districts to focus on residents' debt for the most deprived in communities.
- Fostering greater independent living through District run schemes.
- Enabling local businesses with relief to support schemes such as fostering and disability employment.

89\18 **MOTIONS ON NOTICE**

Library Services

Members considered the following Notice of Motion submitted by Councillor C. McDonald:

This Council condemns any measures by Worcestershire County Council that would reduce Library services throughout the District. In addition seek assurances from the County Council that no Library will be closed or services cut.

The Motion was proposed by Councillor C. McDonald and seconded by Councillor P. McDonald.

In proposing the Motion Councillor C. McDonald explained that the role of the libraries went much further than simply the loan of books, in many places they had become the hub of the community, a place where a huge range of information could be accessed in a variety of ways. It was often the only place some people were able to go and freely access the internet, particularly those from disadvantaged low income families. Councillor C. McDonald said it may be the only access they had so was a vital part of their education and learning. For those older more vulnerable residents it was a place where they could get help too, whether it be accessing things online, which was in many cases, the only way that some services were accessible.

Councillor P. McDonald told Members that the libraries were much more than a place of learning, for example, many Members held their surgeries for residents there and local groups were able to use the facilities to meet, so the library had become a focal point for the local community. He was concerned that whilst the County Council was holding a consultation, it would result in those hubs of the community being greatly depleted, yet the County Council continued to spend thousands of pounds on other, less worthwhile, projects. They gave young people an opportunity to further their education and were a vital part in the process of being able to better themselves.

The Leader thanked Councillor C. McDonald for the motion and suggested that whilst he and his Group were committed to ensuring that libraries remained open, in Bromsgrove District. The County Council were currently in a period of consultation that would lead the Council to understand what proposals there were for alternative delivery for libraries in the area. He was therefore happy to agree to support the motion if it were amended slightly to the effect that:

"this Council remains committed, where possible, to ensure that all libraries remain open in the Bromsgrove District and that the Leader seek assurances from the County Council that libraries remain open in the District."

He also assured Councillor McDonald and Members that he was committed to working with the County on this and a myriad of other matters, to ensure that any local provision that may be required to secure the longevity of library services in the District, as has been considered by Worcester City, would be considered fully at a local level.

After consideration Councillor C. McDonald said she was minded to accept the suggested amendment.

On being put to the vote the amendment was carried.

Litter Pickers

Members considered the following Notice of Motion submitted by Councillor P. McDonald:

There is growing concern throughout the District regarding the amount of rubbish littering our streets. This has been highlighted by 'Keep Bromsgrove Beautiful' who are now having to clean our streets, because of the Council failing in its legal obligations and duty to maintain a clean environment. Therefore, we call upon this Council to uphold its legal responsibilities and increase the number of litter pickers and make the District of Bromsgrove a pleasant place to live.

The Motion was proposed by Councillor P. McDonald and seconded by Councillor S. Shannon.

In proposing the motion Councillor McDonald stressed his concern that litter had the potential to cause harm to human health and that people should be paid to do this job rather than have to rely on volunteers. It could impact on people in many different ways, for example people no longer had pride in their community, it could lead to anti-social behaviour, which in turn led to social isolation for some more vulnerable groups in the community and impacted on their mental health. This was in addition to the impact on the environment and the harm it could cause to it.

Councillor McDonald advised Members that in many cases the job could be dangerous and if those carrying it out did not have the correct training or equipment it could be potentially hazardous to the volunteers concerned. The Council had a legal duty to provide this service and as such the Council should carry out that duty by employing sufficient litter pickers throughout the District. By employing more litter pickers, the Council would be providing much needed jobs in the area. He did not believe that volunteers should not be expected to keep the streets clean.

In seconding the Motion Councillor Shannon echoed its sentiments and commented that he had spoken to the founder of the Keep Bromsgrove Beautiful Group and had been led to believe that it was not a political group, however from his experience he did not believe this to be the case. He reiterated Councillor McDonald's concerns around endangering jobs and the health and safety risks of litter picking. On numerous occasions extra litter picking had been requested for particular areas and this had been carried out, but he felt it would be more appropriate for regular litter picking to be carried out with sufficient staff to provide that service. He gave an example of Aston Fields which was becoming a vibrant busy area with a number of new food outlets which, whilst this was good to see, brought with it extra litter problems, hence the need for an increased service.

In supporting the Motion Councillor L. Mallett highlighted that he believed the Council could do more, particularly in respect of fly tipping and it was important that paid staff carried out these duties. However it was important that the Council worked collaboratively with organisations such as Keep Bromsgrove Beautiful and other voluntary organisations, which played an important part in bringing people together and enabled them to learn new skills and helped to combat social isolation. It was clear that more litter pickers were needed and that this needed to be acted on.

Councillor C. B. Taylor commented that the volunteers did a good job for the community, and that if there was a particular problem in an area, then if the relevant officers were contacted this would be addressed. He believed it was more important to educate people about the problems that dropping litter caused rather than employing extra litter pickers.

People needed to realise that dropping litter of any kind was not acceptable.

Councillor S. Colella advised Members that if they referred to page 23 of their agendas they would see that the Council had just approved a number of additional staff which he believed would address the matter being discussed and therefore there was no need for the Motion to be considered further.

Councillor S. Webb spoke in support of the excellent work carried out by the Place Team and the work they carried out on a regular basis in her Ward. She further commented that the Parish Council and local schools, as part of educating young people about litter, carried out litter picks in the local area. She believed that educating people as to the damage litter did was as important as its collection.

In responding to the Motion the Leader advised that he was sure all would agree that dropping litter was damaging to both the look and feel of communities and also to the environment and she did not believe that the Council would be acting responsibly if it just continued to tolerate litter and the harm that it caused.

The Council was committed to working with schools and voluntary community groups to educate communities on the damage that littler could cause and to encourage pride in the areas where they lived. Officers worked in a holistic way and the litter picking events were merely a part of the educational process that the Council was attempting to achieve throughout the District. Having spoken to officers it was confirmed that the volunteers saw themselves as an enhancement to services delivered by the Council and they took huge civic pride in the work that they carried out. In addition to this Members were advised that many volunteers got a social connectivity from working with fellow citizens and that in some cases officers had been told that it provided a valuable community cohesion event for isolated people.

A number of the organisations picked litter on private land that fell outside of the Council's control and as a result places like the station, were regularly targeted by the volunteer teams. Members were advised that a concerned community volunteer had contacted them as they felt that the comments that had been made by some councillors criticising these groups had been greatly upsetting. The volunteer had felt upset that they had not been asked to comment on the work that they did and that their group was specifically named in the critical article presented on this topic in the press. The volunteer had taken pains to point out that they were in no way politically affiliated and they do not wish to be used as an example in this way as they were very proud to be making a positive difference to their community. It was further confirmed that the Head of Environmental Services would be happy to talk about this and in particular the social inclusion and educational benefits that it provided.

Councillor S. Baxter supported the need to develop pride in our local communities, but as Councillor Colella had already stated, the Council had agreed to additional staff in the Place Team earlier in the meeting.

Councillor M. Sherrey confirmed that whilst working with volunteers, it was always important to education people in the damage litter dropping did. Community litter picking was about much more than just collecting litter, it was about raising awareness and community pride. She also reiterated that many of the litter picks were on private land, which was not the responsibility of the Council and confirmed that by approving the recommendations earlier the Council had committed to further support in the Place Teams over the next three years.

Councillor R. Laight also highlighted a number of groups of young people who enjoyed the camaraderie and feeling of making a difference when taking part in helping keep their communities tidy. These groups were well supervised and never put in danger as had been suggested. It was important for them to learn to keep the environment tidy and the impact that litter had on it.

In summing up Councillor McDonald confirmed that he appreciated the work being carried out by volunteer groups and the benefits from it, but that it should be used to enhance the work of the Council and not as a replacement for staff. It was a statutory duty of the Council to carry out litter picking and tis should be done by paid staff.

On being put to the vote the Motion was lost.

The meeting closed at 8.47 p.m.

Chairman

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BROMSGROVE DISTRICT COUNCIL

RECORD OF DECISION TAKEN UNDER URGENCY PROCEDURES

Subject: COUNCIL TAX RESOLUTIONS – Amendment of Preceptor Name

Brief Statement of Subject Matter:

At the Council meeting on Wednesday 27th February 2019 in relation to the Council Tax Resolutions one of the precepting bodies was incorrectly named. 'Warwickshire and West Mercia police and crime commissioner' was used when it should have been 'Police and Crime Commissioner for West Mercia'. All calculations and billing arrangements are correct.
The revised documentation to update the preceptor name is attached.

Decision: Change of name of Preceptor in Council Tax Resolutions as per documentation attached.

Date: 28th February 2019

RESOLVED:

To approve the revision to the name included in the Council Tax Resolutions from 'Warwickshire and West Mercia police and crime commissioner' to 'Police and Crime Commissioner for West Mercia'

Grounds for Urgency:
The Council Tax has to be set before 11th March in the financial year preceding that for which it is set as per Section 30(6) of LGFA '92 to enable the bills to be sent out to residents.

DECISION APPROVED BY:

…………………………… Chief Executive	…………………… Dated
……………………………... Section 151 Officer	…………………… Dated
…………………………… Monitoring Officer	…………………… Dated
…………………………… Leader	…………………… Dated
…………………………….. Chairman, Overview & Scrutiny Board	…………………… Dated
……………………………… Chairman	…………………… Dated

CABINET RECOMMENDATIONS TO THE COUNCIL

On 27th March 2019

Cabinet meeting 13th March 2019

Finance Monitoring Quarter 3 Report

Members considered the Finance monitoring Quarter 3 Report and made the following recommendations:

RECOMMENDED TO COUNCIL

a) that the virement of £120k in 2018/19 for replacement parking machines currently held within the vehicle replacement programme budget be approved. This is to ensure clarity of the current spend under these project headings;

b) that an increase in the 2018/19 Capital Budget of £102k for the Disabled Facilities Grant budget be approved. This is due to additional grant funding being received following the budget announcement in December 2018;

c) that an increase in the 2018/19 Capital Budget of £390k for a Bromsgrove combined Footpath and Cycle Way Network funded from a grant from Worcestershire County Council be approved; and.

d) that an increase in the 2019/20 Capital Budget of £346k for the demolition of the Dolphin Centre to be funded from Capital Receipts (£202k) and balances (£144k) following receipt of tender quotations be approved

Treasury Management and Capital Strategy

Members considered the Treasury Management and Capital Strategy and made the following recommendations:

RECOMMENDED TO COUNCIL

a) that the Capital Strategy as an appropriate overarching strategy for the Council be approved and the flexible use of capital receipts as per appendix E; and

b) that Council approve the Treasury Management Strategy for 2019/20 and the associated limits, MRP policy and treasury management policy (appendixes C and D) and specific indicators included in this report.

Investment and Acquisition Strategy 2019/20

Members considered the Investment and Acquisition Strategy 2019/20 and made the following recommendation:

RECOMMENDED TO COUNCIL that the Investment Strategy Report 2019/20 be approved and adopted.

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE CABINET

27TH FEBRUARY 2019, AT 4.30 P.M.

PRESENT: Councillors G. N. Denaro (Leader), K.J. May (Deputy Leader), B. T. Cooper, M. A. Sherrey, C. B. Taylor and P. J. Whittaker

Officers: Ms. C. Flanagan, Mr C. Forrester, Mr D Riley and Ms. A. Scarce

74/18 **APOLOGIES**

There were no apologies for absence on this occasion.

75/18 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

76/18 **MINUTES**

The minutes of the Cabinet meeting held on 13th February 2019 were submitted.

RESOLVED that the minutes of the Cabinet meeting held on 13th February 2019 be approved as a true record.

77/18 **COUNCIL TAX RESOLUTION (APPENDIX 7 TO THE MEDIUM TERM FINANCIAL PLAN CONSIDERED AT THE MEETING HELD ON 13TH FEBRUARY 2019)**

The Financial Services Manager introduced the report and in so doing explained that the papers before Members were Appendix 7 to the Medium Term Financial Plan report considered at Cabinet on 13th February 2019. The formal resolutions determined the levels of Council Tax for the Council for 2019/20.

An increase of 2.99% was lower than most preceptors, with the exception of the parish councils who were proposing 2.85% full details were provided within the report. The table on page 4 of the supplementary agenda pack provided details of the Valuation Bands. Details of the surplus on the collection fund were provided and payments would be made in ten equal instalments.

Following presentation of the report Members discussed the following points in more detail:

- No single total for the surplus on the Collection Fund and its level. It was confirmed that the level was close to that expected.
- It was confirmed that whilst the Council was not able to increase its Council Tax by more than 3% unless a referendum had been held, the Police Authority had been given special permission to increase its 9.94%.
- It was understood that the increased rate from the Police would be to cover additional officers on the ground.

Councillor B. Cooper, Portfolio Holder for Finance took the opportunity to thank the Executive Director, Finance and Resources and the Financial Services Manager for all their hard work.

RECOMMENDED:

1. That it be noted at its meeting on 16th January 2019 the Cabinet calculated the Council Tax Base 2019/20

   (a) for the whole Council area as 36,714.20 [Item T in the formula in Section 31B of the Local Government Act 1992, as amended (the "Act")]; and

   (b) for dwellings in those parts of its area to which a Parish precept relates the amounts as shown in Column 4 of the attached **Schedule 1**.
2. Calculate the Council Tax requirement for the Council's own purposes for 2019/20 (excluding Parish precepts) is **£8,187,422.53.**

3. That the following amounts be calculated for the year 2019/20 in accordance with sections 31 to 36 of the Act:

(a)	£41,030,713	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act (taking into account all precepts issued to it by Parish Councils) *(i.e. Gross expenditure)*
(b)	£31,932,165	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act. *(i.e. Gross income)*
(c)	£9,098,547	being the amount by which the aggregate of 3 (a) above exceeds the aggregate at 3 (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year.

(Item R in the formula in Section 31B of the Act).

(d) £247.82 being the amount at 3 (c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) £911,125 being the aggregate amount of all special items (Parish precepts) referred to in Section 34 (1) of the Act (as per the attached **Schedule 3**).

(f) £223.00 being the amount at 3 (d) above less the result given by dividing the amount at 3 (e) above by Item T (1 (a) above), calculated by the Council, in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

(g) The amounts shown in Column 3 of **Schedule 1**. These are the basic amounts of the council tax for the year for dwellings in those parts of the Council's area shown in Column 1 of the schedule respectively to which special items relate, calculated by the Council in accordance with Section 34(3) of the Act. (District and Parish combined at Band D).

(h) The amounts shown in Column 5 of **Schedule 1** being the amount given by multiplying the amounts at 4(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

4. It be noted that for the year 2019/20 Worcestershire County Council, Warwickshire and West Mercia Police and Crime Commissioner and Hereford and Worcester Fire and Rescue Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Council's area as indicated below:

	Valuation Bands							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Worcestershire County Council	840.50	980.58	1,120.67	**1,260.75**	1,540.92	1,821.08	2,101.25	2,521.50
Warwickshire and West Mercia Police and Crime Commissioner	144.44	168.51	192.59	**216.66**	264.81	312.95	361.10	433.32
Hereford and Worcester Fire and Rescue Authority	56.23	65.60	74.97	**84.34**	103.08	121.82	140.57	168.68

5. Having calculated the aggregate in each case of the amounts at 4(h) and 5 above, that Bromsgrove District Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 hereby sets the amounts shown in **Schedule 2** as the amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings.

6. That the Executive Director Finance & Resources be authorised to make payments under Section 90(2) of the Local Government Finance Act 1988 from the Collection Fund by ten equal instalments between April 2019 to March 2020 as detailed below:

	Precept £	Surplus on Collection Fund £	Total to pay £
Worcestershire County Council	46,287,427.65	311,464.00	46,598,891.65
Warwickshire and West Mercia Police and Crime Commissioner	7,954,452.97	50,628.00	8,005,080.97
Hereford & Worcester Fire	3,096,473.87	21,040.00	3,117,513.87

7. That the Executive Director Finance & Resources be authorised to make transfers under Section 97 of the Local Government Finance Act 1988 from the Collection Fund to the General Fund the sum of £9,160,375.06 being the Council's own demand on the Collection Fund (£8,187,422.53), Parish Precepts (£911,124.53) together with the distribution of the Surplus on the Collection Fund (£61,828.00).

8. That the Executive Director Finance & Resources be authorised to make payments from the General Fund to the Parish Councils the sums listed on **Schedule 3** by two equal instalments on 1 April 2019 and 1 October 2019 in respect of the precept levied on the Council.

9. That the above resolutions 3 to 5 be signed by the Chief Executive for use in legal proceedings in the Magistrates Court for the recovery of unpaid Council Taxes.

10. Notices of the making of the said Council Taxes signed by the Chief Executive are given by advertisement in the local press under Section 38(2) of the Local Government Finance Act 1992.

78/18 **COUNCIL TAX SUPPORT SCHEME**

The Financial Support Manager presented the report and in so doing highlighted that there was a requirement for the Council to review its Council Tax Support Scheme each year. This report proposed a change to the scheme to provide for increased levels of support for working age claimants to 85% from the current level of 80% and in addition provided additional support for care leaves under the age of 25. It also uprated figures within the scheme to being them in line with national welfare benefits.

Members were reminded that when Council Tax Benefit was abolished in April 2013, Central Government replace the scheme of subsidy for costs with a grant equivalent for 90% of the costs. They were also advised that from modelling carried out and based on existing claimants an increase in expenditure of £96k was suggested. This should be mitigated by the overall costs of the scheme being below 90% of the 2012/13 scheme.

It was noted that whilst Worcestershire County Council (WCC) had responded to the consultation raising concerns about the increase in support to 85% as it would increase the financial burden to them, WCC tax base had been set in January and would have reflected this level of support.

Following presentation of the report Members discussed how, immediately after the abolishment of the Council Tax Benefit scheme the Council had continued to give 100% support, reducing this to 80% after 2 years.

RECOMMENDED:

That the Local Council Tax Support scheme is revised to provide:

1) Increase to maximum level of support for working age claimants from 80% of liability to 85% of liability;

2) Care Leavers under 21 years of age are treated as a protected group and provided 100% Local Council Tax Reduction (LCTR);

3) Care leavers aged 21 years or over and under 25 years of age are treated as a protected group and provided up to 100% LCT;

4) The scheme is uprated in line with national welfare benefits; and

5) Council Tax Hardship Scheme is amended to enable transitional support to be provided to care leavers under 25 whose income results in significant withdrawal of support

The meeting closed at 4.50 p.m.

Chairman

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE CABINET

13TH MARCH 2019, AT 6.00 P.M.

PRESENT: Councillors G. N. Denaro (Leader), K.J. May (Deputy Leader), B. T. Cooper, M. A. Sherrey, C. B. Taylor and P. J. Whittaker

Officers: Mr. K. Dicks, Mrs. S. Hanley, Ms. J. Pickering, Mrs. C. Felton, Mr. D. Allen, Mr C. Forrester and Ms. A. Scarce

79/18 **APOLOGIES**

There were no apologies for absence.

80/18 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

81/18 **MINUTES**

The minutes of the Cabinet meeting held on 27th February 2019 were submitted.

RESOLVED that the minutes of the Cabinet meeting held on 27th February 2019 be approved as a true record.

82/18 **MINUTES OF THE MEETING OF THE OVERVIEW AND SCRUTINY BOARD HELD ON 11TH FEBRUARY 2019**

Members considered the minutes of the Overview and Scrutiny Board meeting held on 11th February 2019. It was noted that there were no outstanding recommendations from this meeting.

RESOLVED that the Overview and Scrutiny Board Minutes from 11th Februarys 2019 be noted.

83/18 **PROPOSED CHANGES TO THE HOME CHOICE PLUS ALLOCATIONS POLICY - CONSULTATION**

The Housing Strategy Manager introduced the report and explained that the proposed amendments to the policy were following amendments made to the legislation concerning homelessness and other statutory guidance. The changes suggested would ensure that the process flows well and those in need were housed in a speedy and timely manner.

The consultation would involve stakeholders, partners and local communities.

The Portfolio Holder for Planning and Strategic Housing asked Members to support the proposals. Members briefly discussed the suggested changes and the Leader questioned whether these would make the process easier, the Housing Strategy Manager responded that unfortunately, administratively it would make the process more complicated and labour intensive, but there was a need for the changes to be included within the policy.

RESOLVED:

a) that the Allocation Policy changes outlined in the report are consulted upon with Members, Stakeholders and Households on the Housing Register for a period of six weeks; and
b) that Authority be delegated to the Deputy Chief Executive & Executive Director for Leisure, Environment & Community Services in conjunction with the Legal Service Manager to make any future amendments to the Council's Housing Allocations Policy that are deemed to be necessary to comply with Government guidance and which do not trigger the statutory obligation to consult the persons affected by the changes pursuant to section 168(3) of the Housing Act 1996.

84/18 **FINANCE MONITORING QUARTER 3 REPORT**

The Executive Director, Finance and Resources presented the report which gave the Council's financial position for Revenue and Capital for the period April 2018 to December 2018. A number of areas were highlighted, including:

- A positive variance of £157K was projected.
- Details of the variances were broken down into the Council's Strategic Purposes.
- The projected shortfall in planning applications and the impact this had on other areas, New Homes Bonus, Council Tax and the cost of Mott MacDonald.
- Help me live my life independently - Additional income received within the Lifeline service due to the contract with Cannock Chase District Council was a major contribution to the savings.
- The majority of savings in respect of the Provide Good things for me to see, do and visit related to Leisure and Cultural services.
- Enabling – there was a projected underspend which related to Customer Services centre due to a one off business rate refund and salary vacancies.
- Corporate Financing – two main factors related to this, including the discount for the advanced payment of Pension Contributions and a small budget saving relating to borrowing costs.

The Executive Director, Finance and Resources drew Members attention to the Capital budgets and an underspend of £2.243m. Again, she went through the variances in line with the Council's strategic purposes and in particular the vehicle replacement budget, as there was delays on the vehicle replacement programme. The Head of Environmental Services ensured that the vehicles were at the end of their life before replacing and therefore may last longer than originally anticipated.

A number of items were also highlighted which related to the Capital budget Help me live my life independently, in particular Energy Efficiency installations and discretionary home repairs assistance which was due to a lack of applications received.

Explanation as to the reason for the virements within the recommendations were given and these related to the Disabled Facilities Grant and the combined Footpath and Cycle network project, which was part of a wider Worcestershire County Council scheme.

The Executive Director, Finance and Resources went on to provide Members with the details in respect of the increase in Capital budget for the Dolphin Centre. Members were reminded that the sports hall had been closed due to a number of health, safety and security issues. In addition approval had been given in July 2018 to continue with the demolition of the site following Members consideration of alternative hall provision through BAM. Following the decision to demolish the site MACE formally tendered for the woks, including demolition and the associated car park works.

In total seven contractors provided a submission for the works and the successful tender in terms of price and quality was at a value of £1.050m. This was £346k more than the current budget allocation of £734k which was based on previously estimated costs. The increase could be put down to a number of reasons including, disaggregation of the contract following the delay in the project, additional scaffolding and duration of demolition period following further surveys, building works inflation and securing building contracts during a time of significant redevelopment across the country. It was proposed that £346k be released from balances

Members' attention was also drawn to Reserves Statement and the impact of the timing of the Small Business Rates Relief Grant that would offset the loss on business rates collection and appeals in 2019/20.

The Portfolio Holder for Finance thanked the Executive Director, Financial and Resources and the Financial Services Manager for their hard work and reiterated the concerns that had been raised in respect of the impact of the reduction in income from planning applications and the importance of resolving the current problems.

Following presentation of the report Members discussed a number of areas, including whether the underspend/surplus could be used towards the additional funding for the demolition of the sports hall, rather than using balances and capital receipts. The Executive Director, Finance and Resources agreed that any underspend would be transferred to balances and this would protect the balances position in the future. Members further discussed the situation in respect of planning applications and that the Council needed to come to a decision at some point as to whether it was confident enough in the work of Worcestershire County Council to no longer need the services of Mott MacDonald. The Leader advised that whilst progress had been made he did not feel that the Council had, as yet reached to such a position.

RESOLVED:

a) that Cabinet note the current financial position in relation to revenue and capital budgets for the period April – December 2018/19 as detailed in the report; and

b) that the virement of £23k in 2018/19 from Economic Development to the Bromsgrove Centres Management budget required to meet the Shared service agreement with NWEDR be approved.

RECOMMENDED:

a) that the virement of £120k in 2018/19 for replacement parking machines currently held within the vehicle replacement programme budget be approved. This is to ensure clarity of the current spend under these project headings;

b) that an increase in the 2018/19 Capital Budget of £102k for the Disabled Facilities Grant budge be approved. This is due to additional grant funding being received following the budget announcement in December 2018;

c) that an increase in the 2018/19 Capital Budget of £390k for a Bromsgrove combined Footpath and Cycle Way Network funded from a grant from Worcestershire County Council be approved; and

d) that an increase in the 2019/20 Capital Budget of £346k for the demolition of the Dolphin Centre to be funded from Capital Receipts (£202k) and balances (£144k) following receipt of tender quotations be approved.

85/18 **TREASURY MANAGEMENT AND CAPITAL STRATEGY**

The Financial Services Manager introduced the report and explained that it was a new report for 2019/20 required by changes in CIPFA and the Ministry of Housing, Communities and Local Government (MHCLG) guidance. The strategies set limits and indicators that embodied the risk management approach the Council believed to be prudent.

The Financial Services Manager took Members through the Treasury Management Strategy Statement and highlighted a number of areas in particular, including:

- The balance sheet summary and forecast as detailed in Table 1. The forecast increase in Capital Financing Requirement (CFR) being driven by the planned investment programme.
- The Medium Term Financial Plan does not include any surplus for planned investments, they have been included as cost neutral.
- CIPFA recommended that the authority's total debt should be lower than its highest forecast CFR over the next three years and this table showed that the Council expected to comply with this.
- Table 3 highlights the counterparties that the council can invest with. The amounts which can be invested have been increased from last year to ensure there is sufficient flexibility to manage potential cash surpluses.
- Treasury Management Indicators – these are the indicators the Council uses to measure and manage its exposure to treasury management risks.
- Capital receipts – the introduction of the new flexibility on the use of capital receipts to capitalise revenue costs which are part of a transformation programme with attributable savings has been used to support the potential Enterprise Resource Planning software implementation.
- Appendix A to the report provided details of the Arlingclose Economic and Interest rate forecast. It was explained that due to the current climate there was a degree of uncertainty around forward forecasting due to Brexit.
- Appendix C – the Treasury Management Policy Statement, which the Council is required to include, and it was confirmed that there had been no changes to this from the previous year.
- Details of the half year update in respect of Treasury Management. There had been one investment which breached the limit on investments; however there was zero risk to the capital invested.

The Capital Strategy Report 2019/20 was a new report which gave a high level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability. Appendix E of the report was the policy for flexible use of capital receipts.

RESOLVED that the half year treasury updated be noted.

RECOMMENDED:

a) the Capital Strategy as an appropriate overarching strategy for the Council be approved and the flexible use of capital receipts as per appendix E

b) the full Council approve the Treasury Management Strategy for 2019/20 and the associated limits, MRP policy and treasury management policy (appendices C and D) and specific indicators included in this report.

86/18 **INVESTMENT AND ACQUISITION STRATEGY**

The Financial Services Manager explained that the Investment Strategy Report 2019/20 was a new report which met the requirements of statutory guidance issued by the Government and focused on two of the three broad purposes that the council invests its money for.

Those three main purposes were surplus of cash as a result of its day-to-day activities (treasury management investments), to support local public services by lending to or buying shares in other organisations (service investments) and to earn investment income (commercial investments). Detail was provided in respect of service investments and commercial investments and the associated security and risk assessments. The Council was planning to invest in local commercial and residential property.

The Financial Services Manager advised that following discussions with the External Auditors they were happy with the flexibility of the strategy. It was important that the Council could show justification in any investment that it met the required criteria. By placing a restriction on the area in which investment was made it would be possible to justify investments as regenerative. A good example of this would be the Burcot Lane site where the Council may give a loan to the company developing the site. It was important to show that the Council was not dependant on the profit it made from any investment as this would increase risks to the council should investments not be as successful as planned.

The flowchart on page 78 of the agenda showed the process for any investments and it was confirmed that regular updates would be provided in line with the budget monitoring reports.

RECOMMENDED that the Investment Strategy Report 2019/20 be approved and adopted.

87/18 **FINANCE SYSTEM**

The Leader advised Members that as this report was not yet ready; an extra meeting of Cabinet had been scheduled in for 27th March 2019 at 4.30 pm.

The meeting closed at 6.32 p.m.

Chairman

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Bromsgrove District Council

Report of the Portfolio Holder for Health, Wellbeing and Environmental Services

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HEALTH AND WELLBEING

Aligned to: Help me to Keep my Place Safe and Looking Good

Safeguarding

Safeguarding children, young people and vulnerable adults is a responsibility of us all. As a Ward Councillor or representative of the Council, we all have a duty to act if we have any concerns. To support this responsibility the Council is represented on the Worcestershire Safeguarding Children's Board by Kevin Dicks and District representation is made at the Board's Theme groups. In respect of the Worcestershire Adults Safeguarding Board, whilst District Council's do not have a place on the Board, the Head of Community Services meets quarterly with the Board's Manager to discuss as a District Council how we can support the priorities of the Worcestershire Board.

As a Council we take our duties seriously in respect of our responsibilities under the Children Act 2004. We have in place a Safeguarding Policy which is reviewed annually and alongside this, training has been provided to both Members and Officers.

As Portfolio Holder, I sit on the County's Corporate Parenting Board. This is the formal partnership of agencies who work together to meet the need of Looked After Children and Young People. We are all Corporate Parents and have a responsibility to be ensure that the services provided for Looked After Children and care leaves meet their needs and to the highest possible standard.

Councillors play an important role in safeguarding our communities and in particular those who are more vulnerable. I therefore remind you that there is a short leaflet containing the key messages and key contacts for you. Please note that the Officers Safeguarding contacts have recently been updated. This is to replace John Godwin, former Head of Leisure & Cultural Services with Bev Houghton, Community Safety Manager as a Deputy Safeguarding Lead.

NEW Lifeline

This is been a particularly busy year for the Lifeline Team. The 'Home from Hospital' free 6 week scheme has been widened to include referrals from heath/care professionals where equipment installation can prevent an individual from going into hospital. Those referred often decide to keep the equipment and become long term service users.

The Lifeline Team won a new tender to deliver Lifeline and Out of Hours services to Cannock Chase District Council (CCDC), and out of hours services for other Staffordshire Councils. The contract income is in the region of £200K. There has been some additional staffing costs but the net profit is over £100K split between BDC/RBC.

There were 440 enquiries for Lifeline in the last 12 months resulting in 218 new service users in Bromsgrove.

To measure our performance 336 NEW Lifeline service users were randomly selected and asked to respond to our customer satisfaction survey. We received 132 questionnaires back with all customers advising they were either very satisfied or satisfied with the Service.

A selection of service user comments:-

- Very reassuring to know they are at the end of the line.
- Although I haven't had to use it in an emergency its reassuring knowing it's there especially as I live on my own with no family close by.
- Because it does just what it says it will do, prompt, helpful, will advise if asked. Have called back to check all is well, a great help when living alone.
- Gives me peace of mind when I am at work, it's like having a babysitter for my mom.
- I broke my leg this year, I could not get down stairs to a phone, but I had my Lifeline. Thank you.
- It's a comfort to know I only have to press a button to receive help. Worth the money to me.
- Very efficient when I've got in touch.
- For what it costs, myself and my family are assured that in any emergency help is at hand.

- Makes us feel safer and I can go out knowing mums not on her own
- It gives users, especially those living on their own, peace of mind in case of emergency.
- It's a great comfort and support for myself and family and gives me some independence.
- Very good to have contact particularly good when living alone.
- You are always there!

NEW Lifeline is meeting the highest possible standards for telecare services being accredited to the Telecare Services Association (TSA) Integrated Code of Practice, assessed at the annual external audit.

We have answered a total of 151,245 calls through lifeline in the last 12 months, of which 17,714 were emergency calls that required some investigation, some positive action or emergency assistance.

The Falls response pilot has been so successful that it has now been adopted Countywide. We are able to access this responder service for anyone who falls down but believes them self to be uninjured, saving ambulance resources and providing advice and referral to the falls pathway.

Looking ahead, Worcestershire County Council is looking at how technology can assist individuals to live as independently as possible. They are assessing the needs of all people in receipt of care to determine how they might benefit from 'Technology Enabled Care' and New Lifeline are soon to be working with Worcestershire Telecare to deliver, train and install a wide range of equipment into the homes and lives of Bromsgrove and Redditch residents. This is a pilot scheme that we hope will roll out on a permanent basis.

NEW Lifeline is expanding the service technology to keep up with the industry developments. When you consider how broadband, smart phones and mobile devices have given individuals instant access to information and assistance, the possibilities of how this could be used to aid people to live independently is vast.

BT have announced that by 2023 analogue telephone services in the UK will be switched off and replaced by digital systems using internet protocol technology. NEW Lifeline is committed to keeping abreast with these changes and is currently exploring the equipment available capable of using the new digital technology. NEW Lifeline already has GSM equipment that works like a mobile phone using a roaming SIM that has the existing capability to work on this new digital infrastructure.

Early Help (renamed Parenting and Community Service)

The service had a contract from Dec 2016 to March 2019 to deliver Family Support, Parenting and Community Capacity Building across Bromsgrove and Redditch Districts. We also continued to oversee the one Children's Centre in Bromsgrove, the Pear Tree Centre at Sidemoor... The make up from this contract was from 2 funding streams:

- Family Support- WCC Social Care funding
- Community/Parenting - Public Health funding

In September 2017, following the Worcestershire Children's Commissioner Report, the Department for Education directed that the County Council should move the operational delivery of Social Care Services for children to an Alternative Delivery Model (ADM).

This means that the WCC will no longer have the responsibility of operationally delivering the services it currently provides, and will voluntarily move to an alternative way of delivering these services. Worcestershire County Council's Cabinet met on 29 March 2018 and approved recommendations for the development of a Wholly Owned Council Company as the alternative delivery model to deliver Children's Social Care. It was decided that all Family Support across the county would also go into the ADM from August 2018.

All Bromsgrove and Redditch Family Support transferred to WCC employment on 13th August 2018. Leaving the remaining 50% of the contract- Community Capacity Building and Parenting. This includes:

- Developing community capacity and family resilience including community parenting programmes, development of peer support and mentoring, improving access to activities and provision of information and advice
- Parenting advice, support and programmes including drop in facilities, 1:1 parenting support and group sessions
- Delivery of parenting support (where appropriate) as part of a multi-agency intensive package of support

In delivering the above, we also contribute to delivery of the Children's Centre core purpose, to improve outcomes for young children and families focusing on families in greatest need of support in order to reduce inequalities in child development and school readiness; parenting aspirations, self-esteem and parenting skills; and child and family health and life chances.

We also had additional WCC funding to deliver the statutory requirements of providing a Family Information Service (FIS) on behalf of WCC for Bromsgrove and Redditch. This is to provide all elements of information for families as well as promoting the take up of free 2 year old and 3 year old childcare.

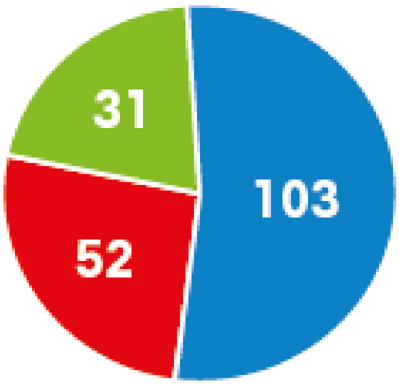
Please see Infographs below for more details on the achievements of the service.

Community Capacity Building Bromsgrove & Redditch Sept 2017 - Aug 2018

£5,613.72 Money saving equivalent in staff

Peer supporters & volunteers have supported:

- Breastfeeding groups
- Stay and Plays
- Parenting groups



25 Volunteers recruited

540.5 Volunteer hours in total

Numbers trained - Peer supporters & Breast Buddies

25 Safeguarding
10 Facilitation Skills
6 Understanding Your Child
3 PEEP

September 17 - September 18

Total likes to date	
Redditch	2605
Bromsgrove	915

Daily total reach	533648
Daily engaged users	49295

Volunteer Progression

1x Peer Supporter now employed by RBC
3x Gained further employment
3x Enrolled for further education
9x Training courses
3x Taken up additional volunteering placements

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www.bromsgrove.gov.uk

making a difference

Community Capacity Building Bromsgrove & Redditch Sept 2017 - Aug 2018

Quotes from agencies

'Over the last few years we have had the benefit of working alongside the Parenting and Family Support team to train and supervise Breast Buddy volunteers who have supported at local breastfeeding groups, online and in the community helping to promote and protect breastfeeding, they have helped to make the groups a warm and welcoming environment and provide valuable mother to mother support.' **(Breastfeeding Support Worker)**

'The community team continually update us as local partners through their informative and regularly updated Facebook page so we are aware of what services are available for families in our local community. This is an invaluable source of information when family support workers need to signpost families to groups in their local area.'

'The help with promotion of activities on social media is great and much appreciated.' **(Sports and Development Team)**

'The Community Capacity Builder and her team have worked with us at the stay & play for the past few years. They have given us a lot of support in advertising the group for us to continue to provide the service. She has supported parents & families with extra help when needed with advice, pointing them in the right direction if they have had problems. They have also provided us with money and resources to keep the group a float when needed.' **(Toni Cooke Sidemoor Pre School)**

'I have worked with the Parenting and Family Support Service in a number of ways. While I was on maternity leave the Community Capacity Builder covered the chairing and co-ordination of the Young Peoples Providers group, this group has been instrumental in the established of the Bromsgrove Youth and Community Hub. She has taken a vital role in the engagement with young people to ensure their voices were present within the consultation and development of the hub.' **(Community Safety Officer)**

'The parenting team offer a wide range of evidence based parenting which we are able to access for the parents we are supporting as part of an early help action plan – this is an invaluable service. We also work closely with the parenting team co-ordinators when allocating cases to ensure the right service is offered at the right time for families – this has continued even after the family support team and parenting service split and we continue to work seamlessly together.' **(Targeted Family Support Bromsgrove and Redditch)**

'My experience of the team is that they are approachable and have a can do attitude. They endeavour to make a difference to children and families in our area. They provide quality information on what is on offer and take the time to find out what else is available in the local area that they can refer families to them. We have linked to promote National book week and other promotions, in Redditch we have combined stay and play and song and rhyme to work in partnership to provide a service to families. We have provided venues for the Parenting practitioners to facilitate groups in the community.' **(Bromsgrove Library)**

'The Community Capacity Builder has set up a communication group which has brought a number of the departments together within the council to share and support each other with joint communication. The admin officer for the Community Safety Team has found this group really support, especially with the links she has been able to make with other departments.'

'The Community Capacity Builder from Parenting and Family Support has been an integral part of establishing The Hub. She has consulted with the young people of Bromsgrove in a number of creative ways to make sure that their voices were heard, their opinions were then fed directly into the planning of The Hub. The Community Capacity Builder has also supported the set-up of the project by involving the Coordinator in multi-agency work, setting up a lot of partnership work, to develop the services based at The Hub. The Community Capacity Builder has involved local businesses, by building up relationships with them; this has secured donations of items, volunteer projects (for example our beautiful wall mural) and their on-going support of young people.' **(Bromsgrove Youth and Community Hub Coordinator)**

Community Capacity Building Bromsgrove & Redditch Sept 2017 - Aug 2018

Volunteer quotes

'As a volunteer I feel so supported and have been guided with my volunteer work and training to help me achieve my chosen career path.'

'My volunteering is going brilliantly; I've been well supported and made to feel welcome.'

'The volunteering scheme has meant I have been able to do courses, training, meet other volunteers and support parenting groups.'

'You are given plenty of opportunities to further your volunteering role and encouraged to step out of your comfort zone to accomplish new skills.'

Contributions in kind

£1500 Remploy furniture for Hub

300 Books

2hrs Tattoo artist time to create a mural at the Hub

£1300 Youth Hub signage x 2

£910.62 Parenting prize draw contributions

£120 4 adults, 1 young person, 3 children Pear Tree Garden

£60 Raised by fundraising team of volunteers and peer supporters attending a community event

Cakes & Prizes
Sourced by the volunteers

Additional funding

£250 Big Local - Messy Play money

£62,760 (Joint partnership bid for the Hub)

£100 Gained for refreshments at the Hub launch

£31 Income given to the provider - Stay & Play week

£500 Raised by young people during youth Hub fundraising week and will be buying resources for the gaming group

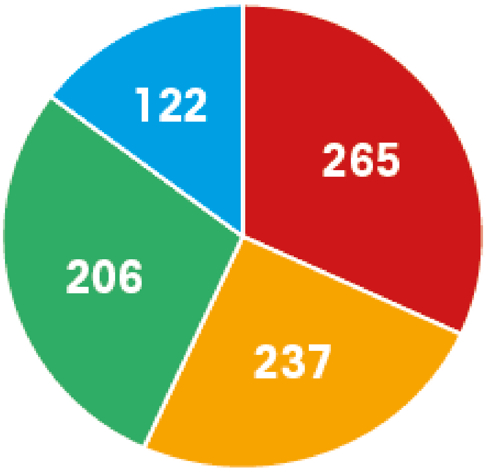
Projects

Termly promotion packs
National share a story month
County wide promotion design
Redditch Foodbank Distribution Centre
8 Young people consultation
BARN network
Knowledge Bank
National library make some noise
Review of You-th booklet
SEN consultation
Life coaching for young people
Teddy bear donations
Youth accommodation consultation
Balanced Community
Swimming
YMCA team wellbeing
Bookstart bear visits
Youth Hub Launch
Job coach support for young people
2 x healthy eating Young People
Recording systems professional consultation
Stay and Play parent consultation
Afghan mothers collection
Library Visits
1x family learning healthy eating Course
SEN research
Collections for Redditch foodbank and Newstarts
St David's promotion
Breastfeeding booklet
Pear Tree 10 year party
Woodrow and Batchley community discussions
NHS Urgent treatment centre
Climate change promotion

Parenting in Bromsgrove & Redditch
September 2017 - September 2018

627 parents attending courses

830 children impacted by their parents attending a parenting course



Age of those children

- 0 - 1 years
- 6 - 12 years
- 2 - 5 years
- 13 - 19 years

59% of targeted parents attending parenting courses

96% improved parenting capacity

76 courses taken place for parents

Here's what the parents said

'Great discussion, gathering ideas to implement at home'

'I enjoyed this session, it was informative but not dragged out or boring. The practical baby bathing was fun to do'

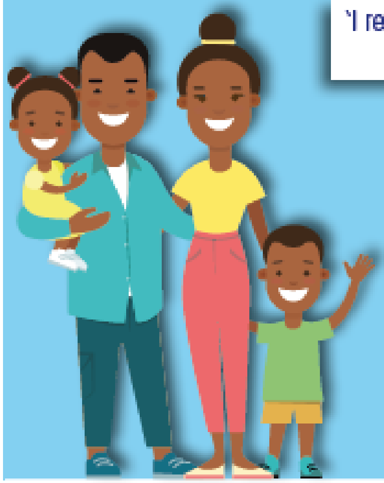
'I'm so glad my son was so engaged with the other children'

'I really enjoyed today. I learnt a lot about why S behaves the way she does'

'I found this group so helpful and amazing. I am a very shy person and felt everyone judged me but by coming to the group I have been able to trust people and been able to learn different techniques on how to manage my daughter's behaviour. – Thank you'

'Really lovely set up. The outside area is excellent for little ones'

'"I have enjoyed relaxing and having time away from A to relax. It has been good to see other Mom's and hear their stories to realise I am not alone – Thank you'



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Redditch Borough Council
making a difference
www.redditchbc.gov.uk

This new service will be an integrated single service which will be led by Health and include the following:

- An integrated innovative new service model (not a sum of its parts)
- A joined-up skill mixed appropriately qualified workforce (Public Health nurses, practitioners, peer supporters, capacity builders)
- Skill mixed clinically led teams to deliver totality of service
- Locality need addressed through building community capacity
- Individual need identified through universal offer
- Provision and coordination of range of early interventions

The new service will:

- deliver the Healthy Child Programme
- deliver core purpose of Children's Centres
- build community capacity
- provide range of prevention activities
- support Children and Young People in early years and mainstream education with SEND and additional health needs
- Identify & provide additional or targeted support & Interventions according to need e.g. parenting, school readiness
- provide additional support in partnership with others
- support and develop health promoting settings

Officers are currently in discussions with partner agencies to be part of a tender for this new contract. This new contract will aim to be in place by the end of 2019.

ENVIRONMENTAL SERVICES

Aligned to: Help me to Keep my Place Looking Good

Business Cases

The recruitment process for the additional staff, agreed by full council in the recent business cases, has commenced and the adverts for the new posts will be advertised in the last week of March 2019. The expectation is that the new staff members will be in post early in the new financial year.

In addition to the recruitment process, discussions between Environmental Service teams are taking place in order establish how best to operate with current staffing levels whilst continuing to meet the business needs. This should improve efficiency and also support individual employee development within Environmental Services.

The main grass cutting machines for Place are now serviced and ready to begin cutting across the district. The two additional staff that have been agreed for Place this year, along with the recruitment to a vacant position, should help to reduce the impact our seasonal demands have on maintaining a consistent service at all times. We are also looking at cutting methods on our formal grass cutting areas, reducing costs and time spent, whilst delivering the same finish.

Resources and Waste Strategy

On 18 February, DEFRA and HM Treasury opened consultation on four separate detailed proposals;

- Deposit Return Scheme
- Packaging Extended Producer Responsibility
- Recycling Consistency
- Plastic Packaging Tax

Consultation closes on 13 May

The proposals on “Consistency in household and business recycling collections in England” are of most concern to the local authorities, as they go beyond the question of what set of dry recyclable materials should be collected by councils and include proposals for weekly food waste collections and free garden waste collections, the consultation also raises issues such as collection methods (co-mingled recycling vs two-stream vs multi-stream) and bin colour standardisation. The consultation would also have implications for how commercial waste from businesses is collected.

From meetings that various Officers have attended it is pretty clear that some significant changes will happen to waste collection. We understand that the Governments suggested timetable (please note this may be subject to change) is

- Consultation again on the changes proposed from this consultation in 2020
- Legislate in 2021
- Implement 2023

We are working with the County and other Worcestershire Districts to respond to these consultation documents.

Contamination

To combat increasing level of contamination in the green bins (increased from 10 to 13%) the following actions have taken place over the past financial year.

- 16 resident's talks on waste hierarchy and Council services (reduce/reuse/recycle)

- Handed out over 600 recycling storage bags for residents living in flats and using communal bins

- Recycling Project

  - To engage crew more in the contamination issue we are conducting a Pilot project of approximately 100 properties (across BDC), where teams will be checking bins and tagging them if contaminated. We will also be also analysing the collected waste. This initiative is scheduled to start on 28th March in BDC and it is hoped that it will improve the amount and quality of recycling.

  - Residents have received communications regarding the project by post so they are aware of the purpose of the project.

Yes please	Handy hints
Glass Bottles & Jars	All colours
Food & Drink Cans	Rinse out any food & drink residue
Aerosols	e.g. deodorant, hairspray , air freshener etc.
Paper	Small amounts of shredded paper can be stuffed inside envelopes or cereal boxes No need to remove window from envelopes No glittery or foil wrapping paper
Cardboard	• Flatten boxes • No glittery cards
Cartons	Tetra Pak etc.
Plastic Bottles	e.g. shampoo, milk, bleach, drinks Leave tops & spray nozzles on Remove Pumps
Plastic Pots	e.g. moisturiser, yoghurt, dips, coleslaw & cream pots
Plastic Tubs	e.g. Ice cream, Quality Street tub etc.
Plastic Trays	e.g. fruit punnets & raw meat trays

We can recycle any colour plastic except black as the optical sorters cannot see this colour on the sorting line.

If in doubt, leave it out!
If it's not on the 'Yes' list, we cannot take it.

Remember!
LOOSE in the bin (not bagged)
CLEAN (no food or residues)

Where does it go?
All recyclables are taken to EnviroSort (near junction 7 M5).
They are sorted, baled & collected by reprocessors who turn them into new things.

Dear Resident,

We are trying to improve the amount and quality of recycling.

In the coming weeks you may see crews collecting bins differently and checking bins to see what is inside.

If the wrong items are found in your green bin, it will not be emptied.

Please make sure you know what you can put in your green bin to ensure it is emptied as normal.

- Your bin won't be emptied if it contains things we cannot recycle.
- Your bin will be tagged. The tag will tell you what was wrong.
- You need to remove the things we cannot recycle before your next scheduled collection.
- We will not return to empty your bin before this date.

Thank you for your support

Bromsgrove recycles
Redditch recycles
Tel: 01527 881188

Bromsgrove District Council

- Updated Refuse Collection Vehicles Livery
- Updated Waste Service booklet – primarily aimed at new residents
- On Street Litter
  - Dedicated Gum bins in High Street
  - Supported the Refill scheme - 'Bring Your Own Cup or water bottle'.
  - Launching Adopt-an-Area commenced on 18th March 2019 (update of volunteer litter picker scheme)
- Single use plastics
  - Bromsgrove District Council has removed Single Use Plastic coffee cups from depot vending machines and has supplied staff & Cllrs with reusable coffee cups for use internally and, externally as a promotional normalisation tool.
  - Following the launch of Defra Waste & Resource Strategy, introduction of free statutory garden waste and food waste Collection services is currently being consulted on.
  -

- Sustainable travel / Air Quality Improvements

  - Successfully bid for £300K to develop an electric vehicle charger network for taxis in Bromsgrove District. Currently, aims are to attract operators that are keen to expand of their EV charging infrastructure to also supply public charging alongside the taxi funded ones. This project is still in its early stages but we will keep members updates as it moves forward.

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CABINET

13th March 2019

Finance Monitoring Quarter 3 2018/19

Relevant Portfolio Holder	Councillor Brian Cooper, Portfolio Holder for Finance and Enabling Services
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Non-Key Decision	

1. Purpose and Summary

To report to Cabinet on the Council's financial position for Revenue and Capital for the financial period April 2018 – December 2018.

2. Recommendations

That Cabinet is asked to resolve

2.1 That Cabinet note the current financial position in relation to revenue and capital budgets for the period April – December 2018/19 as detailed in the report.

2.2 Approve the virement of £23k in 2018/19 from Economic Development to the Bromsgrove Centres Management budget required to meet the Shared service agreement with NWEDR.

That Cabinet recommend to Council

2.3 Approval of the virement of £120k in 2018/19 for replacement parking machines currently held within the vehicle replacement programme budget. This is to ensure clarity of the current spend under these project headings.

2.4 Approval of an increase in the 2018/19 Capital Budget of £102k for the Disabled Facilities Grant budget. This is due to additional grant funding being received following the budget announcement in December 2018.

2.5 Approval of an increase in the 2018/19 Capital Budget of £390k for a Bromsgrove combined Footpath and Cycle Way Network funded from a grant from Worcestershire County Council.

2.6 Approval of an increase in the 2019/20 Capital Budget of £346k for the demolition of the Dolphin Centre to be funded from Capital Receipts (£202k) and balances (£144k) following receipt of tender quotations.

3. Revenue budgets

3.1 This report provides details of the financial performance of the Council. The purpose of this report is to ensure officers and members have the relevant information necessary to consider the overall financial position of the Council. The report reflects the finances across all of the Strategic Purposes to enable Members to be aware of the level of funding attributed to each

CABINET

area and how this compares to budget. The summary at 3.3 shows the financial position for revenue funding for the period April – December 2018/19.

3.2 Financial reports are sent to budget holders on a monthly basis. As part of this process a detailed review is undertaken with support from the finance team to ensure that all issues are considered and significant savings or cost pressures are addressed. This report aims to focus on the key variances from budgets to ensure that these are addressed appropriately during the year.

3.3 The £10.988m original budget as included in the table below is made up of the budget approved in February 2018 of £10.583m, which is then adjusted to reflect the approved transfers from reserves of £327k along with the community group funding £79k.

In addition, the Revised Budget 2018/19 of £11.320m includes a net transfer from reserves of £297k (which is shown in appendix 1) and use of balances of £35k.

Revenue Budget summary
Financial Year 2018/19 – Overall Council

Please note figures have been rounded

Strategic Purpose	Original Budget 2018/19 £'000	Revised budget 2018/19 £'000	Budget to date 2018/19 £'000	Actuals 2018/19 £'000	Variance 2018/19 £'000	Projected outturn 2018/19 £'000	Projected Variance 2018/19 £'000
Keep my place safe and looking good	4,406	4,323	3,083	3,232	149	4,514	191
Help me run a successful business	-559	-553	-388	-415	-27	-569	-15
Help me be financially independent	154	99	570	582	12	132	33
Help me to live my life independently	-8	-8	-6	-75	-69	-96	-88
Help me find somewhere to live in my locality	725	794	646	620	-26	762	-33
Provide Good things for me to see, do and visit	660	759	574	533	-41	722	-37
Enable others to work/do what they need to do (to meet their purpose)	5,609	5,905	4,392	4,269	-124	5,697	-208
Total	**10,988**	**11,320**	**8,873**	**8,746**	**-126**	**11,163**	**-157**
Corporate Financing	-10,988	-11,320	-12,946	-13,045	-98	-11,436	-116
Grand Total	**0**	**0**	**-4,074**	**-4,298**	**-224**	**-273**	**-273**

Financial Commentary:

There are a number of variances across the strategic purposes. The summary above shows the overall 2018/19 revenue position for the Council and the main variations are as a result of:

Keep my place safe and looking good (£191k overspend)
These budgets include those relating mainly to environmental services, planning, lifeline, CCTV and other activities to deliver against the purpose ensuring an area is both safe and attractive for the community.

Having reviewed the variance position, the below explains the variances:

- It is projected that Bereavement services will receive less income than expected from the burial fees by the end of 2018/19 and therefore show a year end variance for the service of **£18k.**
- Shortfall in income from Building Control of **£23k**. Building Control operates in an increasingly competitive marketplace and whilst all opportunities are explored it is clear that the number of competitors is rising. Unlike its competitors, Local Authority Building control is required by law to operate solely on a cost neutral basis and its performance and charging regimes are publically accountable.
- Whilst a significant growth in income has been achieved within Core Waste services (trade and garden waste), there have been additional costs required for running the domestic waste services. This is currently under review and therefore projecting an overspend by the end of 2018/19 of **£51k**.
- There are additional costs amounting to **£49k**, which are made up of additional costs in relation to agency staff required in the Place teams covering long term sickness and additional repairs and maintenance costs.
- A projected shortfall in planning application income of **£161k.** There have been a low number of applications approved in 2018/19 and also major applications on strategic sites have been delayed due to highway considerations.
- There have been savings projected of **£18k** for 2018/19 within Core Environmental operations on vehicle hire and repairs and maintenance budgets.
- Depot, Engineering and Environmental services management services have some small underspends on repairs and maintenance of vehicles along with temporary salary savings of **£59k**
- Trees and woodland management also have some salary savings of **£30k** while the service is under review.

Help me run a successful business (£15k saving)

The budgets within the strategic purpose include economic development, car parking, all licenses and costs associated with the town and other centres within the District.

- There are no significant variances in the quarter 3 to report.

Help me be financially independent (£33k overspend)

The strategic purpose includes all costs relating to the support of benefits and the administration and delivery of Council Tax services in the District.

- The variance projected of **£33k** mainly relates to additional resources required in the Revenues and Benefits teams to ensure the service can meet all the demands it faces at present.

Help me to live my life independently (£88k saving)

There are a number of budgets relating to the delivery of the strategic purpose including; Lifeline, Community Transport and Disabled Facilities Grants.

- There has been significant additional income received within the Lifeline service due to a new contract that has been procured with Cannock Chase District Council. This has been reflected in 2019/20 budgets.

Help me find somewhere to live in my locality (£33k saving)

The costs associated with homeless prevention, housing strategy and land charges are all included in the strategic purpose.

- Housing strategy and enabling services have an underspend due to salary savings and savings on other general supplies and services of **£33k.**

Provide Good things for me to see, do and visit (£37k saving)

The majority of budgets within this purpose relate to Leisure and Culture services.

- The variance projected is due to a shortfall in income of **£8k** within Business Development. This is due to a low interest this year on road island sponsorship
- This is offset by salary savings within parks and green spaces and sports services due to a new service structure implementation **£42k.**

Enable others to work/do what they need to do (to meet their purpose) (£208k saving)

All support services and corporate overheads are held within the enabling purpose. These include; IT, HR, Finance, Management team and other support costs.

- Accounts and Financial Management have saving of **£34k** which are due to vacant posts being held whilst the impact of the new financial system is considered.
- There are a number of unallocated savings that sit within the corporate / enabling services. Service savings have been identified during the year and have been allocated to reduce the figure at quarter 3. It is anticipated that the projected balance of **£102k** will be offset by further service savings during the final quarter of the year as detailed with savings monitoring at point 4 below.
- There is a projected underspend of **£91k** within Customer Services centre due to a one off business rate refund and salary vacancies.
- There are other salary vacancies within Equalities & Policy, Financial support, ICT and Legal Services projected **£176k** by the end of 2018/19.

It is worth noting that a vacancy management savings has been included in the 2019/20 budgets to offset the impact of vacant posts during the year.

Corporate Financing

- The projected outturn variance shown within Corporate Financing relates to two main factors. The Council have received a £85k discount for the advanced payment of Pension Contributions and there is small budget saving of £10k relating to minimum revenue provision.

3.4 Virement

The request for the virement from Economic Development to the Bromsgrove Centres Management budget of £23k detailed in 2.1 relates to consolidating the budgets associated with the Shared service agreement with NWEDR to ensure the allocation of funding is within one cost area.

4. Savings Monitoring

4.1 The medium term financial plan included £580k of savings identified to be delivered during 2018/19 and it is anticipated that these savings will be delivered during 2018/19 as detailed in Appendix 2.

4.2 In addition the £454k of unidentified savings for 2018/19, which sit within the corporate / enabling service as highlighted in the table above are also expected to be delivered based on current projections.

4.3 The year projected overall saving of £157k relates to further savings as detailed in the narrative above.

5. Cash Management

5.1 The financial position in relation to borrowing at the start of the financial year and year to date positions are shown in the table below:

Date	£m	Position
As at 31st March 2018 (Actual)	13.0	Borrowing
As at 31st December 2018	1.0	Borrowing

5.2 Borrowing

Outstanding as at the 31st December 2018 are £1m in short term borrowing with associated borrowing costs within the quarter of £0.5k.

An interest payable budget has been set of £71k for 2018/19 due to expenditure relating to current capital projects.

5.3 Investments

At 31st December 2018 there were no investments held.

6. Capital Budgets

Capital Budget summary
Financial Year 2018/19 – Overall Council

Please note figures have been rounded

Strategic Purpose	Original Budget 2018/19 £'000	Revised budget 2018/19 £'000	Budget to date 2018/19 £'000	Actuals 2018/19 £'000	Variance 2018/19 £'000	Projected outturn 2018/19 £'000	Projected Variance 2018/19 £'000
Keep my place safe and looking good	2,238	2,238	1,706	1,236	-470	1,264	-974
Help me be financially independent	6	6	4	1	-3	1	-5
Help me to live my life independently	1,257	1,257	943	543	-400	808	-449
Provide good things for me to see, do and visit	566	1,167	976	269	-706	355	-812
Enable others to work/do what they need to do (to meet their purpose)	96	96	72	69	-3	92	-4
Totals	**4,163**	**4,763**	**3,700**	**2,118**	**-1,583**	**2,520**	**-2,243**

Finance commentary:

Keep my place safe and looking good

- The variance for quarter 2 relates to the following two projects;
  - Infrastructure works at the Bromsgrove depot - it is unlikely this will be spent this financial year due to the detailed design required for the works to be undertaken.
  - Vehicle replacement budget - there are delays on the vehicle replacement programme due to specification delays it is therefore anticipated that a request to carry forward the budget into next financial year 2019/20 will be made.

Help me be Financially independent

- The variance relates to funding originated from a grant obtained from the government by Warmer Worcestershire via WCC to be spent on Park Homes insulation within the Bromsgrove District however there are currently no suitable projects to spend this grant on therefore officers request that the budget is retained until suitable projects are available.

Help me to live my life independently

- The underspend projected relates to a number of projects ;
  - Energy Efficiency installations. This fund has been unable to be spent this year due to the need to procure the energy advice service prior to restarting the Bromsgrove Energy Efficiency Fund. The energy advice service will be procured with a 3 year contract April 2019 - March 2022.
  - Discretionary home repairs assistance which is due to a lack of applications being received

despite advertising.
- There will be a request to carry forward an underspend on the Disabled Facilities Grants due to delays in referrals from occupational therapists.

Provide Good things for me to see, do and visit

- The underspend projected relates to a number of projects ;
  - The project in relation to the Dolphin centre demolition is expected to be undertaken in the spring of 2019. Therefore the budget of £734k will be requested to be carried forward into the new financial year 2019/20.
  - The project providing £62k towards refurbishment of the Barnt Green Millennium Park - Toilets, remains under review by the Parish Council and it is likely it will be requested to be carried forward into the 2019/20 budget.

Enable others to work/do what they need to do (to meet their purpose)

- There are no significant individual variances in the quarter 3 to report. It is projected that all schemes will be completed by the end of the financial year 2018/19.

6.1 **Parking Machines**
The request for the virement of £120k for replacement parking machines currently held within the vehicle replacement programme budget as detailed in 2.3. This is to disaggregate the current programme to ensure clarity of the current spend under these project headings.

6.2 **Disabled Facilities Grants**
The request for approval of an increased budget £102k at 2.4 is due to an additional £55m for Disabled Facilities Grant being distributed to all relevant authorities for the ministry of Housing, Communities and Local Government. The £102k allocated to Bromsgrove district council is planned to be used for the delivery of agreed joint plans between Adult Social Care, Clinical Commissioning Groups and the Housing authorities across the county.

6.3 **Footpath and Cycle Network**
The request for approval of an increased budget £390k at 2.5 is due to a scheme that is worth £3.4 million to Worcestershire County Council funded through a Department for Transport initiative, (NPIF) National Productivity Investment Fund, which forms part of the wider transport and highways plan for the area and will see an additional six walking and cycling pathways being introduced over the next couple of years. This Capital Project is being designed by Bromsgrove District Council's Engineering and Design Services. It is a combined Footpath/Cycle Way link through Sanders Park from Whitford Road to Kidderminster Road. The construction works are programmed to commence Spring 2019, and are being undertaken to ensure that the Parks planned activities are inconvenienced as little as possible. Sanders Park is the largest scheme in the area and is to be completed by Spring 2020.

6.4 **Dolphin Centre Sports Hall**
As Members are aware the sports hall has been closed due to a number of health, safety and security issues. In addition approval was given in July 2018 to continue with the demolition of the site following members consideration of alternative hall provision and agreeing that the associated costs were prohibitive. Over the last few months officers have

continued to work with BAM and Everyone Active to secure an agreement on the use of the school hall. The Heads of Terms are agreed and the draft contract is currently with BAM. It is worth noting that agreements have to be approved at County and BAM Board and these decisions can often take a significant period of time.

6.4.1 Following member decision to demolish the site our professional advisors (MACE) formally tendered for the works for both demolition and the associated car park works. Everyone Active have discussed the impact that the current car parking arrangements and the visibility of the new centre with the old site and hoarding has on their customers and therefore the demolition and associated works is becoming increasingly urgent.

6.4.2 In total 7 contractors provided a submission for the works and the successful tender in terms of price and quality is at a value of £1.050m. This is £346k more than the current budget allocation of £734k which was based on previous estimated costs. Officers have been advised that this additional cost is due to a number of issues including; additional scaffolding and duration of demolition period following additional surveys, building works inflation (currently at approx. 7.5% pa), securing building contracts during a time of significant redevelopment across the Country and the disaggregation from the initial contract that was to be undertaken by Morgan Sindell which reduced the savings from using one contractor for the whole development.

6.4.3 It is proposed that the £346k is released from balances to fund the associated costs. Liaison will be undertaken with the school to ensure the demolition is undertaken outside of exam time to mitigate the impact on the students.

6.4.4 Officers have requested a further valuation on the remaining enabling land as it is expected that this will have increased from the original value of £1.8m and therefore this can offset the related increase in costs.

7. Earmarked Reserves

7.1 The position as at 31st December 2018 is shown in Appendix 1. The position at the 1st April 2018 was £3m and at the end of quarter 3 includes £2.6m that have been transferred to reserves. The majority of this relates to setting aside section 31 Business rate grant/estimated Business rate surplus to provide funding for future risks.

8. General Fund Balances

8.1 The General Fund Balance as at the 31th March 2018 was £4.789m. A balanced budget was approved in February 2018 to include identified savings which have been built into individual budget allocations. This also included a planned use of balances for 2018/19 of £9k.

During 2018/19 there has been a further approval of a use of balances of £600k towards the demolition of the Dolphin centre and implementation of additional car parking. Therefore, the current level of balances is £4.179m.

9. Legal Implications

9.1 No Legal implications have been identified.

10. Service/Operational Implications

10.1 Managers meet with finance officers on a monthly basis to consider the current financial position and to ensure actions are in place to mitigate any overspends.

11. Risk Management

11.1 Effective budget monitoring supports any risks associated with the Council.

APPENDICES

Appendix 1 - Earmarked Reserves 2018/19
Appendix 2 - Savings Monitoring 2018/19

AUTHOR OF REPORT

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FINANCIAL RESERVES STATEMENT 2018/19

Appendix 1

Please note these figures have been rounded

Description	Balance b/fwd 1/4/2018	Budgeted Release 2018/19	Revised Balance b/fwd 1/4/2018	Transfers in existing reserve 2018/19	Transfers out existing reserve 2018/19	New Reserve 2018/19	C/fwd 31/3/2019	Comment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Building Control	(7)	0	(7)	0	0	0	**(7)**	To Fund the mobile working project
Building Control Partnership	(57)	0	(57)	0	0	(12)	**(69)**	Partnership income has to be reinvested back in to the service.
Business Transformation	(11)	0	(11)	11	0	0	**(0)**	Towards organisational development following the staff survey
Commercialism	(41)	0	(41)	3	0	0	**(38)**	To help fund costs in relation to commercialism projects
Community Safety	(30)	0	(30)	30	0	0	**0**	Grant funding received to fund associated community projects
Community Services	(40)	0	(40)	0	0	0	**(40)**	To help towards a district network feasibility study
Economic Regeneration	(501)	0	(501)	26	0	0	**(475)**	To fund the Economic Development opportunities across the District
Election Services	(98)	0	(98)	9	(11)	0	**(100)**	To support the delivery of individual electoral registration and to set aside a reserve for potential refunds to government
Environmental Services	(13)	0	(13)	0	0	0	**(13)**	To help towards the unauthorised trespass prevention scheme, Tree works, and single use plastic project within the district
Financial Services	(813)	0	(813)	0	(37)	(2,653)	**(3,503)**	The reserve includes the small business rate relief grant that will offset the loss on Business rates collection and appeals in 2019/20. In addition a number of reserves / grants have been set aside to support residents through the changes to welfare reform
Housing Schemes	(450)	0	(450)	119	0	0	**(330)**	To support the feasibility and implementation of housing schemes across the
ICT/Systems	(122)	0	(122)	10	0	0	**(112)**	To provide for replacement ICT systems
Leisure/Community Safety	(277)	0	(277)	167	0	0	**(110)**	Grant received and reserves set aside to support a number of leisure and well being schemes across the District
Litigation Reserve	(5)	0	(5)	0	0	0	**(5)**	To provide funding for any potential legal challenges
Local Development Framework	(142)	0	(142)	0	0	0	**(142)**	To fund the costs associated with the Core Strategy
Local Neighbourhood Partnerships	(16)	0	(16)	0	0	0	**(16)**	Grant received in relation to liveability schemes
Other	(90)	21	(69)	0	0	0	**(69)**	To support apprentices, set up costs and other general reserves
Regulatory Services (Partner Share)	(42)	0	(42)	0	0	0	**(42)**	BDC Share of WRS grant related reserves
Replacement Reserve	(339)	325	(14)	0	0	0	**(14)**	To fund replacement vehicles and plant
Shared Services Agenda incl Joint CE	(311)	0	(311)	0	0	0	**(311)**	To fund potential redundancy and other shared costs
Grand Total	**(3,405)**	**346**	**(3,059)**	**375**	**(48)**	**(2,665)**	**(5,397)**	

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BROMSGROVE - SAVINGS & ADDITIONAL INCOME FROM 18-19 BUDGET ROUND

APPENDIX 2

				Quarter 3			
Department	**Description of saving**	**2018-19 £'000**	**Comments**	**On target Y/N**	**Additional (add to to in yr savings) £'000**	**below target Y/N**	**Pressure £'000**
Business Transformation	Annual Revenue Budget Saving	-123	Saving from efficiencies and contract reviews	Y			
Community Services	acommodation charges	-12	Already included in support recharges	Y			
Community Services	telephone charges	-6	Savings from new contract	Y			
Community Services	staff savings from reduced mileage and reduced hours	-3	Savings from staff member reducing working hours	Y			
Community Services	removal of budget historical DFG monies	-7	Review of budget efficiencies	Y			
Community Services	acommodation charges	-12	Already included in support recharges	Y			
Community Services	various	-28	Review of budget efficiencies	Y			
Corporate Resources	Reduction in External Audit Costs	-16	Reduced as per new contract arrangements	Y			
Corporate Resources	Appeals in Asset of Community	-20	Savings to be offered, subject to any future appeals to be drawn down from balances	Y			
Customer Access & Financial Support	Reduction in Hrs	-5	Savings from staff member reducing working hours	Y			
Environmental Services	Utillities	-36	More efficent lighting and boiler	Y			
Environmental Services	Maintenance	-9	Saving on Depot Maintenance	Y			
Environmental Services	Additional Garden Waste income	-54	Price increase to £45 in 18/19	Y			
Environmental Services	Fuel and Vehicle R&M	-117	Fuel and R&M due to more efficent working and lower fuel costs.	Y			
Environmental Services	Domestic Bin Replacements	-53	Revenue saving achieved by moving replacement of bins to capital.	Y			

Department	Description of saving	2018-19 £'000	Comments	On target Y/N	Additional (add to to in yr savings) £'000	below target Y/N	Pressure £'000
Environmental Services	Trade Bin Replacements	-10	Revenue saving achieved by moving replacement of bins to capital.	Y			
Environmental Services	Garden Waste Bin Replacements	-3	Revenue saving achieved by moving replacement of bins to capital.	Y			
Leisure & Cultural Services	Efficiency Saving	-5	Review of budget efficiencies	Y			
Leisure & Cultural Services	Savings on accomodation costs	-8	Review of budget efficiencies	Y			
Leisure & Cultural Services	NNDR on George House	-18	Savings following demolition of building	Y			
Leisure & Cultural Services	R & M for Parkside Building	-25	This saving relates to the repairs and maintenance of the building that are less than initially. This will be used to offset the income pressure against Parkside Hall which has been difficult to achieve but additional marketing will aim to mitigate the shortfall	Y			
Planning & Regeneration	Additional cross boundary partnership working	-2	Additional income generated following marketing of service.	N		Y	2
Planning & Regeneration	Reduction in car mileage costs	-8	Review of budget efficiencies	Y			
		-580			0		2

BROMSGROVE DISTRICT COUNCIL

CABINET **13th March 2019**

Capital Strategy 2019/20 incorporating Treasury

Management Strategy and half year treasury update

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

This report is a new report for 2019/20, required by changes in CIPFA and the Ministry of Housing, Communities and Local Government (MHCLG) guidance. The strategies set limits and indicators that embody the risk management approach that the Council believes to be prudent. The strategies are set against the mid-term financial strategy, the context of the UK economy and projected interest rates.

The new report sets treasury investment criteria and limits which are largely unchanged. The investment strategy pulls together information on commercial property and loans to explicitly show the Councils risk management approach in that area.

2. RECOMMENDATIONS

The Cabinet is asked to RECOMMEND that

i) the Capital Strategy as an appropriate overarching strategy for the Council be approved and the flexible use of capital receipts as per appendix E

ii) the full Council approve the Treasury Management Strategy for 2019/20 and the associated limits, MRP policy and treasury management policy (appendixes C and D) and specific indicators included in this report.

The Cabinet is asked to note

i) The half year treasury update

3. KEY ISSUES

Financial Implications

3.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code require local authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each financial year.

3.2 CIPFA has defined Treasury Management as:

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

3.3 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. Treasury management risks are identified in the Council's approved Treasury Management Practices and include:

- Liquidity Risk (Adequate cash resources)
- Market or Interest Rate Risk (Fluctuations in the value of investments)
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risks (Impact of debt maturing in future years)
- Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)

3.4 The guidance requires investment strategies to comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending needs.

3.5 In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, the Council adopts the Treasury Management Framework and Policy recommended by CIPFA.

Legal Implications

3.6 This is a statutory report under the Local Government Act 2003.

Service/Operational Implications

3.7 None as a direct result of this report.

Customer / Equalities and Diversity Implications

3.8 None as a direct result of this report.

4. RISK MANAGEMENT

Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment. Controls in place to mitigate these risks are as follows:

- Regular monitoring of the status of the organisations we invest with
- Daily monitoring by internal officers of banking arrangements and cash flow implications.

AUTHOR OF REPORT

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Treasury Management Strategy Statement 2019/20

Bromsgrove District Council

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

Following a weak reading in the first quarter of 2018 attributed to weather-related factors, UK GDP growth rebounded in the second quarter to 0.4%, but at an annual rate of only 1.2% this remains below trend. As economic growth had evolved broadly in line with its May Inflation Report forecast, the Bank of England's Monetary Policy Committee (MPC) voted unanimously for a rate rise of 0.25% in August, taking Bank Rate to 0.75%. In November 2018 the MPC maintained Bank Rate at 0.75% while the Inflation Report showed that compared to the August report further interest rate increases may be required to bring inflation down to the 2% target over the forecast horizon.

The headline rate of UK Consumer Price Inflation fell back to 2.4% year-on-year in September 2018 from 2.7% in August, as higher import and energy prices continued to hold inflation above the BoE target. Labour market data is positive. The ILO unemployment rate fell to 4%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.1% in August providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.7% and only likely to have a moderate impact on household spending.

While external inflationary pressures from energy costs and import prices are expected to subside, domestic pressures are projected to build over the forecast horizon with the balance of these effects likely to keep inflation above the Bank of England's target throughout most of their forecast horizon, meaning that strong real income growth is unlikely to materialise any time soon.

As the US economy has continued to perform well, the Federal Reserve maintained its monetary tightening stance and pushed up its target range for the Fed Funds Rate in September 2018 by 0.25% to 2% - 2.25%. One further rise is expected in 2018 and two more in 2019.

The fallout from the US-China trade war continues which, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity in 2019. Despite slower growth in the region, the European Central Bank has started conditioning markets for the end of quantitative easing as well as the timing of the first interest rate hike, currently expected in 2019, and the timing and magnitude of increases thereafter.

Credit outlook: The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest rate forecast: Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. Whilst assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.5% and 2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.75%, and that new long-term loans will be borrowed at an average rate of 0.75%.

Local Context

On 10th December 2018, the Authority held £1m of external borrowing and £0m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m
General Fund CFR	19	22.6	28.3	35.3	42.6
Less: External borrowing	(13)	0	0	0	0
Internal (over) borrowing	**6.0**	**22.6**	**28.3**	**35.3**	**42.6**
Less: Usable reserves	(8.8)	(8.5)	(7.2)	(5.5)	(3.7)
Less: Working capital	**(3.1)**	**(3.1)**	**(3.1)**	**(3.1)**	**(3.1)**
Investments (or New borrowing)	(5.9)	(11)	(18)	(26.7)	(35.8)

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £35.8m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2019/20.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £0.2 m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m
CFR	19	22.6	28.3	35.3	42.6
Less: Usable reserves	(8.8)	(8.5)	(7.2)	(5.5)	(3.7)
Less: Working capital	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)
Plus: Minimum investments	0.2	0.2	0.2	0.2	0.2
Liability Benchmark	**7.3**	**11.2**	**18.2**	**26.9**	**36**

Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing each year, minimum revenue provision on new capital expenditure based on a 50 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below:

Borrowing Strategy

The Authority currently holds £1 million of loans, a decrease of £12 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £16m in 2019/20. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £30 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Worcestershire Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £0 and £7.5 million, and similar levels are expected to be maintained in the forthcoming year.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2019/20. All of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, or with the DMADF. This diversification will represent a substantial change in strategy over the coming year.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
AA+	£2.5]m 5 years	£2.5m 10 years	£2.5m 25 years	£2.5m 10 years	£1m 10 years
AA	£2.5m 4 years	£2.5m 5 years	£2.5m 15 years	£2.5m 5 years	£1m 10 years
AA-	£2.5m 3 years	£2.5m 4 years	£2.5m 10 years	£2.5m 4 years	£1m 10 years
A+	£2.5m 2 years	£2.5m 3 years	£2.5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£2.5m 2 years	£2.5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£2.5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
None	£1m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
Pooled funds and real estate investment trusts		£2.5 m per fund or trust			

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £500,000 per company as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be £8.8 million on 31st March 2019. In order that no more than 30% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £2.5 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£2.5 m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£2.5 m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Registered providers and registered social landlords	£2.5m in total
Unsecured investments with building societies	£2.5m in total
Loans to unrated corporates	£1m in total
Money market funds	£11 m in total
Real estate investment trusts	£2.5m in total

Liquidity management: The Authority uses cashflow forecasting in excel to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	*A*

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£2.5m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£500,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£500,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above *Use additional periods above 10 years if there is a large amount of debt in this period*	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£1.5m	£1.0m	£0.5m

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Markets in Financial Instruments Directive: The Authority has retained retail client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a smaller range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Executive Director of Finance believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2019/20 is £38k, based on an average investment portfolio of £5 million at an interest rate of 0.75%. The budget for debt interest paid in 2019/20 is £137k, based on an average debt portfolio of £18.3 million at an average interest rate of 0.75%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Executive Director of Finance, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast October 2018

Underlying assumptions:

- The MPC left Bank Rate unchanged at the September meeting, after voting unanimously to increase Bank Rate to 0.75% in August.

- Our projected outlook for the UK economy means we maintain the significant downside risks to our interest rate forecast. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.

- Cost pressures were projected to ease but have risen more recently and are forecast to remain above the Bank's 2% target through most of the forecast period. The rising price of oil and tight labour market means inflation may remain above target for longer than expected. This means that strong real income growth is unlikely in the near future.

- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider both that: 1) ultra-low interest rates result in other economic problems, and 2) higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise and cuts are required.

- The global economy appears to be slowing, particularly the Eurozone and China, where the effects of the trade war has been keenly felt. Despite slower growth, the European Central Bank is adopting a more strident tone in conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. Meanwhile, European political issues, mostly lately with Italy, continue.

- The US economy is expanding more rapidly. The Federal Reserve has tightened monetary policy by raising interest rates to the current 2%-2.25% range; further rate hikes are likely, which will start to slow economic growth. Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon. Our central case is for Bank Rate is to rise twice in 2019. The risks are weighted to the downside.

- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our interest rate projections, the strength of the US economy and the ECB's forward guidance on higher rates. However, volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.17**
Downside risk	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	**0.65**
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	**0.17**
Arlingclose Central Case	**0.80**	**1.00**	**1.10**	**1.20**	**1.30**	**1.30**	**1.25**	**1.20**	**1.20**	**1.20**	**1.20**	**1.20**	**1.20**	**1.17**
Downside risk	0.20	0.50	0.60	0.70	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	**0.68**
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.33**
Arlingclose Central Case	**1.05**	**1.25**	**1.35**	**1.40**	**1.50**	**1.45**	**1.40**	**1.40**	**1.40**	**1.40**	**1.40**	**1.40**	**1.40**	**1.37**
Downside risk	0.35	0.50	0.60	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	**0.69**
5-yr gilt yield														
Upside risk	0.15	0.20	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.32**
Arlingclose Central Case	**1.15**	**1.20**	**1.25**	**1.35**	**1.40**	**1.40**	**1.35**	**1.35**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**
Downside risk	0.30	0.35	0.45	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.54**
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.32**
Arlingclose Central Case	**1.60**	**1.65**	**1.65**	**1.70**	**1.75**	**1.75**	**1.75**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**
Downside risk	0.30	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.55**
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.32**
Arlingclose Central Case	**1.90**	**1.95**	**1.95**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**1.98**
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	**0.43**
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.32**
Arlingclose Central Case	**1.80**	**1.85**	**1.85**	**1.90**	**1.90**	**1.90**	**1.90**	**1.90**	**1.90**	**1.90**	**1.90**	**1.90**	**1.90**	**1.88**
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	**0.43**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B – Existing Investment & Debt Portfolio Position

	10/12/18 **Actual Portfolio** **£m**	10/12/18 **Average Rate** **%**
External borrowing: Local authorities **Total external borrowing**	**1**	**0.6**
Total gross external debt	1	0.6
Total treasury investments	0	0
Net debt	1	0.6

Appendix C

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, 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 Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. 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 its TMPs.

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

1.5 The Council is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"The management of the Council's 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."

2.2 This 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 organisation, and any financial instruments entered into to manage these risks.

2.3 This 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 performance measurement techniques, within the context of effective risk management."

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

Appendix D

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2019-20

Background

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2018.

The broad aim of the CLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance and a locally determined approach to loans to third parties.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate 4%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate,

Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2019, the budget for MRP has been set as follows:

	31.03.2019 Estimated CFR £m	**2019/20 Estimated MRP £**
Capital expenditure before 01.04.2008	0	0
Supported capital expenditure after 31.03.2008	0	0
Unsupported capital expenditure after 31.03.2008	22,595	816
Total	**22,595**	**816**

Treasury Management Report half year update 2018/19

Introduction

In March 2010 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's treasury management strategy for 2018/19 was approved at a meeting on the February 2018. The Authority has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Authority's treasury management strategy.

Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter. In England MHCLG published its revised Investment Guidance which came into effect from April 2018.

The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority will be producing its Capital Strategy later in 2018-19 for approval by full Council.

External Context

Economic background: Oil prices rose by 23% over the six months to around $82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the bet change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher in money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

Credit background: Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in.

Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

Local Context

On 31st March 2018, the Authority had net borrowing of £13m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.18 Actual £m
General Fund CFR	19.0
External borrowing	13.0
Internal borrowing	
Less: Usable reserves	8.8
Less: Working capital	4.2

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 30th September 2018 and the change during the period is show in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £m	**Movement £m**	**30.9.18 Balance £m**	**30.9.18 Rate %**
Short-term borrowing	13.0	8.0	5.0	0.7
Total borrowing	**13.0**	**8.0**	**5.0**	
Long-term investments	0	0	0	0

Short-term investments Cash and cash equivalents	0 0	0 0	0 0	0 0
Total investments	**0**	**0**	**0**	
Net (borrowing)	**13.0**	**8.0**	**5.0**	

Borrowing Strategy during the period

At 30th September 2018 the Authority held £5.0m of loans, a decrease of £8.0m to 31st March 2018, as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.18 Balance £m	Q1 Net Movement £m	30.9.18 Balance £m	30.9.18 Weighted Average Rate %	30.9.18 Weighted Average Maturity (years)
Local authorities (short-term)	13	8.0	5.0	0.7	Less than 1
Total borrowing	**13**	**8.0**	**5.0**	**0.7**	

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

With short-term interest rates remaining much lower than long-term rates, the Authority considered it to be more cost effective in the near term to use internal resources or borrowed rolling temporary / short-term loans instead. The net movement in temporary loans is shown in table 3 above.

Treasury Investment Activity

From time to time the Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six-month period, the Authority's investment balance ranged between £0 and £7.5 million due to timing differences between income and expenditure. These investments were placed with the Debt Management Office Deposit Facility [DMADF] or other local authorities.

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The Authority had no investments on 30th September 2019.

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Authority holds £0m of such investments.

Compliance

The Executive Director for Finance reports that all treasury management activities undertaken during the year to date complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 7: Debt Limits

	H1 Maximum	30.9.18 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied?
Borrowing	13	0	30	40	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	H1 Maximum	30.9.18 Actual	2018/19 Limit	Complied?
Any single organisation, except the UK Government	2.5	0	2	No (a)
Any group of organisations under the same ownership	**0**	**0**	**2**	No
Any group of pooled funds under the same management	**0**	**0**	**5**	Yes

Negotiable instruments held in a broker's nominee account	**0**	**0**	**5**	Yes
Money Market Funds	**0**	**0**	**11**	Yes

(a) This investment was placed with the Police and Crime Commission for Essex, as their creditworthiness is viewed in the same light as that of central government, this investment was placed to maximise the return for the council.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	H1 2018/19 Actual	**2018/19 Target**	**Complied?**
Portfolio average credit score	A	A	Yes

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period.

	30.9.18 Actual	**2018/19 Target**	**Complied?**
	£m	£m	
Total cash available within [3] months	3	3	Yes
Total sum borrowed in past [3] months without prior notice	0	0	Yes

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

	30.9.18 Actual	**2018/19 Limit**	**Complied?**
Upper limit on fixed interest rate exposure	100	100	Yes
Upper limit on variable interest rate exposure	0	50	Yes

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	30.9.18 Actual	**Upper Limit**	**Lower Limit**	**Complied?**
Under 12 months	0	15	0	Yes
12 months and within 24 months	0	15	0	Yes
24 months and within 5 years	0	35	0	Yes
5 years and within 10 years	0	100	0	Yes
10 years and above	0	100	0	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Outlook for the remainder of 2018/19

Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

Capital Strategy Report 2019/20

Bromsgrove District Council

Introduction

This capital strategy is a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10k are not capitalised and are charged to revenue in year.

In 2019/20, the Council is planning capital expenditure of £7.3m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
	£000	£000	£000	£000	£000
General Fund services	7,533	4,362	2,257	1,800	1,370
Investments	0	0	5,000	7,000	8,000
TOTAL	7,533	4,362	7,257	8,800	9,370

The main General Fund capital projects in 19/20 include the replacement of fleet vehicles, £1,071k and Disabled Facilities Grants Funding £750k. The Council also plans to incur £20m of capital expenditure on investments over the next three years, which are detailed later in this report in the commercial activities paragraph.

Governance: Service managers bid annually in November to include projects in the Council's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully externally financed). The final capital programme is then presented to Cabinet in February and to Council in February each year.

All capital expenditure must be financed, either from external sources (government grants and other contributions including S106), the Council's own resources (revenue, reserves and capital receipts) or borrowing. The planned financing of the above expenditure is as follows:

Table 2: Capital financing

	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
	£000	£000	£000	£000
External sources	1,371	800	800	800
Own resources	198	0	0	0
Borrowing	2,793	6,457	8,000	8,570
TOTAL	**4,362**	**7,257**	**8,800**	**9,370**

Borrowing is only a temporary source of finance, since loans must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP is as follows:

Table 3: Replacement of debt finance

	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	Total
	£000	£000	£000	£000	£000
Own resources	487	816	1,081	1,325	3,710

- The Council's full minimum revenue provision statement is in appendix 1.

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £5.7m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
		£000	£000	£000	£000
General Fund services	18,978	22,595	23,286	23,307	22,728
Capital investments	0	0	5,000	11,947	19,821
TOTAL CFR	**18,978**	**22,595**	**28,286**	**35,254**	**42,549**

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. At present there is only one planned service transformation where this flexibility is planned to be used, that being the implementation of the Enterprise Resource Planning System. This will be particularly helpful for the ability to utilise capital receipts for the revenue implementation costs of the project. Repayments of capital grants, loans and investments also generate capital receipts. The Council is not currently expecting any capital receipts to be received over the amounts already in reserves.

- The Council's Flexible Use of Capital Receipts Policy is available here: appendix 2

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to capital expenditure decisions taken in the past, there has been an underlying need to borrow for capital purposes which has in recent years been met through short-dated borrowing. The Council currently has a £1m short-dated loan outstanding {date}; borrowing is expected to rise to £14.8m by 31/3/2019.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.3.2018 actual	**31.3.2019 forecast**	**31.3.2020 budget**	**31.3.2021 budget**	**31.3.2022 budget**
	£000	£000	£000	£000	£000
Borrowing	13,022	14,841	21,456	29,191	37,517
Capital Financing Requirement	18,978	22,595	28,286	35,254	42,549

The above table incorporates the borrowing the Council intends to take.

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £0.2m at each year-end.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2018 actual	**31.3.2019 forecast**	**31.3.2020 budget**	**31.3.2021 budget**	**31.3.2022 budget**
	£m	£m	£m	£m	£m

Outstanding borrowing	19.0	22.6	28.3	35.3	42.5
Liability benchmark	**7.3**	**11.2**	**18.2**	**26.9**	**36**

The table shows that the Council expects to remain borrowed above its liability benchmark. This is because cash outflows to date have been below the assumptions made when the loans were borrowed.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2018/19 limit	**2019/20 limit**	**2020/21 limit**	**2021/22 limit**
	£000	£000	£000	£000
Authorised limit – borrowing	30,000	30,000	40,000	45,000
Authorised limit – PFI and leases	500	500	500	500
Authorised limit – total external debt	30,500	30,500	40,500	45,500
Operational boundary – borrowing	25,000	25,000	35,000	41,000
Operational boundary – PFI and leases	500	500	500	500
Operational boundary – total external debt	25,500	25,500	35,500	41,500

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Investments for Commercial Activities.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Director of Finance and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are presented to council. The audit committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to at least break even after all costs.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Executive Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Commercial Activities

With central government financial support for local public services declining, the Council is planning to invest in commercial property purely or mainly for financial gain. The Council does not currently have such investments.

With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include falls in capital values, void periods, unforeseen capital expenditure and damage. These risks are planned to be managed by an in house team whose remit is to mitigate these risks. In order that commercial investments remain proportionate to the size of the authority, these are subject to an overall maximum investment limit of £20m.

Table 9: Investments for Commercial Activities

	31.3.2018 actual	**31.3.2019 forecast**	**31.3.2020 budget**	**31.3.2021 budget**	**31.3.2022 budget**
	£000	£000	£000	£000	£000
Longer-term investments	0	0	5,000	7,000	8,000
TOTAL	**0**	**0**	**5,000**	**7,000**	**8,000**

These investments are designed to generate a return to the authority, and are likely to be in commercial property.

Governance: Decisions on commercial investments are made in line with the criteria and limits approved by council in the investment strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on commercial investments and limits on their use are in the investment strategy

Liabilities

In addition to debt of £13m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £34.1m). It has also set aside £1.6m to cover risks of business rates appeals, £1.3m, employee benefits, £183k and insurance provision £67k.

Governance: Decisions on incurring new discretional liabilities are taken by Heads of Service in consultation with the Executive director of Finance. The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported as appropriate.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19 forecast	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**
Financing costs (£000)	566	1,028	1,892	2,601
Proportion of net revenue stream	5%	9%	16%	22%

- Further details on the revenue implications of capital expenditure are in the 2019/20 revenue budget

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Executive Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the current MTFP forecasts which show that the council is financially sustainable taking it into account.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Executive Director of Finance is a qualified accountant with more than 30 years' experience. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and AAT.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Appendix E

Policy for Flexible use of Capital Receipts Purpose

1. This report reviews the statutory guidance on the flexible use of Capital Receipts and its application within this authority. Background

2. Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure and the use of capital receipts to support revenue expenditure is not permitted by the regulations.

3. The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

4. The Secretary of State for Communities and Local Government has issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital,

"expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."

5. In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with the initial strategy being effective from 1st April 2016 with future Strategies included within future Annual Budget documents.

6. There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects

7. The Statutory Guidance for the Flexible Use of Capital Receipts Strategy states that the Strategy should include a list of each project which plans to make use of the capital receipts flexibility, together with the expected savings that the project will realise. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

8. The Flexible Use of Capital Receipts Strategy is set out below

Flexible Use of Capital Receipts Strategy

9. Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future

years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

10. The Council's intends to use the following use of capital receipts to fund the following transformation projects should a new ERP system be approved to go ahead:

Project Description	2019/20
	£000
Restructure costs as part of ERP Programme	50
Total	50

11. The savings generated by these projects are set out in the table below.

Project Description	2019/20
	£000
Restructure costs as part of ERP Programme	10
Total	10

12. Impact on Prudential Indicators

13. The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy.

14. The indicators that will be impacted by this strategy are none. The scheme is currently funded from capital receipts and the new planned use of capital receipts will be funded from capital receipts which are currently unallocated.

15. The Prudential Indicators show that this Strategy is affordable and will not impact on the Council's operational and authorised borrowing limits.

CABINET **13th March 2019**

Investment Strategy Report 2019/20

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

This investment strategy is a new report for 2019-20, meeting the requirements of statutory guidance issued by the Government in January 2018, and focuses on the second and third of these broad purposes.

2. RECOMMENDATIONS

The Cabinet is asked to RECOMMEND that

i) The Investment Strategy Report 2019/20 be approved and adopted

3. KEY ISSUES

Financial Implications

3.1 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, leads to a cash surplus, which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

3.2 Any investments undertaken will be expected to make the minimum returns as specified in this report.

Legal Implications

3.3 This is a statutory report as per the updated guidance issued in January 2018, as per Local Government Act 2003.

Service/Operational Implications

3.4 None as a direct result of this report.

Customer / Equalities and Diversity Implications

3.5 None as a direct result of this report.

4. RISK MANAGEMENT

Failure to manage the investment strategy effectively to ensure the delivery of maximum return within a secure environment. Controls in place to mitigate these risks are as follows:

- Regular monitoring of the status of any investments undertaken
- Looking to wider market information from treasury advisors

AUTHOR OF REPORT

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Investment Strategy Report 2019/20

Bromsgrove

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £0m and £7.5m during the 2019/20 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the treasury management strategy and capital strategy.

Service Investments: Loans

Contribution: The Council currently does not lend money to its subsidiaries, however it may do so in the next financial year to support local public services and stimulate local economic growth. Envisaged loans would be to the potential new housing company which may purchase and manage for rental properties built on the Burcot Lane site. No loans will be made at lower than market rate.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2018 actual			2019/20
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
	£m	£m	£m	£m
Subsidiaries	0	0	0	5
TOTAL	**0**	**0**	**0**	**5**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans by using specialist advice to understand the market and the potential future demands of the market and the customers in it. It will also use benchmarking data from the market to determine future potential risks which need to be planned for.

Commercial Investments: Property

Contribution: The Council is planning to invest in local (within the council's operating area boundary) commercial and residential property with the intention of making a surplus that will be spent on local public services. As yet the council has not made any investments. It is currently reviewing a number of potential investments in commercial property to ensure that the proposed investment makes a return and the risks of the investment are fully understood.

Table 3: Property held for investment purposes in £ millions

Property	Actual	31.3.2018 actual		31.3.2019 expected	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Property – to be purchased in 2019	5 (planned)	0	0	-	-

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments by involving specialist advisors with expertise in the type of property being purchased, looking at historic data and speaking to other councils undertaking similar activities.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority ensures that properties purchased are in an active market where there is demonstrable demand to ensure that the authority does not purchase assets which it will not be able to sell on at a later date.

Proportionality

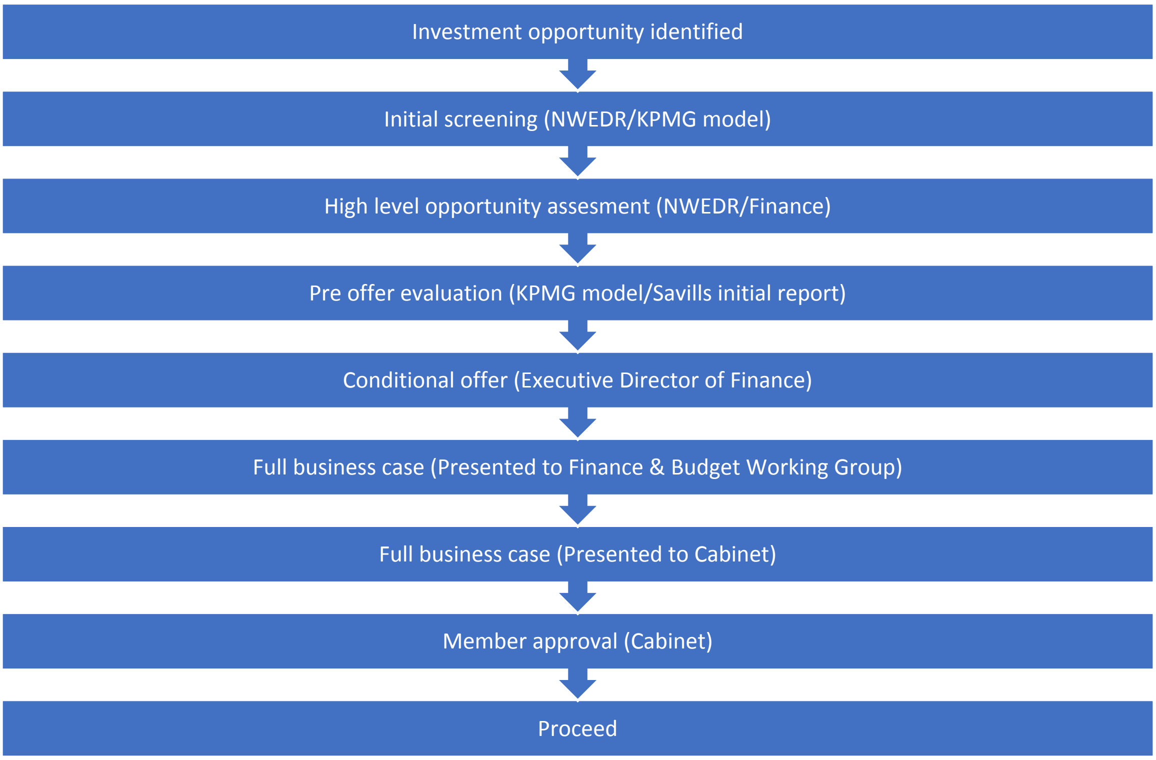
The Authority does not plan to become dependent on profit generating investment activity to achieve a balanced revenue budget.

Capacity, Skills and Culture

Elected members and statutory officers: Member training will take place annually as part of the induction process. External advisors will provide reports to support investment decisions with officers ensuring that they fully understand them and can relate them to the strategic objectives and the risk profile of the authority.

Commercial deals: KPMG have developed a modelling tool for the authority to use when assessing potential purchases as a precursor to engaging with external consultants to ensure that potential purchases are likely to make sense from the perspective of the authority before incurring advisor costs. The minimum net yield on a purely for return investment is to be set at 0.75%. If there are regeneration and redevelopment benefits which will flow from the investment then these can be taken into account in the development of the business case, so if the net investment yield falls below 0.75% it can still proceed if these benefits are deemed to outweigh the lower than target yield. No investment can take place if the net yield is lower than 0.1%.

Corporate governance: when investment decisions are to be made, they are to be led by the Council's Executive Director of Finance in consultation with the Corporate Management Team. They will assess the potential investment opportunity, consulting NWEDR and using the KPMG finance appraisal model, and should they decide it presents a strong opportunity for the authority and complies with the relevant criteria a conditional offer can be made. A business case will then be developed and presented ensuring that once greater detail is included, it makes a satisfactory income yield and/or economic redevelopment and regeneration impact. When the business case is completed, if it is still compliant with the council criteria, it will be presented to Executive for approval before purchase is completed.



Once a purchase has been made the Executive Director of Finance will provide quarterly updates, in line with budget monitoring reports, on the status of the investment.

<u>**Investment Indicators**</u>

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 4: Total investment exposure in £millions

Total investment exposure	**31.03.2018 Actual**	**31.03.2019 Forecast**	**31.03.2020 Forecast**
	£m	£m	£m
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Commercial investments: Property	0	0	5
TOTAL INVESTMENTS	0	0	5
TOTAL EXPOSURE	0	0	5

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 5: Investments funded by borrowing in £millions

Investments funded by borrowing	**31.03.2018 Actual**	**31.03.2019 Forecast**	**31.03.2020 Forecast**
	£m	£m	£m
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Commercial investments: Property	0	0	5
TOTAL FUNDED BY BORROWING	0	0	5

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 6: Investment rate of return (net of all costs)

Investments net rate of return	**2017/18 Actual**	**2018/19 Forecast**	**2019/20 Forecast**	**Minimum return**
	%	%	%	%
Treasury management investments	0	0	0	0.4
Service investments: Loans	0	0	0	0.75
Commercial investments: Property	0	0	0.75	0.75
ALL INVESTMENTS	0	0	0.75	0.62

Table 7: Other investment indicators

Indicator	**2017/18 Actual**	**2018/19 Forecast**	**Limit**
Debt to net service expenditure ratio	0	0	200%
Commercial income to net service expenditure ratio	0	0	3%

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