



# Council

Mon 19 Feb

2018

7.10 pm

(or as soon as the Executive  
Committee Meeting  
immediately prior to this  
meeting has finished)

Council Chamber  
Town Hall  
Redditch

**REDDITCH** BOROUGH COUNCIL

*making  
a  
difference*

[www.redditchbc.gov.uk](http://www.redditchbc.gov.uk)

**If you have any queries on this Agenda please contact  
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# Council

Monday, 19th February, 2018

7.10 pm

Council Chamber Town Hall

## Agenda

### Membership:

|        |                               |                   |
|--------|-------------------------------|-------------------|
| Cllrs: | Jennifer Wheeler (Mayor)      | Andrew Fry        |
|        | Nina Wood-Ford (Deputy Mayor) | Bill Hartnett     |
|        | Joe Baker                     | Pattie Hill       |
|        | Tom Baker-Price               | Gay Hopkins       |
|        | Roger Bennett                 | Wanda King        |
|        | Natalie Brookes               | Jane Potter       |
|        | Juliet Brunner                | Gareth Prosser    |
|        | David Bush                    | Antonia Pulsford  |
|        | Michael Chalk                 | Mark Shurmer      |
|        | Debbie Chance                 | Rachael Smith     |
|        | Greg Chance                   | Yvonne Smith      |
|        | Anita Clayton                 | Paul Swansborough |
|        | Brandon Clayton               | David Thain       |
|        | Matthew Dormer                | Pat Witherspoon   |
|        | John Fisher                   |                   |

### 1. Welcome

The Mayor will open the meeting and welcome all present.

### 2. Apologies

### 3. 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.

### 4. Minutes of the meeting of Council held on 29th January 2018 (Pages 1 - 16)

### 5. Announcements

To consider Announcements under Procedure Rule 10:

- a) Mayor's Announcements
- b) The Leader's Announcements
- c) Chief Executive's Announcements.

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## 6. Executive Committee (Pages 17 - 26)

Executive Committee 6th February 2018

### 6.1 Independent Remuneration Panel Report and Recommendations for 2018/2019 (Minute Item no. 97) (Pages 27 - 40)

### 6.2 HRA Initial Budget 2018/19 – 2020/21 (Minute Item No. 98) (Pages 41 - 48)

Executive Committee meeting 19th February 2018

### 6.3 Medium Term Financial Plan for 2018-19 to 2020-21 and Council Tax Resolutions (Pages 49 - 66)

The Overview and Scrutiny Committee is considering the Medium Term Financial Plan at its meeting on 13<sup>th</sup> February and may make recommendations to the Executive Committee.

The Executive Committee will consider and make recommendations in respect of the Medium Term Financial Plan and Council Tax Resolutions at its meeting immediately preceding this Council meeting.

Note that under the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, the Council is required to take a named vote when a decision is made on the budget calculation or Council tax at a budget decision meeting of the Council.

Under Section 106 of the Local Government Finance Act 1992, any Councillor who is 2 or more months in arrears with their Council tax payments cannot participate in any item at the Council meeting concerning the budget.

### 6.4 The Pay Policy Statement (Pages 67 - 76)

(This matter is due to be considered and recommendations made on the subject at the meeting of the Executive Committee immediately prior to this Council meeting).

## 7. Treasury Management Strategy 2018/19 (Pages 77 - 100)

To consider the recommendations from the Audit Governance and Standards Committee meeting of the 1<sup>st</sup> February 2018 in respect of the Treasury Management Strategy. The recommendations and the report are enclosed with this agenda

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## **8.** Urgent Business - Record of Decisions

To note any decisions taken in accordance with the Council's Urgency Procedure Rules (Part 6, Paragraph 5 and/or Part 7, Paragraph 15 of the Constitution), as specified.

(None to date).

## **9.** Urgent Business - general (if any)

To consider any additional items exceptionally agreed by the Mayor as Urgent Business in accordance with the powers vested in him by virtue of Section 100(B)(4)(b) of the Local Government Act 1972.

(This power should be exercised only in cases where there are genuinely special circumstances which require consideration of an item which has not previously been published on the Order of Business for the meeting.)

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## Council

Monday, 29 January 2018

## MINUTES

### Present:

Councillor Jennifer Wheeler (Mayor), Councillor Nina Wood-Ford (Deputy Mayor) and Councillors Joe Baker, Tom Baker-Price, Roger Bennett, Natalie Brookes, David Bush, Michael Chalk, Debbie Chance, Greg Chance, Anita Clayton, Brandon Clayton, Matthew Dormer, John Fisher, Andrew Fry, Bill Hartnett, Gay Hopkins, Wanda King, Jane Potter, Gareth Prosser, Antonia Pulsford, Mark Shurmer, Rachael Smith, Yvonne Smith, Paul Swansborough, David Thain and Pat Witherspoon

### Officers:

Claire Felton and Sue Hanley

### Democratic Services Officer:

Jess Bayley

### 62. WELCOME

The Mayor announced the recent deaths of former Councillor, Brenda Quinney, as well as a long-serving member of staff, Mrs Jennifer Delorenzo, and led the Council in paying tribute to them both by observing a minute's silence.

The Leader explained that the flag at the Town Hall had been flown at half-mast as a mark of respect for Mrs Quinney. Mrs Quinney had served on the Council representing Batchley and Brockhill ward, from 2008 to 2014, having been originally elected in a by-election. During her tenure as a Councillor Mrs Quinney had been an active scrutiny Member, having served on the Council's Overview and Scrutiny Committee as well as various Task Groups investigating Redditch Market, action that could be taken to promote Redditch and access for people with disabilities to the Borough. Mrs Quinney had also served as the Council's representative on the Worcestershire Health Overview and Scrutiny Committee (HOSC).

Councillor Brandon Clayton also paid his respects to former Councillor Brenda Quinney on behalf of his group. Mrs Quinney had been passionate about Redditch and had had a clear view of the action that could be taken to improve the lives of residents. Due

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Chair

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to her background in commerce Mrs Quinney had also made a valuable contribution to the economy of the Borough. Mrs Quinney would be sadly missed by all who knew her.

Tributes were also paid to Mrs Delorenzo. The Leader noted that she had worked in the Strategic Housing Team and Customer Serves. During this time Mrs Delorenzo had presented reports at Committee meetings and provided invaluable advice to elected Members. The Leader proposed that a letter should be sent from him and the Mayor, on behalf of the Council, expressing Members' condolences to Mrs Delorenzo's family.

Following these discussions the Mayor explained that she had invited Councillor David Thain to perform some poetry which he had written. Each of the three poems, entitled 'Depression', 'Asperger's Syndrome' and 'Don't Walk on by', related to the Mayor's theme of mental health and wellbeing.

## 63. APOLOGIES

Apologies for absence were received on behalf of Councillors Juliet Brunner and Pattie Hill.

## 64. DECLARATIONS OF INTEREST

There were no declarations of interest.

## 65. MINUTES OF THE MEETING OF COUNCIL HELD ON 20TH NOVEMBER 2017

**RESOLVED that**

**the minutes of the meeting of Council held on 20<sup>th</sup> November 2017 be confirmed as a correct record and signed by the Mayor.**

## 66. ANNOUNCEMENTS

### a) Mayor's Announcements

The Mayor circulated a list of civic events which she and the Deputy Mayor, Councillor Nina Wood-Ford, had attended since the previous meeting of Council (Appendix 1). The Mayor took the opportunity to thank the Deputy Mayor for her hard work and support during the period.

### b) The Leader's Announcements

The Leader advised that he had attended a number of events since the previous meeting of Council. In addition to those which had been highlighted by the Mayor in her

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announcements the Leader provided the following updates to Council:

- The Leader had attended the carols at the bandstand event, which had transferred to St Stephen's Church due to the inclement weather.
- In addition the Leader had attended the Bromsgrove and Redditch Welcomes Refugees Christmas Party, the Hereford and Worcester Sports Awards in Worcester and the Redditch Gudwara at Ridgeway School.
- There had been a bench dedication service for the 37 Signal Regiment at Plymouth Road Memorial Gardens which the Leader had attended.
- The Annual Conference of the Worcestershire Local Enterprise Partnership (LEP) had been held and this had been attended by the Leader.
- The Leader had participated in the Holocaust Memorial Day commemorations. The guest speaker in 2018 had been Mr Carl Wilkins who had spoken about his experiences during the genocide in Rwanda.
- Reservist Major Sandy Hennis, from Redditch, had participated in the British Army's Expedition Ice Maiden. This was an all-women initiative which had involved the participants crossing the Antarctic. The Leader had sent Major Hennis a letter of congratulations and had invited her to the Town Hall to provide an opportunity to congratulate her in person.
- The Leader had attended an Economic Development seminar which had been held at the Palace Theatre and had been organised by the North Worcestershire Economic Development Unit. This formed part of the "opening doors" initiative, designed to provide local school children with an opportunity to find out about different careers and areas of industry.

During this period the Peer Review Challenge had taken place. This challenge had been organised by the Local Government Association (LGA) and involved senior officers and Councillors from other local authorities and the LGA reviewing Redditch Borough Council and Bromsgrove District Council from 22<sup>nd</sup> to 24<sup>th</sup> January 2018. Members had been invited to attend a number of the sessions that had been held as part of this process and it was anticipated that a report detailing the outcomes of the challenge would be available for Members to consider in late February.

The latest review of Worcestershire Acute Hospitals NHS Trust (WAHT) had been published by the Care Quality Commission (CQC) on 17<sup>th</sup> January 2018. This had identified some improvements in service delivery, though the trust

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continued to be classified as inadequate. In response to this report the Leader had issued a press release calling for an opportunity to meet with representatives of both the trust and Redditch and Bromsgrove Clinical Commissioning Group (CCG). It was understood that there would be further inspections and reviews of the Trust, starting in February.

c) Chief Executive's Announcements

There were no announcements from the Deputy Chief Executive.

**67. QUESTIONS ON NOTICE (PROCEDURE RULE 9.2)**

The Leader responded to two questions that had been submitted in accordance with Council Procedure Rule 9.2.

a) Question from Councillor Antonia Pulsford

Councillor Pulsford asked the following question:

“Have other consultancies besides NW Environmental Ltd. been asked for their proposals for upgrading Arrow Valley Park, and if so, when will Council see their presentations?”

The Leader responded as follows:

“Thank you for your question

There were no other consultancies engaged in support of a funding application. NW Environmental Ltd were jointly procured by the Environment Agency and Redditch Borough Council competitively, against 10 other companies, all of whom had a successful history of the Heritage Lottery Fund bid process. All tenders were assessed on their ability to deliver based on proposed project management, relevant experience and project delivery. Due to the joint funding and sensitivities around the competitive tendering process the financial details could not be made available to the public at this stage.

No other consultancies were engaged for their opinions as this would require further expense. However if the Borough was successful at stage 1, assistance would be required to develop the application to a stage two bid submission and NW Environmental Ltd would be able to further tender for this work at the appropriate time.

Due to the speculative nature in the preparation of the 'First Stage' application (to be submitted in March 2018) to the Heritage Lottery Fund for Arrow Valley Country Park, user

stakeholders' opinions had been sought to determine outline views on the viability of a funding submission. This was in line with the funding body application requirements. These stakeholders had received feedback and letters of support for the outline principles of a stage 1 application sought.

The stage 1 application had been jointly funded by the Environment Agency and the Borough. The current speculative data was not for the public domain at this stage as it was a provisional baseline data set to inform a detailed formal and costed Stage 2 submission. There would be the need to have a full public discussion through the democratic process if the Heritage Lottery Fund awarded the Council a 'Stage 1 application'.

Redditch Borough Council with its funding partner The Environment Agency, sought professional assistance in securing a first round submission to the Heritage Lottery Fund (for the current financial year). Following advice from Heritage Lottery Fund Officers believed that the Borough could have a sound foundation for a submission for external grant aid via the Heritage Lottery Fund 'funding programme'. However, in order to give the Borough the strongest possible chance of success, Officers identified a requirement to review key elements of the data to ensure that it reflected the recent changes to the Heritage Lottery Fund 'funding objectives'.

The changes in the key outcomes for Heritage Lottery Fund funding focused more on people and communities, and it was these elements - amongst a number of other issues which needed to be addressed within the application. The application process was in two stages. The first stage sought to determine if the project would meet the objectives of the Heritage Lottery Fund and also to identify areas of the project for development (which could be funded by the Heritage Lottery Fund).

If successful in stage 1, the second stage would be progressed and would be the detailed proposal which Officers would seek Members' approval for before submission. Stage 2 applications would be required to include such items such as a business plan, restoration plans and proposals demonstrating participation and involvement of the local community."

Councillor Pulsford thanked the Leader for his detailed and comprehensive response and did not ask a subsidiary question.

- b) Question from Councillor Juliet Brunner

Councillor Brandon Clayton asked the following question on behalf of Councillor Juliet Brunner:

“2018 marks the centenary of the year that women in the UK were first granted the right to vote. The Representation of the People Act of 1918 granted the vote to women over the age of 30 who met a property qualification. Would the leader join with me to host an Equalities event, here in our town hall - the heart of our local democracy - to celebrate this momentous occasion?”

The Leader responded as follows:

“Thank you for your question

Clearly I welcome and support this landmark 100th anniversary; I am looking forward to celebrating this act which granted the right to vote for women over the age of 30.

I can advise Council that I have already been contacted by Laney Walsh, the Unison Branch Secretary here at the town hall, who has invited me and indeed all members of the Council to attend and support a Unison branch event which they are organising for the same Anniversary. I will quote from the letter:

*“We would like to celebrate with an event that profiles the huge part that women have played in (our) society since the Act in 1918. And the impact our town and our women have had on equalities”.*

I have already replied and accepted the invitation, I am sure you and all members would also wish to attend and support this event.”

Councillor Clayton confirmed that he was satisfied that the event that was being organised by Unison was a fitting tribute and he encouraged all Members to participate.

## **68. MOTIONS ON NOTICE (PROCEDURE RULE 11)**

### **a) Transition Support for Young People Leaving Care in Redditch**

A Notice of Motion had been submitted by Councillor Tom Baker-Price in respect of transition support for young people leaving care in Redditch. This was seconded by Councillor Jane Potter.

In proposing the motion Councillor Baker-Price highlighted the difficulties experienced by many young people who left the

care system, including the risks they faced in respect of falling into poverty due to their limited access to support networks. By reducing the net liability for Council Tax of care leavers until their 21<sup>st</sup> birthday, and by introducing a transitional discretionary discount scheme to enable reduction of liability for Council Tax up to and including zero from their 21<sup>st</sup> to their 25<sup>th</sup> birthdays, it was suggested that the Council could help to nurture independence amongst young care leavers.

The Children's Commissioner for England had suggested that these types of schemes could be helpful for young people leaving care. Worcestershire County Council had recently considered a Notice of Motion on a similar subject and this had received support. Motions proposing similar reviews had also been presented for Members' consideration at Wyre Forest District Council and Worcester City Council and these had been welcomed. It was estimated that if this type of scheme was introduced across the whole of Worcestershire the cost would be £17,000 per annum.

In seconding the motion Councillor Jane Potter noted that all local authorities, not just the County Council, had legal responsibilities in respect of care leavers. Young people leaving care could experience a difficult start in life and it was important to ensure that they continued to have access to sufficient support into their early adulthood.

During consideration of the Motion an amendment was proposed by Councillor Mark Shurmer which was circulated in writing at the meeting. In proposing this amendment Councillor Shurmer commented that he recognised the vulnerability of young people leaving care and their need to have access to appropriate support. However, Members were advised that there were additional implications in respect of the proposed changes to Council Tax liabilities for care leavers which he felt merited further investigation. In this context Councillor Shurmer was proposing that the subject should be reviewed in detail by the Overview and Scrutiny Committee, with the findings to be reported back to Council in six months' time.

Councillor Shurmer also noted that not every local authority that had received a proposal to introduce a similar scheme had agreed to do so. Members were advised that this could create a postcode lottery in terms of the support available to care leavers across the country. To address this Councillor Shurmer was also proposing that the Council should write to the Government requesting that consideration be given to introducing national legislation that would assist care leavers.

In seconding the amendment Councillor John Fisher concurred that it was important to provide appropriate support to young care leavers. The proposed scrutiny review would provide the Council with an opportunity to learn more about the options available to the Council in terms of potential discretionary Council Tax discount schemes. A cross-party scrutiny review could also investigate the financial implications for the Council of any such scheme and the options available to the Council in terms of funding the scheme. This would need to take into account the number of care leavers in Redditch Borough.

Following presentation of the amendment Members discussed the proposals and concerns were raised about the potential delay that could be caused by undertaking a scrutiny review of the matter. However, it was suggested that by asking for this review to be completed to report back to Council in six months' time no delays would occur as these were the same timescales as those that had been included in the original Motion. Furthermore, it was noted that the Overview and Scrutiny Committee could launch a Short, Sharp Review to investigate this matter within the timescales available.

Reference was also made to the Notice of Motion that had been agreed by Worcestershire County Council in respect of care leavers earlier in the month. Discussions had subsequently been held between the Leader of the County Council and all of the Leaders of the District Councils and the matter was due to be considered further when Leaders of the District Councils in Worcestershire met in February.

During consideration of this matter a five minute adjournment took place to provide all Members with an opportunity to consider the amendment to the Motion. Following this adjournment Councillor Tom Baker-Price, as the mover of the original Motion, confirmed that he was willing to accept the amendment as the substantive Motion.

In accordance with Council Procedure Rule 17.5, the amended Motion in respect of transition support for young people Leaving Care in Redditch was the subject the following named vote:

Members voting FOR the resolution:

Councillors Joe Baker, Tom Baker-Price, Roger Bennett, Natalie Brookes, Michael Chalk, Debbie Chance, Greg Chance, Anita Clayton, Brandon Clayton, Matthew Dormer, John Fisher, Andrew Fry, Bill Hartnett, Gay Hopkins, Wanda King, Jane Potter, Gareth Prosser, Antonia Pulsford, Mark Shurmer, Rachael Smith, Yvonne Smith, Paul Swansborough,

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David Thain, Jenny Wheeler, Pat Witherspoon and Nina Wood-Ford.

Members voting AGAINST the resolution:

No Members voted against the resolution.

Members ABSTAINING on the resolution:

No Members abstained in the vote on this resolution.

Accordingly the Motion was approved and Members

**RESOLVED that**

**The motion be agreed in the following terms:**

**This Council notes with deep concern the Children's Society's 'Wolf at the Door' report (2015) and the representations made by Kelly Pickard the Children's Commissioner on the subject of council tax for care leavers.**

**We would like to reaffirm the commitment this Council has to partnership working with Worcestershire County Council, to ensure young people who have left care are appropriately housed and supported in their transition.**

**The Children and Social Work Act 2017 clearly places corporate parenting responsibilities on District Councils for the first time, requiring them to have regard to children in care and care leavers when carrying out their functions.**

**This Council is the Council Tax billing and housing authority for the Borough of Redditch and as such recognises this group is particularly vulnerable to falling into debt when moving into independent accommodation for the first time.**

**This Council therefore requests the Overview and Scrutiny Committee to carry out a full investigation and review.**

**The objectives are to explore the available options that can be put in place to enable more support to be given; to determine how the process could work in liaison with the County Council; and to assess the financial impact to the Borough, including how we would recover a commensurate share of the necessary funding from the County Council.**

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In order to provide the maximum support possible to care leavers, the Overview and Scrutiny Committee, working with officers, are asked to bring forward proposals to this Council utilising powers granted to this Council under section 13A of the local government financing act 1992 to ensure the following:

1. Reduce their net liability for Council Tax under the national scheme and after Council Tax support to zero, until the care leaver's 21st birthday.
2. Introduce a transitional discretionary discount scheme to enable a reduction of liability for Council Tax, up to and including zero, from their 21st birthday until the care leaver's 25th birthday.

These proposals are to be presented to Council within six months of the adoption of this motion.

In order to eliminate the current postcode lottery of exemption, the Council will also write to the Government requesting that consideration is given to introducing national legislation to help care leavers.

b) War Memorial and Commemorations 2018

A Notice of Motion had been submitted by Councillor Juliet Brunner in respect of War Memorial Commemorations in 2018. In the absence of Councillor Brunner, with the Mayor's agreement, this Motion was moved by Councillor David Thain and seconded by Councillor Gareth Prosser.

In proposing the Motion Councillor Thain explained that it was important, on the centenary of the end of the First World War, to remember the sacrifices that had been made by serving men and women in the armed forces both during that conflict and in the following 100 years. There was also a need to educate children and young people about both the First World War and subsequent conflicts to ensure that they learned lessons and future generations would not experience the same loss of life.

Councillor Prosser seconded the Motion and in so doing he explained that this was an important matter that required every Member's support.

During consideration of the Motion an amendment was proposed by Councillor Greg Chance which was circulated in writing during the meeting. In proposing the amendment Councillor Chance advised that he recognised the need to remember the sacrifices that had been made by the armed

forces over the years. However, it was also important to recognise that the Royal British Legion organised the Remembrance Parade on 11<sup>th</sup> November, rather than the Council, and the local authority needed to aim to continue supporting their work.

In seconding the amendment Councillor Joe Baker noted the importance of all Members, across political parties, supporting the armed forces and service men and women. In line with this the Council had a proud history of supporting the armed forces at various civic events, including in Councillor Baker's Mayoral year.

The Leader advised Members that he had received a letter from the Royal British Legion Redditch Branch. This letter advised that the Royal British Legion was already in the early stages of organising the Remembrance Parade for 2018. The Redditch Branch of the Royal British Legion would liaise with Worcestershire County Council over road closure as well as public transport providers. Arrangements for displays of ceramic poppies were also already in the process of being organised by the Poppy Appeal Organiser for the Redditch Branch of the Royal British Legion. The letter recognised the Council's work to obtain quotes in respect of cleaning the war memorials in the Borough and welcomed the participation of elected Members in the Parade. The Council was advised that the content of this letter had been taken into account when the amendment to the Motion had been drafted.

During consideration of this matter a number of Members noted their personal connections to the Armed Forces. In some cases Members had served in the Armed Forces whilst in other cases Members had close relatives who had served or continued to serve in the forces. In every case Members noted that they were proud of this service and welcomed all events that demonstrated the respect and support of the local community.

At the end of the debate Councillor Thain, as the mover of the original Motion, confirmed that he was willing to accept the amendment as the substantive Motion.

**RESOLVED that**

**The Motion be agreed in the following terms:**

**In public Commemoration of those servicemen and servicewomen of Redditch who made the ultimate sacrifice for their country, and to mark the 100<sup>th</sup> anniversary of the signing of the armistice that ended the**

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**First World War commemoration parade and ceremonial, in Redditch of WW1 centenary 11<sup>th</sup> November 2018.**

**Redditch Borough Council will continue to acknowledge, and play its full part in enabling its citizens to acknowledge, the ultimate sacrifice of its servicemen, servicewomen, their families and all of those who supported them at home and abroad, on the anniversary of the ending of The First World War.**

**Redditch Borough Council commits to the following:**

- 1) to continue to work with the Royal British Legion, 37<sup>th</sup> Signals and Mercian Regiments and others in the organisation of a parade befitting and appropriate to the occasion;**
- 2) to appropriately cleanse and refurbish the St Stephens and Plymouth Road war memorials in consultation with, and taking the advice of, relevant organisations and bodies including The War Memorial Trust;**
- 3) To continue to support any necessary road closures which facilitate commemoration of this significant anniversary;**
- 4) that the Town Hall is made available to provide refreshments and hospitality for Veterans, Service personnel, and their families as part of commemorating this special event; and**
- 5) the Council would wish to make these commemorations and events as relevant and meaningful to the widest range of groups and individuals and would therefore welcome suggestions of appropriate ways we could lend our support or enable the marking of this very special and significant anniversary.**

## **69. EXECUTIVE COMMITTEE**

### Flexible Homelessness Support Grant (Including Homelessness Reduction Act new Burdens Funding)

Members noted that the Homelessness Reduction Act would result in significant changes to the ways that local authorities supported people who were homeless or at risk of becoming homeless. The new legislation placed a greater emphasis on preventing homelessness from occurring and Councils would need to respond accordingly.

Fees and Charges 2018/19

The Leader advised that many of the fees and charges had increased by 3.9 per cent, though some had increased by more than this, others by less and no increases had been proposed for charges for some services. Where increases over 3.9 per cent had been proposed this was to ensure that full cost recovery could occur.

Acquisition and Investment Strategy

Council was informed by the Leader that this would enable the Council to invest in land and assets both within the Borough and in locations contiguous to the borders of Redditch. However, no projects were currently being investigated.

Finance Monitoring Quarter 2 2017/18

Clarification was requested regarding the term “virement”. Members were advised that this referred to the process by which funds might be moved from one budget to another.

**RESOLVED that**

**the minutes of the meeting of the Executive Committee held on 16<sup>th</sup> January 2018 be received and all recommendations adopted.**

**70. REGULATORY COMMITTEES**

The Council considered the minutes from meetings of the Licensing Committee held on 6<sup>th</sup> November 2017 and the Planning Committee held on 15<sup>th</sup> November and 13<sup>th</sup> December 2017.

**RESOLVED that**

- 1) the minutes of the Licensing Committee meeting held on 6<sup>th</sup> November be received and adopted; and**
- 2) the minutes of the meetings of the Planning Committee held on 15<sup>th</sup> November and 13<sup>th</sup> December 2017 be received and adopted.**

**71. URGENT BUSINESS - RECORD OF DECISIONS**

There were no urgent decisions to note.

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## 72. URGENT BUSINESS - GENERAL (IF ANY)

There were no separate items of urgent business to consider at this meeting.

The Meeting commenced at 7.00 pm  
and closed at 8.52 pm

**Mayoral Events: 20/11/17 to 29/01/18**

**24/11/17** – The Three Kings Parade at Stourport – on – Severn and switching on the Christmas lights

**25/11/17** – Switching on Christmas Lights in Redditch

**27/11/17** – Attended Rotary Lunch at Abbey Park Hotel – Celebrated 70 Years of Rotary in Redditch

**30/11/17** – Attended Victorian Christmas Fair in Worcester

**01/12/17** – Attended Yule by the Pool at Batchley

**02/12/17** – Attended Redditch Choral Society Concert in memory of Alma Bright Clarke

**04/12/17** – Attended Redditch Rotary Charity Evening ‘Big Band Event’ at Trinity High School

**05/12/17** – Attended Sunset Club Christmas Party at Redditch Town Hall

**05/12/17** – Attended Redditch Pantomime ‘Snow White’ at Palace Theatre

**08/12/17** – Attended The Guild Hall Worcester for Charity evening of ‘Festive Music and Readings’

**14/12/17** – Attended Age Concern Christmas Party

**16/12/17** – Civic Festival of Nine Lessons and Carols at St Andrews Church, Droitwich

**25/12/17** – Attended a ‘Good Will Visit’ to The Alexandra Hospital to see Staff and Patients.

**13/01/18** – Bag Pack at Morrison’s with Sea Cadets – Approximately £630 for Mayoral Charity collected – Thanks to all those Councillors who helped as well.

**14/01/18** – Attended Mettis HAD Social Club for Polish Charity Day Event

**20/01/18** – Attended service to commemorate the opening of the new seat at the Garden of Remembrance with The Army Reserves – 37<sup>th</sup>

**27/01/18** – Holocaust Memorial Day at the Ecumenical Centre

**28/01/18** – Attended Redditch Spartans Cricket Club – Awards Ceremony

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## Executive Committee

Tuesday, 6 February 2018

### MINUTES

#### Present:

Councillor Bill Hartnett (Chair), Councillor Greg Chance (Vice-Chair) and Councillors Joe Baker, Juliet Brunner, Debbie Chance, Brandon Clayton, John Fisher, Mark Shurmer and Pat Witherspoon

#### Also Present:

Councillor Michael Chalk

#### Officers:

Clare Flanagan, Chris Forrester, Sue Hanley, Mark Hanwell, Dean Piper and Judith Willis

#### Democratic Services Officer:

Jess Bayley

#### 91. APOLOGIES

There were no apologies for absence.

#### 92. DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 93. LEADER'S ANNOUNCEMENTS

The Leader advised that the following items, which had been due to be considered at the meeting, had been deferred:

- Medium Term Financial Plan 2018/19 to 2021/22. Instead the Committee would be receiving an update in respect of the Council's budget during the meeting.
- The Pay Policy Statement 2018/19.
- Redditch Business Centres Review.

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Chair

# Executive Committee

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Members were asked to note that the meeting of the Executive committee immediately prior to Council on 19<sup>th</sup> February 2018 had been reinstated and would be starting at 7.00pm.

## 94. MINUTES

**RESOLVED that**

**the minutes of the meeting of the Executive Committee held on 16<sup>th</sup> January 2018 be approved as a correct record and signed by the Chair.**

## 95. ECONOMIC PRIORITIES FOR REDDITCH ANNUAL REPORT 2016-17

The Head of North Worcestershire Economic Development and Regeneration (NWEDR) presented the Economic Priorities for Redditch Annual Report 2016/17 for Members' consideration. During the presentation of this report the following matters were highlighted for Members' consideration:

- The Council's current economic priorities were agreed in 2015. Since then good progress had been achieved in delivering on these priorities.
- The local economy had performed reasonably well over the past 12 months, though was being out performed by neighbouring areas.
- In 2016 employment levels had declined when compared to 2015, though overall employment rates remained relatively positive.
- In September 2017 the NWEDR had commissioned Mr Brendan Nevin to review the economic performance of Redditch and how this fitted within the local region. This had identified a number of challenges and opportunities.
- Average earnings in Redditch were lower than the regional average.
- Links had been identified between the West Midlands economy and the economy in the Borough, with the regional economy being largely southward facing.
- Redditch Borough Council needed to work closely with the West Midlands Combined Authority (WMCA) to ensure that the economies of both prospered.
- An action plan had been developed to help improve productivity in Redditch moving forward.
- The action plan had been refreshed for Redditch and a fifth theme had been added; Connecting Redditch, to ensure the Borough was connected to the wider regional economy.

Following the presentation of the report Members discussed a number of matters in detail:

- The time taken to develop the report and action plan and the extent to which the Economic Development Theme Group and Town Centre Partnership had been engaged in this process.
- The involvement of Worcestershire County Council in developing the action plan. Members were advised that the County Council was primarily engaged through the Worcestershire Local Enterprise Partnership (LEP) and both the Worcestershire Employment and Skills Board (ESB) and the North Worcestershire ESB.
- The Council's membership of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and the WMCA.
- The choice of Redditch, as a non-constituent member of the WMCA, in which to launch the Swift Card, the West Midlands' equivalent of the London Oyster Card, and the benefits of a forthcoming launch event to help promote this card.
- The recent visit of the Mayor of the West Midlands, Andy Street, to Redditch and the discussions that had been held during this visit with regards to economic development.
- The Redditch Eastern Gateway, which had recently received planning permission from Redditch Borough Council, Bromsgrove District Council and Stratford-on-Avon District Council and the opportunities for economic development potentially arising from this site.
- The Opening Doors event at the Palace Theatre, which had provided students from local schools with an opportunity to learn about careers in different industries.
- The £1.5 million investment in a centre of excellence in respect of engineering in Redditch.
- The £5 million in funding identified for regeneration works in the town centre and the extent to which the Council had definitely secured this funding. Officers advised that the funding was provisional and subject to the submission of a robust business case, though it was anticipated this would be successful as the proposals for regenerating the town centre had received an 'A' rating on strategic fit by GBSLEP and was seen as essential to the delivery of the LEP's Strategic Economic Plan. It was anticipated that the outline business case would be submitted by the end of 2018.
- The extent to which the Redditch Town Centre Partnership had been consulted about the emerging regeneration proposals for Redditch Town Centre. Members were informed that representatives of the partnership had been consulted during the process and further engagement would take place during 2018.

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- The timescales in which a report in respect of the town centre regeneration would be presented for Members' consideration. Officers advised that this report would be presented for Members' consideration in 2018.
- The completion of the first phase of the public sector realm works on Alcester Street at a cost over £800k.
- The fee that had been charged for the work that had been undertaken by the consultants on behalf of the Council. Officers advised that they would check this and notify Members accordingly after the meeting.
- The number of business representatives regularly attending meetings of the Economic Development Theme Group. Officers acknowledged that engaging with the private sector in respect of the work of the group had been challenging but three local business representatives regularly attended meetings and efforts were being made to encourage more businesses to engage.
- The action that was being taken by NWEDR to encourage businesses to remain in the Borough. The Committee was informed that the NWEDR provided support to help businesses remain in Redditch.
- The approach adopted by NWEDR to encourage businesses to utilise business premises when these became available in the Borough.
- The level of public funding provided to projects detailed in the action plan and the potential for funding to be provided through private finance initiatives (PFI). Members were advised that a significant amount of funding from the private sector underpinned many of the projects detailed in the action plan, though there remained a need for leadership from the public sector.
- The Council's close working relationship with the Kingfisher Shopping Centre.
- The recent announcement that the Marks & Spencer retail outlet in the Kingfisher Shopping Centre would be one of a number across the country to close in spring 2018.
- The need for greater action to be taken to promote Redditch and the benefits of basing businesses in the Borough.
- The opportunities that could potentially arise from introducing an Enterprise Zone in Redditch and the role of the WMCA in helping the Council to make the case to the Government.
- The employment figures that had been provided for Redditch. Officers explained that these figures related to employment within the private sector only.
- The causes of a decline in employment within the Borough. The Committee was informed that there were multiple factors influencing this including improving productivity within organisations and increasing economic growth in areas neighbouring Redditch.

- The extent to which sufficient car parking spaces would be available in the town centre to support the night time economy if existing car parks were included in any redevelopment schemes. Members were advised that there were some car parks in the town centre that were open 24 hours a day.
- The location of a Recording Studio in the Borough and the positive impact that this had on the local economy.

**RESOLVED that**

- 1) **the annual report setting out progress against the delivery of the economic themes, priorities and Action Plan be endorsed;**
- 2) **the economic narrative set out at Appendix 1 to the report and the challenges and opportunities faced by the Borough be noted and endorsed;**
- 3) **the need for a ‘Redditch Deal’ with the West Midlands Combined Authority incorporating the proposed ‘10 point Action Plan’ as set out at paragraphs 3.19 and 3.20 to the report be endorsed;**
- 4) **the updated Economic Themes, Priorities and Action Plan set out at Appendix 2 to the report be endorsed; and**
- 5) **an annual report be brought back to this Committee in 12 months’ time.**

**96. WORCESTERSHIRE OFFICE FOR DATA AND ANALYTICS (WODA) - ENDORSEMENT OF DATA SHARING CHARTER**

The ICT Transformation Manager presented a report in respect of the Worcestershire Office for Data and Analytics (WODA). WODA had been formed in 2016 in response to work that had been undertaken by KPMG on behalf of partners in Worcestershire. The main premise of WODA was to encourage partners to share information except where there was a legal or ethical reason not to do so. The report was calling for Members to endorse the data sharing charter underpinning this data sharing arrangement.

The Worcestershire Partnership Executive Group (PEG) had initially agreed to launch a pilot. Since then a Chief Data Officer had been appointed and six business cases had been selected as the focus for data sharing. Further work needed to be undertaken in respect of staffing and infrastructure and all partners were being asked to provide a financial contribution to support WODA. The financial contribution from each partner organisation varied according to size; Redditch Borough Council was being asked to contribute

£10,000. This cost would be submitted as a budget bid in the Medium Term Financial Plan (MTFP) 2018/19 to 2021/22.

Members welcomed the report and noted that the data sharing arrangements could help partner organisations to more effectively support some of the most vulnerable members of society, such as victims of domestic violence. The committee also welcomed the application of WODA across the county, though it was noted that the base for staff would be at County Hall.

**RESOLVED that**

**Subject to the approval of the 2018/19 £10k budget bid by Council, the Worcestershire data sharing charter attached at Appendix 1 be noted and endorsed.**

**97. INDEPENDENT REMUNERATION PANEL REPORT AND RECOMMENDATIONS FOR 2018/19**

The Legal Services Manager presented the Independent Remuneration Panel's (IRP's) report and recommendations for 2018/19. Members were advised that the Council was required to take account of, though not bound by, the recommendations from the IRP. The proposals from the IRP had financial implications for the Council; if all of the Panel's proposals were accepted this would lead to an increase of £68,500 on the total projected expenditure for Members' allowances.

Members noted that the Panel comprised skilled members of the public who were completely independent from the Council. In some years the Leaders of the Council were invited to attend interviews with the Panel; this had not occurred in 2017/18. Members recognised that the allowances paid to elected Councillors at Redditch Borough Council were much lower than at other Councils in the county. However, concerns were expressed about the financial implications of approving all of the recommendations that had been made by the IRP. The Council had previously written to the Government enquiring about the possibility of allowances for Councillors being set at the national level. However, Members had been advised that this needed to be a local decision.

**RECOMMENDED that**

**having regard to the report and recommendations of the Independent Remuneration Panel (IRP):**

- 1) the Basic Allowance for 2018/19 not be increased and this continue at the current level set for 2017/18, as detailed in Appendix 1 to the IRP's report;**

- 2) **the Special Responsibility Allowances remain at the current levels set for 2017/18, as detailed in Appendix 1 to the IRP's report;**
- 3) **travel allowances for 2018-19 continue to be paid in accordance with the HMRC mileage allowance;**
- 4) **subsistence allowances for 2018-19 remain unchanged;**
- 5) **the Dependent Carer's Allowance remains unchanged; and**
- 6) **the Parish Council in the Borough, if travel and subsistence is paid, is paid in accordance with the rates paid by Redditch Borough Council and in accordance with the relevant Regulations.**

**98. HRA INITIAL BUDGET 2018/19 - 2020/21**

The Financial Services Manager presented the Housing Revenue Account (HRA) Initial Budget 2018/19 to 2020/21. Members were advised that £5.1 million had been allocated to the Housing Repairs Account for 2018/19. A total of £600k remained in balances within the HRA.

In 2017/18 to date 41 Council houses had been sold under right to buy. The Council's budget and three year forecast had assumed that the Council would sell 75 properties over a three year period. This trajectory in right to buy sales had financial implications for the Council in terms of lost revenue from rents. Members questioned the number of houses that had been sold during the past three years and Officers were asked to provide this information after the meeting.

The Committee was advised that 2018/19 was the third year in which rents for tenants in the social housing sector would be reducing by 1 per cent a year. It was uncertain whether the Government would continue to impose this after 2019/20 or introduce alternative arrangements. However, the reduction in rent had significant financial implications for the Council; the authority would otherwise have increased rents at the CPI rate of four per cent per annum. This equated to a loss of £900k in income.

Following the presentation Members discussed the report in detail and noted that the Council was responding to the increase in Right to Buy sales by investing in the Housing Growth Programme and Mortgage Rescue Scheme. The Council was also commissioning a

Stock Condition Survey so that the authority could take a more proactive approach to managing the housing stock.

Members noted that they had recently received through a Tenancy booklet which stated that total spend on repairs was £4.89 million rather than the £5.1 detailed in the report. Officers agreed to get back to Members to clarify this matter further.

Questions were also raised about the increase in funding for Supervision and Management when compared to the previous year. Officers advised that this increase was due to a range of factors including an increase in maintenance charges, the additional support for housing staff that had been required during the year and an increase in staffing costs. Officers agreed to provide a breakdown of the costs for Members' consideration after the meeting.

Capital spending was discussed by the Committee with questions being raised about the use of reserves. Officers explained that £12 million of reserves were earmarked for expenditure on the Housing Growth Programme. In addition, funding would need to be used to help pay the government back for the purchase of the Council's Housing Stock some years ago.

**RECOMMENDED that**

- 1) **the draft 2018/2019 Budget for the Housing Revenue Account attached to the report at Appendix A be approved;**
  - 2) **the budget projection for 2018/19 incorporating the 1% rent reduction be approved;**
  - 3) **the actual average rent decrease for 2018/2019 be 1%;**
  - 4) **that a capital budget of £150k be approved for a stock condition survey to be carried out**
  - 5) **that £0.876k be transferred from the general reserve in 2018/19 to fund the future HRA revenue budgets**
  - 6) **that £5.1m be transferred from the Major Repairs Reserve to fund the HRA capital programme.**
99. **MEDIUM TERM FINANCIAL PLAN 2018-19 TO 2020-21 - UPDATE REPORT**

The Financial Services Manager presented an update in respect of the MTFP 2018/19 to 2021/22. Members were advised that over

the previous three years the Council had experienced a reduction of £1.7 million in funding from the Government in the form of the Revenue Support Grant. An assumption was being made in the MTFP that the Council would be subject to a negative grant from 2019/20 onwards, though this grant arrangement was currently the subject of Government consultation. Assumptions had also been made that Council Tax would increase by 2.99 per cent in 2018/19 and 2019/20 then would increase by £5 in subsequent years of the MTFP. The report had taken into account a two per cent pay rise for staff. Remaining balances were considered to be sufficient and would not be allowed to fall below £700k.

The business rates baseline for Redditch had been set at £2.3 million. Any growth over this figure could be retained by the Council. The Council had worked with other local authorities in Worcestershire to submit a bid to form a business rates pool. However, this bid had been unsuccessful and the Council therefore remained in the GBSLEP's business rates pool.

The Council had received less in terms of New Homes Bonus (NHB) funding than had been anticipated. Unfortunately the number of Band D properties built in the Borough was below the baseline that had been set by the Government for NHB funding.

Following the presentation of the report questions were raised as to whether unidentified savings had been included in the baseline and further information in respect of this was requested for Members' consideration. Members also queried the reasons why no increase had been predicted for the figures that had been provided for business rates. Officers explained that this approach was considered to be prudent.

In the report the table summarising the Council's financial position at the time of publication had not included figures for unavoidable pressures, revenue bids / revenue impact of capital bids or for savings and additional income. Officers advised that these were being built into the baseline, though further information could be provided outside the meeting.

The debate in respect of this item concluded with Members noting that the final MTFP 2018/19 to 2021/22 would be provided for Members' consideration at the following meeting of the Executive Committee on 19<sup>th</sup> February 2018.

**RESOLVED that**

**Officers be asked to continue to review the savings and pressures with the aim to ensure the MTFP shows a balanced position for 2018/19.**

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## 100. OVERVIEW AND SCRUTINY COMMITTEE

The minutes of the meeting of the Overview and Scrutiny Committee held on 11th January 2018 were considered. Officers confirmed that there were no recommendations from the Committee for Members' consideration.

### **RESOLVED that**

**the minutes of the meeting of the Overview and Scrutiny Committee held on 11<sup>th</sup> January 2018 be noted.**

## 101. MINUTES / REFERRALS - OVERVIEW AND SCRUTINY COMMITTEE, EXECUTIVE PANELS ETC.

The Committee was informed that there were no additional referrals or recommendations for Members' consideration at this meeting.

## 102. CORPORATE PARENTING STEERING GROUP - VERBAL UPDATE

Councillor Baker, the Council's representative on the Corporate Parenting Steering Group, advised that there were no updates to provide.

## 103. ADVISORY PANELS - UPDATE REPORT

Members considered and noted the content of the Advisory Panels Update Report.

The Meeting commenced at 7.00 pm  
and closed at 9.00 pm

REDDITCH BOROUGH COUNCIL**EXECUTIVE COMMITTEE**6<sup>th</sup> February 2018**REPORT OF THE INDEPENDENT REMUNERATION PANEL –  
RECOMMENDATIONS FOR MEMBERS' ALLOWANCES FOR 2018-19 AND THE  
MEMBERS ALLOWANCES SCHEME**

|                              |  |
|------------------------------|--|
| Relevant Portfolio Holder    | Councillors B Hartnett, Leader and J Fisher, Portfolio Holder for Corporate Management |
| Portfolio Holder Consulted   | Yes  |
| Relevant Head of Service     | Claire Felton  |
| Ward(s) Affected             | All  |
| Ward Councillor(s) Consulted | N/A  |
| Non-Key Decision             |  |

**1. SUMMARY OF PROPOSALS**

Each Council is required by law to have an Independent Remuneration Panel (IRP) which recommends the level of allowances for Councillors. The Panel is made up of five suitably skilled members of the public who are completely independent of the Borough Council. It also makes recommendations to four other District Councils in Worcestershire. The Panel's report is enclosed for consideration by the Executive Committee and ultimately by the Council.

**2. RECOMMENDATIONS**

**The Committee is asked to consider the report and recommendations and RECOMMEND to Council**

**2.1 whether or not to accept all, some or none of the recommendations of the Independent Remuneration Panel for 2018-19;**

**2.2 having considered the Panel's report and recommendations, whether or not changes are required to the Council's scheme of allowances for Members arising from this.**

**3. KEY ISSUES****Financial Implications**

- 3.1 If the Council was to accept the Panel's recommendations in full, the budget for Members' basic and special responsibility allowances for 2018-19 would be approx. £209,900. This would be an increase of £68,500 on the projected total expenditure for the same allowances in the current year. A financial pressure would have to be included within the budget projections to support this additional funding.

**EXECUTIVE COMMITTEE**6<sup>th</sup> February 2018

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**Legal Implications**

- 3.2 The Council is required to “have regard” to the recommendations of the Panel. However, it is not obliged to agree to them. It can choose to implement them in full or in part, or not to accept them.
- 3.3 If the Council decides to review its scheme of allowances for Councillors, it is also required to take into account recommendations from the Panel before doing so.

**Service/Operational Implications**

- 3.4 There are no direct service or operational implications arising from this report. Once the Council has agreed the allowances for 2018-19 Officers will update and publish the Members’ Allowances Scheme as appropriate.

**Customer/Equalities and Diversity Implications**

- 3.5 None arising from this report.

**4. RISK MANAGEMENT**

Payments to Councillors can be a high profile issue. The main risks are reputational. However, the Council is transparent about the decisions made on allowances. The Allowances scheme and sums paid to Councillors each year are published on the Council’s website.

**5. APPENDICES**

Appendix 1 - Report and recommendations from the Independent Remuneration Panel for 2018-19.

**6. BACKGROUND PAPERS**

Members Allowances Scheme – in the Council Constitution at part 18:

<http://moderngovwebpublic.redditchbc.gov.uk/ieListDocuments.aspx?CId=379&MId=2511&Ver=4>

**AUTHOR OF REPORT**

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**Independent Remuneration Panel  
for Worcestershire District Councils**

**Annual Report and Recommendations for 2018-19**

**Redditch Borough Council**

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**December 2017**

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**Recommendations**

**The Independent Remuneration Panel recommends to Redditch Borough Council the following:**

- 1. That the Basic Allowance for 2018-19 is £4,350 representing approximately a 1% increase.**
- 2. That the Special Responsibility Allowances are as set out in Appendix 1.**
- 3. That travel allowances for 2018-19 continue to be paid in accordance with the HMRC mileage allowance.**
- 4. That subsistence allowances for 2018-19 remain unchanged.**
- 5. That the Dependent Carer's Allowance remains unchanged.**
- 6. That for Parish Council in the Borough, if travel and subsistence is paid, the Panel recommends that it is paid in accordance with the rates paid by Redditch Borough Council and in accordance with the relevant Regulations.**

## **Introduction**

The Independent Remuneration Panel (IRP) has been appointed by the Council to carry out reviews of the allowances paid to Councillors, as required by the Local Government Act 2000 and subsequent legislation. The Panel has carried out its work in accordance with the legislation and statutory guidance.

The law requires each Council to "have regard" to the recommendations of the Independent Panel. We noted that Allowances were not increased and that travel allowances would continue to be paid in accordance with the HMRC mileage allowance.

At this point we would like to stress that our recommendations are based on thorough research and benchmarking. We have presented the Council with what we consider to be an appropriate set of allowances to reflect the roles carried out by the Councillors. The purpose of allowances is to enable people from all walks of life to become involved in local politics if they choose.

The Panel does however acknowledge that in the current challenging financial climate there are difficult choices for the Council to make. Ultimately it is for the Council to decide how or whether to adopt the recommendations that we make.

## **Background Evidence and Research Undertaken**

There is a rich and varied choice of market indicators on pay which can be used for comparison purposes. These include:

- National survey data on a national, regional or local level;
- Focussed surveys on a particular public sector;
- Regular or specific surveys
- Use of specific indices to indicate movement in rewards or cost of living.

As background for the decisions taken by the Panel this year we have:

- Analysed and considered the Annual Survey of Hours and Earnings (ASHE) statistics for 2017 which gives the mean hourly wage rate for Worcestershire at £15.26 an increase of 3.6% but the Local Government Public Sector increase was capped at 1% which has been adopted.
- Benchmarked the Basic Allowance against allowances for comparable roles paid by the Chartered Institute of Public Finance and Accountancy (CIPFA) "Nearest Neighbour" Councils for each authority.

We give more details about these areas of research at the end of the report.

In 2015, Worcester City Councillors recorded time spent on Council business for a number of weeks. This enabled the Panel to confirm the number of hours per week for front line councillors, which is used to calculate the recommended basic allowance. More detail is given about this under the Basic Allowance heading later in the Report.

The figure being recommended by the Panel of £4,350 for the Basic Allowance appears reasonable and appropriate when compared to other Local Authorities.

Arising from our research, in **Table 1** we have included information showing the Members' allowances budget for Basic and Special Responsibility Allowances paid for 2016-17 as a cost per head of population for each Council. To give context, we have included details of the proportion of net revenue budget spent by each Council on basic and Special Responsibility allowances.

In **Table 2** we show the average payment per member of each authority of the Basic and Special Responsibility Allowances, which illustrates the balance between the level of Special Responsibility Allowances paid and the Basic Allowance.

**Table 1 - Total spend on Basic and Special Responsibility Allowances (SRA) as a cost per head of population 2016-17 figures**

| <b>Authority, population<sup>1</sup> and number of Councillors</b> | <b>Total spend Basic Allowances</b> | <b>Total spend on SRA</b> | <b>SRA as a percentage of total Basic Allowance</b> | <b>Cost of total basic and SRA per head of population</b> | <b>Total of basic and SRA as a percentage of Net General Revenue Fund expenditure</b> |
|--|-------------------------------------|---------------------------|---|---|---|
|  | <b>£</b>                            | <b>£</b>                  | <b>%</b>  | <b>£</b>  | <b>%</b>  |
| Bromsgrove DC (31)<br>96,800                                       | 133,270                             | 60,553                    | 45.42   | 2.00  | 1.62  |
| Malvern Hills DC (38)<br>75,339                                    | 159,138                             | 65,093                    | 41.00   | 2.98  | 2.50  |
| Redditch Borough (29)<br>85,000                                    | 95,019                              | 38,852                    | 40.89   | 1.58  | 1.17  |
| Worcester City (35)<br>100,405                                     | 147,385                             | 65,004                    | 44.10   | 2.11  | 1.82  |
| Wychavon (45)<br>118,738   | 189,934                             | 69,800                    | 36.75%  | 2.21  | 2.08  |

<sup>1</sup> ONS population figures mid 2017. Totals for Basic and Special Responsibility allowances paid are as published by each authority for the 2016-17 financial year.

**Table 2 - Average allowance per Member of each authority (Basic and Special Responsibility Allowances, 2016 – 17 figures)**

| <b>Authority (number of Councillors)</b> | <b>Amount £</b> |
|--|-----------------|
| Bromsgrove District (31)                 | 6,251           |
| Malvern Hills District (38)              | 5,901           |
| Redditch Borough (29)                    | 4,616           |
| Worcester City (35)                      | 6,068           |
| Wychavon District (45)                   | 5,772           |

### **Basic Allowance 2018 - 19**

#### **Calculation of Basic Allowance**

The Basic Allowance is based on:

- The roles and responsibilities of Members; and
- Their time commitments – including the total average number of hours worked per week on Council business.

We then apply a public service discount of 40% to reflect that Councillors volunteer some of their time to the role.

The Basic Allowance is paid to all Members of the Council.

Whilst each council could set out role descriptions for councillors, the Panel notes that each councillor may carry out that role differently, reflecting personal circumstances and local requirements. However, we consider the Basic Allowance to include Councillors' roles in Overview and Scrutiny, as any non-Executive member of the Council is able to contribute to this aspect of the Council's work. It is for this reason that we do not recommend any Special Responsibility Allowance for members of the Overview and Scrutiny Committee. We also consider that ICT could be included in the Basic allowance as it is generally more readily available to individuals than in previous years. However, we are comfortable that specific local decisions may be made about how ICT support is provided.

As mentioned earlier, in 2015 Worcester City Councillors recorded the time spent per week on Council business for a number of weeks during the early autumn. This was considered to reflect an appropriate "average" period of time for meetings and other commitments. The results from this survey showed that the average input was 10 hours and 50 minutes per week. This figure matches the one used for a number of years by the Panel, based on previous research with constituent councils, to calculate the basic allowance.

We reviewed the levels of wage rates for Worcestershire as set out in the ASHE data (details in appendix 2) and the benchmark information available to us from the Chartered Institute of Public Finance and Accountancy (CIPFA) "nearest neighbours" authorities as part of our research into the level of basic allowance recommended. We are also aware that the majority of local government employees received a 1% increase in pay in April 2017.

The calculation used to arrive at the Basic allowance is set out at appendix 2.

## **Special Responsibility Allowances (SRA) 2018-19**

### **General Calculation of SRAs**

The basis for the calculation of SRAs is a multiplier of the Basic Allowance as advocated in the published Guidance.

The Panel has reviewed the responsibilities of each post, the multipliers and allowances paid by similar authorities. As in previous years, the Panel has benchmarked the allowances against those paid by authorities listed as "nearest neighbours" by CIPFA.

The Panel has been asked on occasions to consider recommending SRA's for Vice-Chairmen of Committees. Having considered evidence presented to us and the nature of the roles, as a principle the Panel does not recommend SRA's for Vice-Chairman roles.

Appendix 1 to this report sets out the allowances recommended for 2018-19.

### **Mileage and Expenses 2017-18**

The Panel notes that the Council has used the HMRC flat rate for payment of mileage for Councillors and recommends that this continues.

The Panel is satisfied that the current levels of subsistence allowances are set at an appropriate level and recommends that these continue.

The Panel notes that the Council's Scheme of Members' Allowances provides that Dependant Carer Allowances are payable to cover reasonable and legitimate costs incurred in attending approved duties and recommends that this provision continues.

### **Allowances to Parish Councils 2017-18**

The Independent Remuneration Panel for Worcestershire District Councils acts as the Remuneration Panel for the Parish Councils in each District.

This year the Panel has not been asked to make recommendations on any matters by any Parish in Bromsgrove/Malvern Hills/Redditch/Worcester City/ Wychavon.

### **The Independent Remuneration Panel**

The Members' Allowances Regulations require Local Authorities to establish and maintain an Independent Remuneration Panel. The purpose of the Panel is to make recommendations to the authority about allowances to be paid to Elected Members and Local Authorities must have regard to this advice. This Council's Independent Remuneration Panel is set up on a joint basis with 4 of the other 5 District Councils in Worcestershire. Separate Annual Reports have been prepared for each Council.

The members of the Panel are:

**Bill Simpson MBE JP, the Chair of the Panel** - - Bill spent 30 years in Further Education culminating in 11 years as Principal of Pershore College. He then entered the private sector as Director of two national Horticultural Societies, one being the Royal Horticultural Society. He served as a magistrate for 9 years until retirement. He is a Trustee of several charities including charring Thrive – the national Society for Horticultural Therapy between 1993 and 2008. A Past President of the professional Institute of Horticulture he returned to the Council in 2012 to achieve chartership with the Royal Charter being awarded in 2014. Currently he is Vice Chair of Governors of Red Hill CE Primary School Worcester and a Chair/Member of the County Council, Academy and Diocesan Panels for Schools Preferences Appeals. Appointed a Member of the British Empire (MBE) in 2011 for services to horticulture and the local community.

**Rob Key** – Rob has 42 years’ experience of working in District Councils in a variety of operational and management roles, including senior positions at Worcester City, Wychavon District and Wyre Forest District. He was an Independent Chair for the Strategic Health Authority for Continuing Care and sits on County Council Appeals Panels for School Preference Appeals and Service Complaints.

**Elaine Bell, JP, DipCrim** – Elaine has been a Magistrate for 20 years on the South Worcester Bench. She was Deputy Chair of the Bench for 5 years, standing down in July 2014 when bench boundaries changed. She was Chair of the Bench Training and Development Committee for 9 years, and sat on the Magistrates Advisory Panel for 9 years (interviewing and selecting applicants for appointment as Magistrates). She sits as Chair in both Adult and Family courts in the newly constructed Worcestershire Bench stretching geographically from Hereford, Kidderminster, Redditch and Worcester. She is also Chair of the Lloyds Educational Foundation, past member of Sytchampton School Appeals Panel; Past Hon Treasurer of Ombersley and Doverdale Tennis Club and a Past Governor of Ombersley Primary School.

**Terry Cotton** - Terry spent 34 years working in central and local Government, mostly managing regeneration programmes across the West Midlands. Until May 2011 he worked at The Government Office for The West Midlands where he was a Relationship Manager between central and local Government and a lead negotiator for local performance targets. Following voluntary early retirement in May 2011, he worked in Birmingham's Jewellery Quarter; setting up a new business led community development trust and currently works part-time for Worcestershire County Council. He is also a trustee of a small charitable trust providing grants to grass roots community initiatives in deprived communities.

**Don Barber** – After several Human Resources and Productivity Improvement Management roles in Industry, Don became Chief Executive of a change management facilitating consultancy. Over the last 20 years he has been an independent consultant and advisor on a number of United Nations, European Commission, and World Bank transition projects, in particular in Europe, Africa, Asia, and Australasia. He also operates in an advisory role to other consultancy groups seeking EU contracts. This experience has included the development of national civil service/public sector reform programmes including aspects of the effect of legislative change for central and local government and, in the U.K., working for the Office of Manpower Economics (advisors to the Prime Minister) on Public Sector Pay, in particular relating to: Civil Service Pay Reform, UK Armed Forces and the Medical Professions.

The Panel has been advised and assisted by:

- Claire Chaplin and Margaret Johnson from Worcester City Council;
- Darren Whitney from Bromsgrove and Redditch Councils;
- Mel Harris from Wychavon District Council;
- Matthew Box from Malvern Hills District Council.

The Panel wishes to acknowledge its gratitude to these officers who have provided advice and guidance in a professional and dedicated manner.

**Bill Simpson, Chairman of Independent Remuneration Panel**

## Appendix 1

**Independent Remuneration Panel for District Councils in Worcestershire  
Recommendations for 2018-19**

**Redditch Borough Council**

| <b>Role</b>  | <b>Recommended<br/>Multiplier</b> | <b>Current<br/>Multiplier</b> | <b>Recommended<br/>Allowance<br/>£</b> | <b>Current<br/>Allowance<br/>(paid)<br/>£</b> |
|--|-----------------------------------|-------------------------------|--|---|
| <b>Basic Allowance –<br/>all Councillors</b>                                 | 1                                 | 1                             | 4,350                                  | 3,350   |
| <b>Special Responsibility Allowances:</b>                                    |                                   |                               |  |   |
| <b>Leader</b>  | 3                                 | 2                             | 13,050                                 | 6,697 plus<br>1,560 as<br>portfolio<br>holder |
| <b>Deputy Leader</b>   | 1.75                              | 1.4                           | 7,613                                  | 4,697 plus<br>1,560<br>portfolio<br>holder    |
| <b>Portfolio Holders</b>   | 1.5                               | 0.46                          | 6,525                                  | 1,560   |
| <b>Executive<br/>Members without<br/>portfolio</b>                           | ****                              | 0.32                          | *****                                  | 1,072   |
| <b>Chairman of<br/>Overview and<br/>Scrutiny<br/>Board/Committee</b>         | 1.5                               | 0.6                           | 6,525                                  | 2,009   |
| <b>Chairman of<br/>Overview and<br/>Scrutiny Task<br/>Groups</b>             | 0.25                              | 0                             | 1,088                                  | 0   |
| <b>Members of<br/>Overview and<br/>Scrutiny<br/>Committee</b>                | 0                                 | 0.32                          | 0                                      | 1,072   |
| <b>Chairman of<br/>Audit,<br/>Governance and<br/>Standards<br/>Committee</b> | 0.25                              | 0                             | 1,075                                  | 0   |

| <b>Role</b>                            | <b>Recommended Multiplier</b> | <b>Current Multiplier</b> | <b>Recommended Allowance<br/>£</b> | <b>Current Allowance (paid)<br/>£</b> |
|--|-------------------------------|---------------------------|------------------------------------|---------------------------------------|
| <b>Chairman of Planning Committee</b>  | 1                             | 0.466                     | 4,350                              | 1,560                                 |
| <b>Chairman of Licensing Committee</b> | 0.75                          | 0.4                       | 3,263                              | 1,340                                 |
| <b>Political Group Leaders</b>         | 0.25                          | 0.31                      | 1,088                              | 1,040                                 |

**Appendix 2****Summary of Research**

Chartered Institute of Public Finance and Accountancy (CIPFA) "Nearest Neighbour" authorities tool.

No two Councils or sets of Councillors are the same. Developed to aid local authorities in comparative and benchmarking exercises, the CIPFA Nearest Neighbours Model adopts a scientific approach to measuring the similarity between authorities. Using the data, Redditch Borough Council's "nearest neighbours" are:

- Tamworth Borough Council
- Gloucester City Council
- Stevenage Borough Council
- Kettering Borough Council
- Worcester City Council
- Cannock Chase District Council

Information on the level of Basic and Special Responsibility Allowances was obtained to benchmark the levels of allowances recommended to the Council.

Annual Survey of Hours and Earnings (ASHE) Data on Pay

<https://www.nomisweb.co.uk/articles/980.aspx>

Table 8.6a – hourly pay for all employees by local authority place of residence

Published by the Office for National Statistics, the Annual Survey of Hours and Earnings (ASHE) shows detailed information at District level about rates of pay. For benchmarking purposes the Panel uses the levels for hourly rates of pay excluding overtime. This is multiplied by 11 to give a weekly rate, which is then multiplied by 44.4 weeks to allow for holidays.. This was the number of hours spent on Council business by frontline Councillors which had been reported in previous surveys and substantiated by a survey with Worcester City Councillors in the autumn of 2015. The rate is then discounted by 40% to reflect the element of volunteering that each Councillor undertakes in the role.

CPI (Consumer Price Inflation)

In arriving at its recommendations the Panel has taken into account the latest reported CPI figure available to it, published by the Office for National Statistics. This was 3% for October 2017 – October 2018.

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**HOUSING REVENUE ACCOUNT BUDGET 2018/19**

|                            |  |
|----------------------------|--|
| Relevant Portfolio Holder  | Councillor Mark Shurmer, Portfolio Holder for Housing                                      |
| Portfolio Holder Consulted | Yes  |
| Relevant Head of Service   | Jayne Pickering, Director Finance & Resources<br>Judith Willis, Head of Community Services |
| Wards Affected             | All Wards  |
| Ward Councillor Consulted  | N/A  |
| Key Decision               |  |

**1. SUMMARY OF PROPOSALS**

To present Members with the Initial Budget for the Housing Revenue Account and the proposed dwelling rents for 2018/2019.

**2. RECOMMENDATIONS**

The Committee is asked to **RECOMMEND** that

- 1) the draft 2018/2019 Budget for the Housing Revenue Account attached to the report at Appendix A be approved;
- 2) the budget projection for 2018/19 incorporating the 1% rent reduction be approved;
- 3) the actual average rent decrease for 2018/2019 be 1%;
- 4) that a capital budget of £150k be approved for a stock condition survey to be carried out
- 5) that £0.876k be transferred from the general reserve in 2018/19 to fund the future HRA revenue budgets
- 6) that £5.1m be transferred from the Major Repairs Reserve to fund the HRA capital programme.

**3. KEY ISSUES**

Financial Implications

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- 3.1 This report only considers those items included in the Housing Revenue Account (HRA). General Fund items will be considered separately when setting the Council Tax.
- 3.2 The rent increase that would have applied in 2018/19, if it were not for the Welfare Reform and Work Act 2016, would have been 4%, September CPI plus 1% which would have generated over £900k additional income to fund the Housing Service.
- 3.3 As members are aware the system of housing revenue account subsidy ceased on the 31st March 2012 and was replaced with a devolved system of council housing finance called self-financing. The proposal in the form of a financial settlement meant a redistribution of the 'national' housing debt. This resulted in the Council borrowing £98.9m from the Public Works Loan Board.
- 3.4 Self-financing has placed a limit (Debt Cap) on borrowing for housing purposes at the closing position for 2011/12. This is set at £122.2m. The figures at Appendix A allow for the payment of interest on this sum. It is worth advising members that the Government have announced a policy of lifting this cap and enabling Councils in high need to bid for additional borrowing from 2019/20.
- 3.5 The Welfare Reform and Work Act 2016 set out that rents within the social housing sector are to be decreased by 1% each year for 4 years commencing on 1st April 2016. This decrease is to take place on the 1st April for 2016, 2017, 2018 and 2019. 2018/19 will be the third year of a 1% rent reduction.
- 3.6 There has also been an increased number of right to buy sales reducing rent income to the HRA, which is set to continue.

2018/19

- 3.7 For 2018/19, based on the legislative changes, the actual average rent decrease for 2018/19 will be 1%. The average rent on a 52 week basis will be £77.80 for 52 weeks or £84.29 on a 48 week basis. This compares to the average for 2017/18 on a 52 week basis of £78.59 and £85.14 on a 48 week basis. See Appendix B for examples of rent by property type.
- 3.8 The impact of the 1% rent reduction over four years has a significant negative impact on the HRA. The HRA projected budget for 2018/19 has been included in Appendix A. This identifies that reserves will be required to balance the account.

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- 3.9 New housing stock purchased through the right to buy one for one replacement scheme will help balance the account and work is currently being undertaken to explore the extent that this can be maximised.

Capital Resources

- 3.10 In April 2013 the Government gave local authorities the option to retain these receipts in agreement that they would be used to replace the sales with either new build, buy back of properties or purchase on the open market (new stock). In the case where these receipts are not used then the Council will have to pay a back the capital receipts to the Government together with interest at 4% above base rate. Redditch has opted to retain the receipts.
- 3.11 The transitional period for the Major Repairs Allowance expired at the end of 2016/17 and was replaced from 2017/18 by component depreciation. Component depreciation is similar to a sinking fund where money is set aside annually so that there is enough to replace key components when required. The key components being bathrooms, kitchens, roof, wiring, boiler, central heating system, windows and structure. This should ensure there are sufficient resources set aside to meet future investment requirements. The cost is built into the projection attached as Appendix A.

Housing Repairs Account

- 3.12 The budgeted contribution to the Housing Repairs Account ( Repairs and Maintenance) as shown at Appendix A is £5.1m for 2018/19, including inflationary increases where appropriate.

Right to Buy Scheme - Rent Income

- 3.13 In 2017/18 41 council homes have been sold to date. The budget and three year forecast assumes 75 right to buys per annum and this equates to a rent loss of £200k per annum. Over three years the rent loss totals nearly £600k.

Housing Revenue Account Balances

- 3.14 The Section 151 Officer has previously advised Members on the minimum level of revenue balances to be maintained in lieu of unforeseen events affecting the Housing Revenue Account and the Council's housing stock. Members have previously approved the retention of a minimum balance of £600k.

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Legal Implications

- 3.15 Section 76 of the Local Government and Housing Act 1989 requires that the Council sets its budget relating to the Housing Revenue Account such that the account does not plan to be in a deficit position.
- 3.16 Section 21 of the Welfare and Reform Act 2016 requires 'In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months.'

Service/Operational Implications

- 3.17 The Council needs to approve the rents in a timely manner in order to allow officer time to notify the tenants of the annual rent. Tenants must have 28 calendar days' notice of any change to their rent charge.

Customer/Equalities and Diversity Implications

- 3.18 The rent decrease will be applied by the same percentage regardless of property size. The 2018/19 Budget provides for continuity of existing services. The equality and diversity implications of the changes will be evaluated and considered as part of the decision making process.

**4. RISK MANAGEMENT**

- 4.1 There is a risk to the HRA Capital Programme if sufficient resources do not exist within the Housing Revenue Account to provide funding now that the Council is unable to borrow to fund the housing capital programme.
- 4.2 The risk continues to be recorded in the Risk Register for the Council.

**5. APPENDICES**

Appendix A - Housing Revenue Account Budget 2018/19

**6. BACKGROUND PAPERS**

None.

**AUTHOR OF REPORT**

Name: Chris Forrester

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**HOUSING REVENUE ACCOUNT (HRA) - 2018/19**

|   | <b>2017/18<br/>Budget<br/>£'000</b> | <b>2018/19<br/>Budget<br/>£'000</b> |
|---|-------------------------------------|-------------------------------------|
| <b><u>INCOME</u></b>                          |                                     |                                     |
| Dwelling Rents                                | 23,387                              | 22,805                              |
| Non-Dwelling Rents                            | 499                                 | 483                                 |
| Tenants' Charges for Services & Facilities    | 591                                 | 648                                 |
| Contributions towards Expenditure             | 54                                  | 18                                  |
| <b>Total Income</b>                           | <b>24,531</b>                       | <b>23,954</b>                       |
| <b><u>EXPENDITURE</u></b>                     |                                     |                                     |
| Repairs & Maintenance                         | 5,037                               | 5,187                               |
| Supervision & Management                      | 7,353                               | 8,542                               |
| Rent, Rates, Taxes & Other Charges            | 189                                 | 149                                 |
| Provision for Bad Debts                       | 400                                 | 400                                 |
| Depreciation & Impairment of Fixed Assets     | 5,597                               | 6,129                               |
| Interest Payable & Debt Management Costs      | 4,179                               | 4,179                               |
| <b>Total Expenditure</b>                      | <b>22,754</b>                       | <b>24,586</b>                       |
| <b>Net cost of Services</b>                   | <b>-1,778</b>                       | <b>632</b>                          |
| <b>Net Operating Expenditure</b>              | <b>-1,778</b>                       | <b>632</b>                          |
| Interest Receivable                           | -53                                 | -36                                 |
| Revenue Contribution to Capital Outlay (RCCO) | 1,050                               | 280                                 |
| Transfer to/(from) general reserves           | 0                                   | -876                                |
| Transfer to/(from) Earmarked Reserves         | 781                                 | 0                                   |
| <b>(Surplus)/Deficit on Services</b>          | <b>0</b>                            | <b>0</b>                            |
| <b><u>HOUSING REVENUE ACCOUNT BALANCE</u></b> |                                     |                                     |
| Surplus as at beginning of year               | 1,476                               | 1,476                               |
| Surplus/(deficit) for year                    | 0                                   | -876                                |
| Surplus as at end of year                     | 1,476                               | 600                                 |
| <b><u>CAPITAL ACCOUNT</u></b>                 |                                     |                                     |
| <b><u>Expenditure</u></b>                     |                                     |                                     |
| Repairs & Maintenance Capital Programme       |                                     | 3,000                               |
| Disabled Adaptations                          |                                     | 696                                 |
| Environmental Improvements                    |                                     | 375                                 |
| Housing Growth (1-4-1 purchases)              |                                     | 1,902                               |
|   |                                     | <u>5,973</u>                        |
| <b><u>Financing</u></b>                       |                                     |                                     |
| Major Repairs Reserve (MRR)                   |                                     | -5,123                              |
| Direct Revenue Financing (RCCO)               |                                     | -280                                |
| Right To Buy Receipts                         |                                     | -571                                |
|   |                                     | <u>-5,973</u>                       |

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REDDITCH BOROUGH COUNCIL**EXECUTIVE**19<sup>th</sup> February 2018**MEDIUM TERM FINANCIAL PLAN 2018/19 – 2021/22**

|                            |                                  |
|----------------------------|----------------------------------|
| Relevant Portfolio Holder  | John Fisher                      |
| Portfolio Holder Consulted | Yes                              |
| Relevant Head of Service   | Jayne Pickering ( Exec Director) |
| Wards Affected             | <b>All</b>                       |
| Ward Councillor Consulted  | None specific                    |

**1. SUMMARY OF PROPOSALS**

- 1.1 To enable Members to consider the officer recommendations for the General Fund revenue and capital budget 2018/19 – 2021/22.

**2. RECOMMENDATIONS****2.1 Executive is asked to recommend to Full Council**

**2.1.1 Approve the additional income / efficiencies as attached at Appendix 1:**

2018/19 £708k

2019/20 £18k

**2.1.2 Approve the unavoidable pressures as attached at Appendix 2:**

2018/19 £869k

**2.1.3 Approve the Revenue bids as attached at Appendix 3:**

2018/19 £10k

**2.1.4 Approve the Capital Programme bids as attached at Appendix 4:**

2018/19 £676k

2019/20 £560k

2020/21 £1.257m

2021/22 £2.772m

**2.1.5 The approval of the return / release from balances of :**

2018/19 £85k (release from balances)

- 2.1.6 Approval of the Increase of Council Tax by 2.99% per Band D equivalent for 2018/19**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 Over the last 3 years the Council has faced a reduction in Government funding of £1.7m in Revenue Support Grant with further cuts faced in the future as detailed below. The Council's Medium Term Financial Plan (MTFP) provides the framework within which the revenue and capital spending decisions can be made over a 4 year period. The plan addresses how the Council will provide financial funding to the Strategic Purposes and ensure residents receive quality services to meet their needs in the future. The Purposes that drive the financial considerations are:
- Help me find somewhere to live in my locality
  - Provide good things for me to see, do and visit
  - Help me live my life independently
  - Help me run a successful business
  - Help me be financially independent
  - Keep my place safe and looking good
- 3.2 When reviewing the budget projections officers consider the impact of demand on service and the costs associated with this demand. This may result in additional costs (associated with maintaining current service delivery) or reductions in anticipated income revenue over the next 4 years. The recommendations included within the current financial position at 3.15 are those assessed by officers as being areas where cost saving can be made to enable a balanced budget over the 4 year financial planning period. These potential service changes to realise savings are therefore included in the current projections for members consideration.
- 3.3 As Members are aware there continue to be considerable pressures facing the Council over the next 4 years as a result of a number of issues including:
- Potential further reductions in New Homes Bonus Grant
  - Impact of Negative Revenue Support Grant currently estimated at £330k in 2019/20. There is a consultation paper expected on this in Spring 2018.
  - Impact of the Localisation of Business Rates scheme which is now deferred to 2020/21.
  - Impact of the fair funding review which is to be implemented in 2020/21.
- 3.4 Officers will continue to work with our partners to identify the costs that may be associated with some of these changes.

**EXECUTIVE**19<sup>th</sup> February 2018**Government Funding****3.5 Settlement**

3.5.1 The provisional settlement was announced in mid-December 2017. A number of issues were included within the information, including;

- Local Government Funding Reform to be implemented in 2020/21. A Consultation paper to be published in Spring 2018.
- Advised that the Business Rates Baseline reset will be in 2020/21
- From 2020/21 all grants to be included in Business Rates Retention
- Council Tax – can increase Council Tax by 3% (previously 2%) without a referendum for both 2018/19 & 2019/20. This would increase Council Tax by approximately £40k.
- Business Rate Pilots – Worcestershire not approved as a pilot. Potential for further rounds of bidding. Therefore Redditch will remain in GBS Pool for 2018/19
- No changes to New Homes Bonus
- Advised that there will be consultation in Spring 2018 in relation to “negative “ grant – currently £330k in 2019/20

**3.6 Formula Grant**

3.6.1 This Council in common with virtually every other Council in the country signed up to the government offer of a four year funding settlement. This brought more certainty to the funding figures but not complete certainty or protection from changes to the funding levels as described below.

3.6.2 The formula grant provisional settlement for 2018/19 was notified in December. This represents a 60% decrease when compared with our grant for 2016/17 as shown in the table below:

| <b>Financial Year</b> | <b>RSG received<br/>£'000</b> | <b>Actual Reduction<br/>£'000 (%)</b> |
|-----------------------|-------------------------------|---------------------------------------|
| 2015/16               | 1,567                         |                                       |
| 2016/17               | 901                           | 666 (42%)                             |
| 2017/18               | 363                           | 538 (60%)                             |
| 2018/19               | 35                            | 328 (90%)                             |

3.6.3 Within the current projections there is an assumption that a repayment will be made to Government in 2019/20. This is due to the calculated core spending power for the Council being less than the estimated funding received. For 2019/20 the provisional settlement provides for a £331k repayment. Officers have projected that this will continue into 2020/21 and 2021/22.

**EXECUTIVE**19<sup>th</sup> February 2018**3.7 Business Rates**

- 3.7.1 For 2018/19 the government assessed baseline for business rates is £2.2m. If business rates grow above the baseline, then this council keeps a proportion of that funding. The Council is part of the Greater Birmingham and Solihull (GBS) Business Rates Pool and this enables the levy to go into the pool for regeneration projects rather than returned to Central Government. The Council had submitted a bid to form part of a Worcestershire wide Business Rates pilot which would have enabled more income to be retained in the Borough. Unfortunately the council has been advised that the Worcestershire bid was unsuccessful and therefore will remain in the GBS Pool for 2018/19.
- 3.7.2 Within the settlement the Government advised that a reset to Business Rates will be made in 2020/21 which will coincide with the proposed changes to Business Rates within the Business Rates retention framework. Further consultation on this scheme is expected in 2018.

**3.8 New Homes Bonus (NHB)**

- 3.8.1 The amount of NHB for 2018/19 has been confirmed as £674k which is £196k less than the £870k anticipated within the MTFP.
- 3.8.1 The Government announced in the settlement figures a reduction in the number of years for which NHB payments are made from six to four and a transitional year in 2017/18 where five years are payable to the authority. They also announced that NHB would not be paid for what they term as baseline growth, or housing growth that would happen naturally. This equates to a 0.4% levy that discounts the circa 126 additional houses in Redditch each year from the NHB calculation. The total cost over the 4 years of the changes to New Homes Bonus is estimated at £2m.
- 3.8.2 In 2017/18 the increase in Band D equivalent properties was less than anticipated at 84 units and therefore a marginal payment of £22k has been made to the Council as the growth is below the baseline set by Government. It is worth noting that the calculation is based on Band D equivalent and therefore there is less income generated if properties are developed that are Band A-C which is the case across the Borough.
- 3.8.3 The MTFP will continue to be refreshed annually to take account of future changes in funding and this will be based on future planning assumptions.

**3.9 Council Tax**

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3.9.1 Within the settlement the Government allowed Councils to increase Council Tax by up to 3% without the need for a referendum for 2018/19 & 2019/20. The Council will decide the level of the council tax for 2018/19 on 19<sup>th</sup> February 2018. If the recommendations contained in this report are approved, the demand on the collection fund to meet the Council's own needs will be £6,097,619 representing a 2.99% (£6.79) increase on Band D Council Tax compared to the current financial year. The Council Tax relating to the Councils services in 2018/19 will rise from £227.21 to £234.

3.9.2 An estimation has been made in the budget proposals for the increase to be £5 per annum for 2020/21 & 2021/22 although this may change depending on Government settlements.

**3.10 Collection Fund**

3.10.1 The collection fund has a declared surplus of £1.23m as at March 2017 together with a forecast surplus of £59k. The total surplus of £1.82m will be distributed amongst the major preceptors using the prescribed formulae. This Councils share of the surplus payable is a one off sum is £179k.

**3.11 Precepts**

3.11.1 The precepts from Worcestershire County Council, the Hereford and Worcester Combined Fire Authority, and the West Mercia Police Authority have not yet been received. The precepting bodies have until 28 February to provide this information, which will be needed to enable the Council to make its formal decisions.

**3.12 Capital Programme**

3.11.1 The Capital Programme has been extended to a 4 year rolling plan and officers are currently working to ensure that the level of expenditure falls within the current estimated project allocation. Those schemes that are funded from S106 are not included in this report as they have already been approved during the legal agreements, however they will form part of the final programme as reported to members later this month. The borrowing costs associated with any schemes have been factored into the summary statement. The Capital Programme is attached at Appendix 4 for consideration.

**3.12 Efficiency Plan**

3.12.1 The Efficiency Plan as approved in October 2016 included a number of areas whereby the costs to the Council could be reduced in a number of ways. The following key themes were identified to enable officers to manage the shortfalls in funding:

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- Identifying opportunities to increase income and growth
- Identify alternative models of delivery in the provision of services and to consider the most appropriate provider
- Identify further efficiency by continuing to drive waste out of services and reduce cost
- Continue to redesign services to provide quality support and service to the customer whilst releasing savings
- Assessing the value for money of service provided and demonstrating where resources can be realigned
- Designing services across public and voluntary sector organisations to secure better outcomes and reduce overall spend
- Resetting future budget to meet prior years expenditure and income

3.12.2 The budget includes the delivery of the savings and income as identified in the Efficiency Plan. It should be noted that whilst annual savings have been included to meet those referred to in the plan there may be changes to funding and services delivered from 2018/19 that require alternative savings and income profiles to be delivered. Therefore further detailed reports will be presented to members advising of the relevant income and savings to be delivered.

**3.13 Current Position**

3.13.1 When proposing the budget, officers have also identified a number of budget pressures that have been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2017/18 together with any issues that have been raised as fundamental to maintaining service provision as part of the budget process. In addition income shortfalls that cannot be managed by improved marketing or price increases have been addressed during the budget planning. The pressures and income shortfalls are included at Appendix 2.

3.13.2 In addition officers have identified revenue bids to improve and enhance service delivery.

**Financial Position**

3.14 The current summary includes the following assumptions:

- 2% pay award in relation to the National Agreement in place. The initial budget was increased by 1% but the revised 2018/19 - 2019/20 budgets take into account the nationally proposed 2% increase for staff
- General inflationary increases in relation to contract arrangements

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- In line with new government regulations, the introduction of a 20% increase in planning fees from Wednesday 17 January 2018
- Payment of “negative grant” to the Government in 2019/20 - 2021/22 of £330k pa. This remains to be confirmed as part of the localisation of business rates implementation
- Increases as per the fees and charges proposals
- Borrowing costs resulting from the capital programme
- An estimation of the New Homes Bonus income based on planning numbers
- Additional growth income estimated in relation to the Business Rates receivable by the Council
- Council Tax at 2.99% for 2018/19-2019/20 and £5 for 2020/21-2021/22
- Impact of moving to a Local Authority Trading Company for Leisure Services

3.15 The summary below shows the financial position for 2018/19-2021/22:

|   | 2018-19       | 2019-20       | 2020-21       | 2021-22       |
|---|---------------|---------------|---------------|---------------|
|   | £000          | £000          | £000          | £000          |
| Departmental Expenditure                                    | 8,859         | 9,276         | 9,297         | 9,354         |
| Incremental Progression/Inflation on Utilities              | 60            | 1             | 1             | 1             |
| Housing admin subsidy & general grant reduction             |               | 70            | 30            | 33            |
| Unavoidables  | 869           | -214          | -155          | 0             |
| Revenue Bids/Revenue impact of capital bids                 | 10            | 0             | 0             | 0             |
| Savings and Additional income                               | -708          | -18           | 0             | 0             |
| <b>Net Service Expenditure</b>                              | <b>9,091</b>  | <b>9,115</b>  | <b>9,173</b>  | <b>9,388</b>  |
| Investment Income   | -538          | -534          | -534          | -534          |
| MRP (Principal)   | 1,020         | 1,134         | 1,268         | 1,280         |
| Recharge to Capital Programme                               | -425          | -425          | -425          | -425          |
| <b>Net Operating Expenditure</b>                            | <b>9,147</b>  | <b>9,291</b>  | <b>9,483</b>  | <b>9,709</b>  |
| Revenue Support Grant                                       | -35           | 0             | 0             | 0             |
| Negative grant repayable to Government                      | 0             | 331           | 331           | 331           |
| Business Rates Retention (Baseline Funding)                 | -2,239        | -2,171        | -2,171        | -2,171        |
| Expected Levy Payment (net) - payable to Business Rate Pool | 93            | 96            | 98            | 100           |
| Bad Debt Provision - increase                               | 50            | 50            | 50            | 50            |
| New Homes Bonus income received                             | -674          | -703          | -619          | -619          |
| Council Tax - 2.99% (18/19 & 19/20)                         | -6,098        | -6,428        | -6,731        | -7,025        |
| Parish Precept  | 8             | 8             | 8             | 8             |
| Collection Fund Surplus (Council Tax)                       | -167          | 0             | 0             | 0             |
| Proposed Funding from Balances                              | -85           | 0             | 0             | 0             |
| <b>Funding Total</b>  | <b>-9,148</b> | <b>-8,817</b> | <b>-9,034</b> | <b>-9,326</b> |
| <b>Shortfall</b>  | <b>-0</b>     | <b>474</b>    | <b>448</b>    | <b>383</b>    |

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The future years shortfalls may change as a result of changes to Government policy. Future reviews of the Medium Term Financial Plan will address and changes to financial projections.

**General Fund Balances & Reserves**

3.16 The total level of balances and reserves is £3.6m.

**Balances :**

The level of the general fund balance is currently £1.8m which is £1.1m more than the recommended level of £750k. It is reasonable to keep this level maintained to support future uncertainties.

**Reserves:**

There are £1.8m of earmarked reserves available for future projects to support service delivery in the future.

**Legal Implications**

3.17.1 As part of the budget and the Council Tax approval process, the Council is required by the Local Government Finance Act 1992 to make specific calculations and decisions in approving a balanced budget for the following financial year and setting the Council Tax Level

3.17.2 There are a number of requirements that the Council's Section 151 Officer (the Council's designated Senior Finance Officer) has to include in the budget report. These are set out below, together with S.151 comments on each of the issues:

- a) The level and use of reserves to be formally determined by the Council must be informed by the judgement and advice of the Chief Financial Officer (CFO).

*Section 151 Officer's comments: The level of reserves and budgets are consistent with the framework established in the approved MTFP. I believe this strategy to be robust. However further work needs to be done to identify savings in future years to maintain balances at an acceptable level.*

- b) The CFO to report the factors that have influenced his/her judgement in the context of the key financial assumptions underpinning the budget, and ensure that his/her advice is formally recorded. Where that advice is not accepted, this should be formally recorded in the minutes of the meeting.

*Section 151 Officer's comments: The main assumptions included in the calculation of the budget are included within the report. The budget updates and considerations at previous Committee meetings have been formally recorded.*

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c) The report should include a statement showing the estimated opening balance on general fund reserves for the year ahead, any contribution to/from the fund, and the estimated closing balance.

*Section 151 Officer's comments: statement included in this report (3.16)*

d) The report should show the extent to which reserves are financing ongoing expenditure.

*Section 151 Officer's comments: reserves are used to fund specific expenditure and not ongoing liabilities.*

e) The report should include a statement from the CFO on the adequacy of general reserves and provisions both for the forthcoming year and in the context of the medium term financial plan.

*Section 151 Officer Comments: the Council holds adequate reserves to manage future liability and financial constraints*

f) The report should include a statement on the annual review of earmarked reserves showing:

- i) list of earmarked reserves
- ii) purpose of reserve
- iii) advice on appropriate levels
- iv) estimated opening / closing balances
- v) planned additions / withdrawals.

*Section 151 Officer's Comments: The current reserves are reported on a regular basis through the financial monitoring reports*

**Service / Operational Implications**

- 3.18 The MTFP will enable services to be delivered across the Borough within the reduced financial funding arrangement that the Council has faced.

**Customer / Equalities and Diversity Implications**

- 3.19 The impact on the customer has been reduced due to the savings being realised by reduction of waste in the services and ensuring that all services that create value to the customer are resourced.

**4. RISK MANAGEMENT**

- 4.1 To mitigate the risks associated with the financial pressures facing the Authority regular monitoring reports are presented to both officers and Members to enable proactive action to be undertaken to address any areas of concern.

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**AUTHOR OF REPORT**

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## SAVINGS & ADDITIONAL INCOME - RBC

APPENDIX 1

| Department                          | Strategic Purpose                             | Description of saving                                | 2018-19<br>£'000 | 2019-20<br>£'000 | 2020-21<br>£'000 | 2021-22<br>£'000 | Comments                                 |
|-------------------------------------|---|--|------------------|------------------|------------------|------------------|--|
| Business Transformation - ICT       | All Strategic Purposes                        | Annual Revenue Budget Saving                         | -172             |                  |                  |                  | Review of IT contract spend              |
| CCTV                                | Keep my place safe and looking good           | accommodation charge                                 | -18              |                  |                  |                  | Review of budget required                |
| CCTV                                | Keep my place safe and looking good           | telephones   | -4               |                  |                  |                  | Review of budget required                |
| Housing Strategy                    | Keep my place safe and looking good           | travellers and unauthorised campers costs            | -7               |                  |                  |                  | Review of budget required                |
| Housing Strategy                    | help me find somewhere to live in my locality | staff savings from reduced mileage and reduced hours | -3               |                  |                  |                  | Review of budget required                |
| Housing Strategy                    | help me find somewhere to live in my locality | additional income                                    | -2               |                  |                  |                  | Review of income generated               |
| lifeline                            | help me to live my life independently         | NNDR   | -1               |                  |                  |                  | Savings identified                       |
| lifeline                            | help me live my life independly               | accommodation charge                                 | -18              |                  |                  |                  | Review of budget required                |
| Corporate                           | Enabling                                      | Amalgamate postage budget                            | -14              |                  |                  |                  | Savings identified                       |
| Corporate                           | Enabling                                      | RBC staff awards                                     | -3               |                  |                  |                  | Savings identified                       |
| Corporate                           | Enabling                                      | Insurance  | -27              |                  |                  |                  | Savings identified                       |
| Customer access & financial support | Enabling                                      | Reduction in Hrs                                     | -5               |                  |                  |                  | Savings identified                       |
| Customer access & financial support | Enabling                                      | Additional income                                    | -125             |                  |                  |                  | Additional income based on previous year |
| Environmental Services              | Keep my place safe and looking good           | Fuel and Vehicle R&M                                 | -63              |                  |                  |                  | Savings identified                       |

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| Department                  | Strategic Purpose                        | Description of saving                                    | 2018-19<br>£'000 | 2019-20<br>£'000 | 2020-21<br>£'000 | 2021-22<br>£'000 | Comments  |
|-----------------------------|--|--|------------------|------------------|------------------|------------------|---|
| Environmental Services      | Keep my place safe and looking good      | Materials, equipment and waste disposal                  | -21              | -10              |                  |                  | Savings identified  |
| Environmental Services      | Keep my place safe and looking good      | Overtime   | -6               |                  |                  |                  | Savings identified  |
| Environmental Services      | Keep my place safe and looking good      | Contractors and Credit Card Fees                         | -5               |                  |                  |                  | Savings identified  |
| Environmental Services      | Keep my place safe and looking good      | Increase in cremation income                             | -50              | -4               |                  |                  | Additional income generated                                   |
| Environmental Services      | Keep my place safe and looking good      | Additional work for County Council and inflation of fees | -15              | -4               |                  |                  | Additional income generated                                   |
| Environmental Services      | Keep my place safe and looking good      | Replacement waste bins                                   | -72              |                  |                  |                  | Revenue savings achieved by capitalising all bin replacements |
| Finance & Resources         | Enabling                                 | Subscriptions  | -4               |                  |                  |                  | Savings identified  |
| Finance & Resources         | Enabling                                 | Subscriptions  | -25              |                  |                  |                  | Savings identified  |
| Finance & Resources         | Enabling                                 | Subscriptions  | -8               |                  |                  |                  | Savings identified  |
| Sports Development          | Give me good things to see, do and visit | savings on spend budgets                                 | -5               |                  |                  |                  | Mainstream funding no longer needed received/in place         |
| Civic Suite                 | Give me good things to see, do and visit | Furniture purchase for Chamber                           | -4               |                  |                  |                  | Savings identified  |
| Community Centre Management | Give me good things to see, do and visit | Vehicle Costs  | -3               |                  |                  |                  | Savings identified  |
| Sports Development          | Give me good things to see, do and visit | savings on accommodation costs                           | -8               |                  |                  |                  | Savings identified  |
| Cultural services           | Give me good things to see, do and visit | Additional income  | -20              |                  |                  |                  | Increased income generated at Palace Theatre                  |
| <b>TOTAL</b>                |  |  | <b>-708</b>      | <b>-18</b>       | <b>-0</b>        | <b>-0</b>        |   |

## UNAVOIDABLE PRESSURES - RBC

APPENDIX 2

| Department           | Strategic Purpose                             | Description of Pressure                         | 2018-19<br>£'000 | 2019-20<br>£'000 | 2020-21<br>£'000 | 2021-22<br>£'000 | Comments   |
|----------------------|---|---|------------------|------------------|------------------|------------------|--|
| shopmobility         | help me to live my life independently         | Reduction in income budgets                     | 11               |                  |                  |                  | Due to income from charging being included in the service the budget for donations is no longer required   |
| Dial A Ride          | help me to live my life independently         | income target not met                           | 20               |                  |                  |                  | Income not achieved due to issues with the fleet and delays in development of a car scheme   |
| Community Safety     | keep my place safe and looking good           | external funding not available                  | 15               |                  |                  |                  | Loss of external funding   |
| Corporate            |   | HRA contribution pension                        | 106              |                  |                  |                  | HRA to General Fund review   |
| Housing General Fund | Help me find somewhere to live in my locality | cessation of Inspire Project                    | 14               |                  |                  |                  | Changes to service delivery  |
| Business Development | Give Me good things to see, do and visit      | Civic suite Income                              | 8                |                  |                  |                  | Whilst the team have promoted the Civic Suite extensively and worked to get more commercial use - difficulties with the inability to develop regular bookings due to the need to provide consistent spaces for Council business. |
| Business Development | Give Me good things to see, do and visit      | Roundabout Sponsorship                          | 15               |                  |                  |                  | Difficulties in achieving sponsorship as sponsors have moved to different advertising mediums. Traditional advertising is now less attractive and more costly than social media outlets  |
| Customer Support     | Enabling                                      | Reduction in WCC funding for customer enquiries | 26               |                  |                  |                  | Funding based on number of transactions which are reducing.  |
| Property             |   | Business Rates Crossgates House                 | 25               |                  |                  |                  | Business Rates re-evaluation   |
| Property             |   | Commercial Rents                                | 40               |                  |                  |                  | Reduced income due to void unit at Woodrow and a reduction in C/Hill Centre income   |

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|                             |  |   |            |             |             |          |  |
|-----------------------------|--|---|------------|-------------|-------------|----------|--|
| Property                    |  | Concessionary Rents   | 48         |             |             |          | Concessionary rents support community and charity groups to operate out of our properties but result in a cost to the authority. |
| Property                    |  | Asset Valuation Efficiency Saving                               | 15         |             |             |          | Savings not realised in relation to estimated asset reviews  |
| Leisure & Cultural services |  | Impact of new leisure company set up                            | 220        | -220        |             |          | Delivery of leisure options model later than originally budgeted - one year pressure only  |
| Corporate                   |  | Salary Contingency  | 156        | 0           | -156        |          | Additional 1% salary pay award - 18/19 & 19/20 only  |
| Corporate                   |  | Pressure from carparking charges in parks not being implemented | 150        |             |             |          |  |
| <b>TOTAL</b>                |  |   | <b>869</b> | <b>-220</b> | <b>-156</b> | <b>0</b> |  |

**NEW REVENUE BIDS - RBC**

APPENDIX 3

| Department              | Strategic Purpose | Description of revenue bid | 2018-19<br>£'000 | 2019-20<br>£'000 | 2020-21<br>£'000 | 2021-22<br>£'000 | Comments             |
|-------------------------|-------------------|----------------------------|------------------|------------------|------------------|------------------|----------------------|
| Business Transformation | Enabling          | Funding for WODA 2018/19   | 10               |                  |                  |                  | Partner contribution |
| <b>TOTAL</b>            |                   |                            | <b>10</b>        | <b>0</b>         | <b>0</b>         | <b>0</b>         |                      |

**CAPITAL BIDS - RBC**

**APPENDIX 4**

| Department                          | Description   | 2018-19<br>£'000 | 2019-20<br>£'000 | 2020-21<br>£'000 | 2021-22<br>£'000 | Commentary ( link to priorities etc)   |
|-------------------------------------|---|------------------|------------------|------------------|------------------|--|
| Strategic Housing                   | Home Repairs Assistance Lifetime Loan Scheme  | 60               | 60               | 60               | 60               | Extension of previous years allocations to lifetime loan scheme  |
| Strategic Housing                   | Redditch Energy Efficiency Fund   | 110              |                  |                  |                  | Capital Funding from an existing reserve was used to set up the Redditch Energy Efficiency Fund for 2015 - 2017 financial years, finishing at the end of the current financial year. |
| Customer Access & Financial Support | Public Buildings  | 0                | 0                | 250              | 250              | Public building essential maintenance  |
| Customer Access & Financial Support | Asbestos Public Buildings   | 0                | 0                | 40               | 40               | Compliance with Asbestos Regs  |
| Environmental Services              | Replacing 3 fuel pumps and upgrading tank monitoring equipment                                | 25               |                  |                  |                  | Essential works at Crossgates Depot  |
| Environmental Services              | Replacing the fixed four post vehicle lift within the workshop with a mobile four column lift | 25               |                  |                  |                  | Essential workshop equipment   |
| Environmental Services              | Vehicle Replacement Program   |                  |                  | 412              | 1,927            | Required replacement vehicles  |
| Environmental Services              | Wheelie Bin procurement   | 96               | 75               | 70               | 70               | Bin replacement programme  |
| Environmental Services              | Small Tractor with front and back bucket  | 40               |                  |                  |                  | Essential equipment  |
| Abbey Stadium                       | Reconstruction of overspill car park to formal car park                                       | 165              | 0                | 0                | 0                | Detailed in Business Case  |
| Parks and Open Spaces               | Contribution to pitch improvements at Terrys field.   | 6                | 0                | 0                | 0                | Contribution to pitch improvements at Terrys Field.  |

**CAPITAL BIDS - RBC**

**APPENDIX 4**

| <b>Department</b>      | <b>Description</b>               | <b>2018-19<br/>£'000</b> | <b>2019-20<br/>£'000</b> | <b>2020-21<br/>£'000</b> | <b>2021-22<br/>£'000</b> | <b>Commentary ( link to priorities etc)</b>                                  |
|------------------------|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--|
| Economic Development   | Improvements at Business Centres | 80                       |                          |                          |                          | Development and refurbishment of the Council owned business centres          |
| Environmental Services | Vehicle Replacement Dial a Ride  | 40                       |                          |                          |                          |  |
| Environmental Services | Locaity Improvement Programme    |                          | 400                      | 400                      | 400                      | To provide funding to improve the locality and environment for the community |
| Environmental Services | Car Park Maintenance             | 25                       | 25                       | 25                       | 25                       |  |
| <b>TOTAL</b>           |                                  | <b>672</b>               | <b>560</b>               | <b>1,257</b>             | <b>2,772</b>             |  |

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**EXECUTIVE**19<sup>th</sup> FEBRUARY 2018**PAY POLICY STATEMENT 2018/19**

|                              |  |
|------------------------------|--|
| Relevant Portfolio Holder    | Cllr John Fisher   |
| Portfolio Holder Consulted   | Yes  |
| Relevant Head of Service     | Deb Poole, Head of Transformation and Organisational Development |
| Ward(s) Affected             | n/a  |
| Ward Councillor(s) Consulted | n/a  |

**1. SUMMARY OF PROPOSALS**

To enable Members to approve the Pay Policy for 2018/19

**2. RECOMMENDATIONS**

**The Committee is asked to RECOMMEND to Council that**

**the Pay Policy as detailed in Appendix 1 to the report be approved.**

**3. KEY ISSUES**

- 3.1 The Localism Act requires English and Welsh local authorities to produce a Pay Policy statement ('the statement'). The Act requires the statement to be approved by Full Council and to be adopted by 31<sup>st</sup> March each year for the subsequent financial year. The Pay Policy Statement for the Council is included at Appendix 1.

The Statement must set out policies relating to-

- (a) The remuneration of its chief officers,
- (b) The remuneration of its lowest-paid employees, and
- (c) The relationship between-
  - (i) The remuneration of its chief officers, and
  - (ii) The remuneration of its employees who are not chief officers.

The provisions within the Localism Act bring together the strands of increasing accountability, transparency and fairness in the setting of local pay.

**Financial Implications**

- 3.2 All financial implications have already been included as part of the budget setting process and posts are fully budgeted for.

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The information provided is based on the current pay structure and is subject to any national pay award for 2018/19 being agreed.

**Legal Implications**

- 3.3 These are already included in the report

**Service / Operational Implications**

- 3.4 There are no implications in relation to this report

**Customer / Equalities and Diversity Implications**

- 3.5 There are no implications in relation to this report

**4. RISK MANAGEMENT**

There are no implications in relation to this report

**5. APPENDICES**

Appendix 1 - Pay Policy 2018/19

**AUTHOR OF REPORT**

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## **REDDITCH DISTRICT COUNCIL PAY POLICY STATEMENT**

### **Introduction and Purpose**

1. Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as authority thinks fit”. This pay policy statement sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. It shall apply for the financial year 2018/19 and each subsequent financial year, until amended. The information provided is based on the current pay structure and is subject to any national pay award for 2018/19 being agreed.
2. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying;
  - a. the methods by which salaries of all employees are determined;
  - b. the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation;
  - c. the Committee(s) responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and for recommending any amendments to the full Council
3. Once approved by the full Council, this policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis, in accordance with the relevant legislation prevailing at that time.

### **Legislative Framework**

4. In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. With regard to the equal pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms. These directly relate salaries to the requirements, demands and responsibilities of the role.

### **Pay Structure**

5. The Council’s pay and grading structure comprises grades 1 – 11. These are followed by grades for Managers 1 - 2, Head of Service 1, Head of Service 2, Head of Service 3, Executive Director, Deputy Chief Executive

and then Chief Executive; all of which arose following the introduction of shared services with Bromsgrove District Council.

6. Within each grade there are a number of salary / pay points. Up to and including grade 11 scale, at spinal column point 49, the Council uses the nationally negotiated pay spine. Salary points above this are locally determined. The Council's Pay structure is set out below. This includes the increases for grade 1-11 as agreed by the National Joint Council for 2017.

| Grade                  | Spinal Column Points |      | Nationally determined rates |              |
|------------------------|----------------------|------|-----------------------------|--------------|
|                        |                      |      | Minimum<br>£                | Maximum<br>£ |
| 1                      | 6                    | 9    | 15,014                      | 15,375       |
| 2                      | 9                    | 14   | 15,375                      | 16,781       |
| 3                      | 13                   | 17   | 16,491                      | 17,722       |
| 4                      | 17                   | 22   | 17,722                      | 20,660       |
| 5                      | 21                   | 25   | 20,138                      | 22,659       |
| 6                      | 25                   | 30   | 22,659                      | 26,822       |
| 7                      | 30                   | 36   | 26,822                      | 31,601       |
| 8                      | 35                   | 40   | 30,784                      | 35,444       |
| 9                      | 39                   | 43   | 34,538                      | 38,236       |
| 10                     | 42                   | 46   | 37,306                      | 41,025       |
| 11                     | 45                   | 49   | 40,557                      | 43,821       |
| Manager 1              | Hay evaluated        | 43%  | 52,013                      | 55,927       |
| Manager 2              | Hay evaluated        | 45%  | 56,233                      | 58,528       |
| Head of Service 1      | Hay evaluated        | 51%  | 63,730                      | 66,332       |
| Head of Service 2      | Hay evaluated        | 61%  | 76,226                      | 79,338       |
| Executive Director     | Hay evaluated        | 74%  | 92,604                      | 96,246       |
| Deputy Chief Executive | Hay evaluated        | 80%  | 101,979                     | 104,050      |
| Chief Executive        | Hay evaluated        | 100% | 124,962                     | 130,063      |

7. All Council posts are allocated to a grade within this pay structure, based on the application of a Job Evaluation process. Posts at Managers and above are evaluated by an external assessor using the Hay Job Evaluation scheme. Where posts are introduced as part of a shared service, and where these posts are identified as being potentially too 'large' and 'complex' for this majority scheme, they will be double tested under the Hay scheme, and where appropriate, will be taken into the Hay scheme to identify levels of pay. This scheme identifies the salary for these posts based on a percentage of Chief Executive Salary ( for ease of presentation these are shown to the nearest whole % in the table above). Posts below this level (which are the majority of employees) are evaluated under the "Gauge" Job Evaluation process..
8. In common with the majority of authorities the Council is committed to the Local Government Employers national pay bargaining framework in respect of the national pay spine and annual cost of living increases negotiated with the trade unions.
9. All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community; delivered effectively and efficiently and at all times those services are required.
10. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.
11. For staff not on the highest point within the salary scale there is a system of annual progression to the next point on the band.

### **Senior Management Remuneration**

12. For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1<sup>st</sup> April 2018 (assuming no inflationary increase for these posts).
13. Redditch Borough council is managed by a senior management team who manage shared services across both Redditch Borough and Bromsgrove District Councils.

All of the posts listed below have been job evaluated on this basis, with the salary costs for these posts split equally between both Councils.

| <b>Title</b>  | <b>% of Chief executive salary</b> | <b>Pay range (minimum)<br/>£</b> | <b>Pay range (maximum)<br/>£</b> | <b>Incremental points</b> | <b>Cost to Redditch Borough Council<br/>£</b> |
|---|------------------------------------|----------------------------------|----------------------------------|---------------------------|---|
| Chief Executive   | 100%                               | 124,962                          | 130,063                          | 3                         | 63,756  |
| Deputy Chief Executive  | 80%                                | 101,979                          | 104,050                          | 3                         | 51,507  |
| Executive Director of Finance and Resources.<br>(Also S151 Officer) | 74%                                | 92,604                           | 96,246                           | 3                         | 47,212  |
| Head of Customer Access and Financial Support                       | 61%                                | 76,226                           | 79,338                           | 3                         | 38,891  |
| Head of Planning and Regeneration                                   | 61%                                | 76,226                           | 79,338                           | 3                         | 38,891  |
| Head of Transformation and Organisational Development               | 61%                                | 76,226                           | 79,338                           | 3                         | 38,891  |
| Head of Legal, Equalities and Democratic Services                   | 61%                                | 76,226                           | 79,338                           | 3                         | 38,891  |
| Head of Environmental   | 61%                                | 76,226                           | 79,338                           | 3                         | 38,891  |

|                                       |     |        |        |   |        |
|---------------------------------------|-----|--------|--------|---|--------|
| Services                              |     |        |        |   |        |
| Head of Leisure and Cultural Services | 61% | 76,226 | 79,338 | 3 | 38,891 |
| Head of Community Services            | 61% | 76,226 | 79,338 | 3 | 38,891 |
| Head of Housing                       | 51% | 63,730 | 66,332 | 3 | 65,031 |

### **Recruitment of Chief Officers**

14. The Council's policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as set out in the Council's Constitution. When recruiting to all posts the Council will take full and proper account of its own equal opportunities, recruitment and redeployment Policies. The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.
15. Where the Council remains unable to recruit chief officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any Chief Officers under such arrangements.

### **Performance-Related Pay and Bonuses – Chief Officers**

16. The Council does not apply any bonuses or performance related pay to its chief officers. Any progression through the incremental scale of the relevant grade is subject to satisfactory performance which is assessed on an annual basis.

### **Additions to Salary of Chief Officers ( applicable to all staff)**

17. In addition to the basic salary for the post, all staff may be eligible for other payments under the Council's existing policies. Some of these payments are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties. The list below shows some of the kinds of payments made.
  - a. Reimbursement of mileage. At the time of preparation of this statement, the

- Council pays an allowance of 45p per mile for all staff, with additional or alternative payments for carrying passengers or using a bicycle;
- b. Professional fees. The Council pays for or reimburses the cost of one practicing certificate fee or membership of a professional organisation provided it is relevant to the post that an employee occupies within the Council.
  - c. Long service awards. The Council pays staff an additional amount if they have completed 25 years of service.
  - d. Honoraria, in accordance with the Council's policy on salary and grading. Generally, these may be paid only where a member of staff has performed a role at a higher grade;
  - e. Fees for returning officer and other electoral duties, such as acting as a presiding officer of a polling station. These are fees which are identified and paid separately for local government elections, elections to the UK Parliament and EU Parliament and other electoral processes such as referenda;
  - f. Pay protection – where a member of staff is placed in a new post and the grade is below that of their previous post, for example as a result of a restructuring, pay protection at the level of their previous post is paid for the first 12 months. In exceptional circumstance pay protection can be applied for greater than 12 months with the prior approval of the Chief Executive.
  - g. market forces supplements in addition to basic salary where identified and paid separately;
  - h. salary supplements or additional payments for undertaking additional responsibilities such as shared service provision with another local authority or in respect of joint bodies, where identified and paid separately;
  - i. Attendance allowances.

### **Payments on Termination**

18. The Council's approach to discretionary payments on termination of employment of chief officers prior to reaching normal retirement age is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.
19. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.
20. Redundancy payments are based upon an employee's actual weekly salary and, in accordance with the Employee Relations Act 1996, will be up to 30 weeks, depending upon length of service and age.

### **Publication**

21. Upon approval by the full Council, this statement will be published on the Council's

website. In addition, for posts where the full time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include a note on Officers Remuneration setting out the total amount of:

- a. Salary, fees or allowances paid to or receivable by the person in the current and previous year;
- b. Any bonuses so paid or receivable by the person in the current and previous year;
- c. Any sums payable by way of expenses allowance that are chargeable to UK income tax;
- d. Any compensation for loss of employment and any other payments connected with termination;
- e. Any benefits received that do not fall within the above.

### Lowest Paid Employees

22. The Council's definition of lowest paid employees is persons employed under a contract of employment with the Council on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1<sup>st</sup> April 2018 this is £15,014 per annum.
23. The Council also employs apprentices (or other such categories of workers) who are not included within the definition of 'lowest paid employees' (as they are employed under a special form of employment contract; which is a contract for training rather than actual employment).
24. The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.
25. The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that "it would not be fair or wise for the Government to impose a single maximum pay multiple across the public sector". The Council accepts the view that the relationship to median earnings is a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.
26. The current pay levels within the Council define the multiple between the lowest paid (full time equivalent) employee and the Chief Executive as [1:8.5] and; between the lowest paid employee and average chief officer as [1:4.6]. The multiple between the median (average) full time equivalent earnings and the [Chief Executive] is [1:5.3] and; between the median (average) full time equivalent earnings and average chief officer is [1:2.8].

27. As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

### **Accountability and Decision Making**

28. In accordance with the Constitution of the Council, the Council is responsible for setting the policy relating to the recruitment, pay, terms and conditions and severance arrangements for employees of the Council. Decisions about individual employees are delegated to the Chief Executive.
29. The Appointments Committee is responsible for recommending to Council matters relating to the appointment of the Head of Paid Service (Chief Executive), Monitoring Officer, Section 151 Officer and Chief Officers as defined in the Local Authorities (Standing Orders) Regulations 2001 (as amended);
30. For the Head of Paid Service, Monitoring Officer and the Chief Finance Officer, the Statutory Officers Disciplinary Action Panel considers and decides on matters relating to disciplinary action.



# Audit, Governance & Standards Committee

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Thursday, 1 February 2018

## MINUTES

### Present:

Councillor Jane Potter (Chair), Councillor Tom Baker-Price (Vice-Chair) and Councillors Natalie Brookes, Michael Chalk, Andrew Fry, Mark Shurmer, Yvonne Smith and David Thain

### Also Present:

D Jones, R Percival and N Preece (Grant Thornton)

### Officers:

Andy Bromage, Chris Forrester and Jayne Pickering

### Democratic Services Officer:

Jess Bayley

## 87. TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS AND MINIMUM REVENUE POLICY PROVISION 2018/19

The Executive Director of Finance and Corporate Resources presented the Treasury Management Strategy 2018/19. During the presentation of this report the following matters were highlighted for Members' consideration:

- The Council had adopted CIPFA's code of practice in respect of treasury management eight years previously.
- The Capital Financing Requirement (CFR) underlined the Council's need to borrow for capital purposes.
- The local authority, like most Councils, tended to borrow from the Public Loans Works Board (PLWB).
- Due to risks of exposure in respect of liquidity the Council had to ensure that it had access to £3 million in cash within three months.

.....  
Chair

# **Audit, Governance & Standards Committee**

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Thursday, 1 February 2018

- Like many local authorities the Council had authorised limits for borrowing as well as operational limits for officers.

After the report had been presented Members discussed a number of areas in detail:

- The reasons why the investments on new borrowing requirements were increasing and what this entailed. Officers explained that this was the Council's forecast borrowing which was needed to support the capital programme. There was an assumption being made that borrowing would need to increase.
- The levels at which the costs of borrowing could fluctuate over time.
- The potential to use the Council's capital receipts to invest in capital spending.
- The potential for Members to be provided with more information about the contents of the Council's Capital Programme.
- The arrangement whereby funding was borrowed from the Housing Revenue Account (HRA) by the General Fund and the potential need to borrow from other sources in the long-term.
- The arrangements by which officers built calculations around sustainability into the Council's Medium Term Financial Plan (MTFP).
- The need for more borrowing in the long-term to help accommodate the costs arising from the housing growth programme.

## **RECOMMENDED that**

- 1) **the Strategy and Prudential Indicators at Appendix 1 to the report be approved; and**
- 2) **the Treasury Management Policy at Appendix 2 to the report be approved.**

The Meeting commenced at 7.00 pm  
and closed at 8.40 pm

**REDDITCH BOROUGH COUNCIL****AUDIT, STANDARDS & GOVERNANCE COMMITTEE 1<sup>st</sup> February 2018****TREASURY MANAGEMENT STRATEGY 2018/19**

|                            |                        |
|----------------------------|------------------------|
| Relevant Portfolio Holder  | Councillor John Fisher |
| Portfolio Holder Consulted | -                      |
| Relevant Head of Service   | Jayne Pickering        |
| Wards Affected             | All                    |
| Ward Councillor Consulted  | None specific          |
| Non-Key Decision           |                        |

**1. SUMMARY OF PROPOSALS**

Members are asked to approve the strategy statement for treasury management and investments in order to comply with the Local Government Act 2003.

**2. RECOMMENDATIONS**

The Committee is asked to **RECOMMEND** that

- 1) the Strategy and Prudential Indicators at Appendix 1 to the report be approved; and
- 2) the Treasury Management Policy at Appendix 2 to the report be approved.

**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. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.

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 In addition, the Local Government Act 2003 requires the Council to 'have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable'.
- 3.5 The revised CLG guidance issued in November 2011 makes it clear that investment priorities should be security and liquidity, rather than yield and that authorities should not rely just on credit ratings, but consider other information on risk.
- 3.6 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.
- 3.7 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**

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

#### **Service/Operational Implications**

- 3.9 None as a direct result of this report.

#### **Customer / Equalities and Diversity Implications**

- 3.7 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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Tel: 01527 881673

## Appendix 1

### Treasury Management Strategy Statement 2018/19

#### Redditch Borough Council

##### Introduction

On the 17<sup>th</sup> March 2010, the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but as yet have not published a revised Code.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year. A copy of the Authority's Treasury Management Policy Statement is attached in Appendix 2.

The purpose of this Treasury Management Strategy Statement (TMSS) is, therefore, to approve:

- Treasury Management Strategy for 2018/19
- Annual Investment Strategy for 2018/19
- Prudential Indicators for 2018/19, 2019/20 and 2020/21
- MRP Statement

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has borrowed substantial sums of money, primarily for the HRA subsidy settlement in 2012, and from time to time has surplus operational cash balances 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 are therefore central to the Authority's treasury management strategy.

**Revised strategy:** In accordance with the CLG Guidance, the Authority will be asked to approve a revised TMSS should the assumptions on which this report is based change significantly. Examples of which could include a large unexpected change in; interest rates, in the Authority's capital programme or in the level of its investment balance.

##### External Context

**Economic background:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

**Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

**Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for the UK Bank Rate to remain at 0.5% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to not rise significantly above current levels.

Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

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 0.35%, and that new long-term loans will be borrowed at an average rate of 3.5%.

### Local Context

On 31st December 2017, the Authority held £104m in long-term debt, £1m in short-term borrowing and £1m in short-term investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

|   | 31.3.17<br>Actual<br>£m | 31.3.18<br>Estimate<br>£m | 31.3.19<br>Forecast<br>£m | 31.3.20<br>Forecast<br>£m | 31.3.21<br>Forecast<br>£m |
|---|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Fund CFR                                  | 15.8                    | 17.4                      | 18.1                      | 17.8                      | 18.8                      |
| HRA CFR   | 122.2                   | 122.2                     | 122.2                     | 122.2                     | 122.2                     |
| <b>Total CFR</b>                                  | <b>138.0</b>            | <b>139.6</b>              | <b>140.3</b>              | <b>140.0</b>              | <b>141.0</b>              |
| Less: External borrowing *                        | -106.9                  | -103.9                    | -103.9                    | -103.9                    | -103.9                    |
| <b>Internal (over) borrowing</b>                  | <b>31.1</b>             | <b>35.7</b>               | <b>36.4</b>               | <b>36.1</b>               | <b>37.1</b>               |
| Less: Usable reserves                             | -30.2                   | -29.7                     | -29.0                     | -28.3                     | -27.6                     |
| Less: Working capital                             | -0.8                    | -0.9                      | -0.9                      | -0.9                      | -0.9                      |
| <b>Investments (or New borrowing requirement)</b> | <b>(0.9)</b>            | <b>(6.0)</b>              | <b>(7.4)</b>              | <b>(7.8)</b>              | <b>(9.5)</b>              |

\* Includes £98.9m borrowing undertaken in March 2012 for the HRA subsidy reform settlement. This row only profiles external borrowing to which the Authority is already committed to and excludes new borrowing/refinancing.

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 £9.5m 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 2018/19.

### Borrowing Strategy

On 31<sup>st</sup> December 2017, the Authority held £1m in short-term borrowing and £104m in long-term borrowing; the level of long-term borrowing is unchanged from 31<sup>st</sup> March 2017.

The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £7.4m by the end of 2018/19. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £150 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. The following issues will be considered prior to undertaking any external borrowing:

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source and flexibility

**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 foregoing 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 Ltd 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 2018/19 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 2018/19, 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 in Table 2)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Worcestershire County Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates but without compromising flexibility.

**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 limit on the net exposure to variable interest rates in the treasury management indicators below.

**Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium (i.e. an amount over and above the principal outstanding) or receive a discount according to a set formula based on current interest rates. 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.

The Authority's PWLB loans were borrowed at a one-off preferential rate for HRA self-financing settlement. As at 2<sup>nd</sup> January 2018, a premium would be incurred if the Authority were to prematurely repay any loan in its portfolio.

### Investment Strategy

In the past 12 months, the Authority's investment balance has ranged between nil and £5 million; higher levels are expected in the forthcoming year.

**Objectives:** Both the CIPFA Code and the CLG Guidance require 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.

**Negative interest rates:** If the UK enters into a recession in 2018/19, 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 2018/19. All of the Authority's surplus cash is currently invested in call accounts or term deposits with banks and building societies which, by their nature, are unsecured.

The Authority will also consider investment of surplus monies in pooled Money Market Funds which provide much greater diversification of credit risk as well as high liquidity (same day access to the investment).

**Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

| Credit rating | Banks unsecured | Banks secured   | Government              | Corporates     |
|---------------|-----------------|-----------------|-------------------------|----------------|
| UK Govt       | n/a             | n/a             | £ Unlimited<br>50 years | n/a            |
| AAA           | £2m<br>5 years  | £2m<br>20 years | £2m<br>50 years         | £2m<br>5 years |
| AA+           | £2m<br>5 years  | £2m<br>10 years | £2m<br>25 years         | £2m<br>5 years |
| AA            | £2m<br>4 years  | £2m<br>5 years  | £2m<br>15 years         | £2m<br>5 years |
| AA-           | £2m<br>3 years  | £2m<br>4 years  | £2 m<br>10 years        | £2m<br>3 years |
| A+            | £2m             | £2m             | £2m                     | £2m            |

|                     | 2 years           | 3 years          | 5 years         | 2 years          |
|---------------------|-------------------|------------------|-----------------|------------------|
| A                   | £2m<br>13 months  | £2m<br>2 years   | £2m<br>5 years  | £2m<br>2 years   |
| A-                  | £2m<br>6 months   | £2m<br>13 months | £2 m<br>5 years | £2m<br>13 months |
| None                | £0.5m<br>6 months | n/a              | £3m<br>25 years | £500k<br>1 year  |
| <b>Pooled funds</b> | £2m per fund      |                  |                 |                  |

**Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. 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 an insignificant risk of insolvency. 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 following an external credit assessment as part of a diversified pool in order to spread the risk widely.

**Pooled funds:** Shares 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.

**Operational bank accounts:** The Authority may incur operational exposures, for example through 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 £1m 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 and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating 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.

**Specified investments:** The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

**Non-specified investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

|   | Cash limit |
|---|------------|
| Total long-term investments   | £1.5m      |
| Total investments without credit ratings or rated below A- (except UK Government and local authorities) | £0.5m      |
| Total non-specified investments   | £2m        |

**Investment limits:** The Authority’s revenue reserves available to cover investment losses are forecast to be £29.7 million on 31st March 2018. In order that no more than 13.5% 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 £4 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 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 | £2m each        |
| UK Central Government                                     | unlimited       |
| Any group of organisations under the same ownership       | £2m 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  |
| Unsecured investments with building societies             | £2m in total    |
| Money Market Funds  | £11m in total   |

**Liquidity management:** The Authority uses purpose-built cash flow forecasting tools 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.

### Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses and landlords, or as equity investments and loans to the Authority's subsidiaries.

Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

The Authority's existing non-treasury investments are listed in Appendix B.

### 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.

|                                | Target   |
|--------------------------------|--|
| Portfolio average credit score | <i>6.0 which is equivalent to a credit rating of A</i> |

**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.

|                                      | Target |
|--------------------------------------|--------|
| Total cash available within 3 months | £3m    |

**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 will be:

|  | 2018/19 | 2019/20 | 2020/21 |
|--|---------|---------|---------|
| Upper limit on fixed interest rate exposure    | 100%    | 100%    | 100%    |
| Upper limit on variable interest rate exposure | 50%     | 50%     | 50%     |

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 will be:

|                                | Upper | Lower |
|--------------------------------|-------|-------|
| Under 12 months                | 15%*  | 0%    |
| 12 months and within 24 months | 15%   | 0%    |
| 24 months and within 5 years   | 35%   | 0%    |
| 5 years and within 10 years    | 100%  | 0%    |
| 10 years and above             | 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 364 days:** 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:

|   | 2018/19 | 2019/20 | 2020/21 |
|---|---------|---------|---------|
| Limit on principal invested beyond year end | £1.5m   | £1.5m   | £1.5m   |

### Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

**Policy on the use of 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.

**Policy on apportioning interest to the HRA:** On 1st April 2012, the existing long-term loans were notionally moved into the HRA pool. In the future, any new long-term loans will be assigned in their entirety to the relevant pool, whether it be General Fund or HRA and interest and costs charged/credited to the respective revenue account. The General Fund uses surplus HRA funds as a means of internal borrowing. Interest is calculated using the Authority's average rate on investments and transferred to the HRA from the General Fund.

**Investment training:** The needs of the Authority's treasury management staff for training in investment management are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

**Investment advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

**Investment of money borrowed in advance of need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £150 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

#### Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. It is considered 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 |
|---------------------------|--|--|

## Prudential Indicators 2018/19 - 2020/21

**Background:** There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objectives of the Prudential Code are to ensure that the capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Estimates of Capital Expenditure:** The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the Budget report.

| Capital Expenditure and Financing | 31.3.17<br>Actual<br>£m | 31.3.18<br>Estimate<br>£m | 31.3.19<br>Forecast<br>£m |
|-----------------------------------|-------------------------|---------------------------|---------------------------|
| General Fund                      | 3.2                     | 4.7                       | 2.6                       |
| HRA                               | 9.0                     | 10.7                      | 6.0                       |
| <b>Total Expenditure</b>          | <b>12.2</b>             | <b>15.4</b>               | <b>8.6</b>                |
| Capital Receipts                  | 2.1                     | 0.3                       | 0.6                       |
| Government Grants                 | 0.8                     | 1.2                       | 0.1                       |
| Reserves                          | 6.1                     | 9.3                       | 4.6                       |
| Revenue                           | 1.2                     | 1.2                       | 0.8                       |
| Borrowing                         | 2.0                     | 3.4                       | 2.5                       |
| <b>Total Financing</b>            | <b>12.2</b>             | <b>15.4</b>               | <b>8.6</b>                |

**Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

|                  | 31.3.17<br>Actual<br>£m | 31.3.18<br>Estimate<br>£m | 31.3.19<br>Forecast<br>£m | 31.3.20<br>Forecast<br>£m | 31.3.21<br>Forecast<br>£m |
|------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Fund CFR | 15.8                    | 17.4                      | 18.1                      | 17.8                      | 18.8                      |
| HRA CFR          | 122.2                   | 122.2                     | 122.2                     | 122.2                     | 122.2                     |
| <b>Total CFR</b> | <b>138.0</b>            | <b>139.6</b>              | <b>140.3</b>              | <b>140.0</b>              | <b>141.0</b>              |

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

| Debt              | 31.3.17<br>Revised<br>£m | 31.3.18<br>Estimate<br>£m | 31.3.19<br>Estimate<br>£m | 31.3.20<br>Estimate<br>£m |
|-------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Borrowing         | 125.4                    | 131.4                     | 132.8                     | 133.2                     |
| <b>Total Debt</b> | <b>125.4</b>             | <b>131.4</b>              | <b>132.8</b>              | <b>133.2</b>              |

Total debt is expected to remain below the CFR during the forecast period.

**Actual External Debt:** This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

| Actual External Debt as at<br>31/03/2017 | 31.3.17<br>Actual<br>£m |
|--|-------------------------|
| Borrowing                                | 106.9                   |
| Other Long-term Liabilities              | 0                       |
| <b>Total</b>                             | <b>106.9</b>            |

**Authorised Limit and Operational Boundary for External Debt:** The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). This limit includes all HRA debt, including that borrowing taken for HRA self-financing in 2012.

| Authorised Limit for External Debt | 2018/19<br>Estimate<br>£'000 | 2019/20<br>Estimate<br>£'000 | 2020/21<br>Estimate<br>£'000 |
|------------------------------------|------------------------------|------------------------------|------------------------------|
| Borrowing                          | 150,000                      | 150,000                      | 150,000                      |
| Other Long-term Liabilities        | 0                            | 0                            | 0                            |
| <b>Total</b>                       | <b>150,000</b>               | <b>150,000</b>               | <b>150,000</b>               |

The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

The Executive Director of Finance and Corporate Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of Executive.

| Operational Boundary for External Debt | 2018/19<br>Estimate<br>£'000 | 2019/20<br>Estimate<br>£'000 | 2020/21<br>Estimate<br>£'000 |
|--|------------------------------|------------------------------|------------------------------|
| Borrowing                              | 140,000                      | 140,000                      | 140,000                      |
| Other Long-term Liabilities            | 0                            | 0                            | 0                            |
| <b>Total</b>                           | <b>140,000</b>               | <b>140,000</b>               | <b>140,000</b>               |

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the net revenue budget required to meet financing costs, net of investment income.

| Ratio of Financing Costs to Net Revenue Stream | 2017/18<br>Estimate<br>% | 2018/19<br>Estimate<br>% |
|--|--------------------------|--------------------------|
| General Fund                                   | 16.5                     | 21.0                     |
| HRA  | 11.6                     | 11.9                     |

**Adoption of the CIPFA Code of Practice:** The indicator below demonstrates that the Council has adopted the principles of best practice.

| Adoption of the CIPFA Code of Practice in Treasury Management  |
|--|
| The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 18 <sup>th</sup> May 2005 and updated 2011 Treasury Management Code on 15 <sup>th</sup> January 2017 |

The Council has incorporated the changes from the revised 2011 CIPFA Code of Practice into its treasury policies, procedures and practices.

**Appendix A - Arlingclose Economic & Interest Rate Forecast November 2017****Underlying assumptions:**

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

**Forecast:**

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

|                           | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Average |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| <b>Official Bank Rate</b> |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| Upside risk               | 0.00   | 0.00   | 0.00   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.19    |
| Arlingclose Central Case  | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50    |
| Downside risk             | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.15   |
| <b>3-month LIBID rate</b> |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| Upside risk               | 0.10   | 0.10   | 0.10   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.25   | 0.22    |
| Arlingclose Central Case  | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50    |
| Downside risk             | -0.10  | -0.10  | -0.15  | -0.15  | -0.15  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.25  | -0.20   |
| <b>1-yr LIBID rate</b>    |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| Upside risk               | 0.15   | 0.15   | 0.20   | 0.30   | 0.30   | 0.30   | 0.30   | 0.30   | 0.30   | 0.30   | 0.30   | 0.30   | 0.30   | 0.27    |
| Arlingclose Central Case  | 0.70   | 0.70   | 0.70   | 0.70   | 0.80   | 0.80   | 0.80   | 0.80   | 0.80   | 0.80   | 0.80   | 0.80   | 0.80   | 0.77    |
| Downside risk             | -0.15  | -0.20  | -0.30  | -0.30  | -0.30  | -0.30  | -0.30  | -0.30  | -0.30  | -0.30  | -0.30  | -0.30  | -0.15  | -0.26   |
| <b>5-yr gilt yield</b>    |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| Upside risk               | 0.20   | 0.25   | 0.25   | 0.25   | 0.30   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.40   | 0.32    |
| Arlingclose Central Case  | 0.75   | 0.75   | 0.80   | 0.80   | 0.80   | 0.85   | 0.90   | 0.90   | 0.95   | 0.95   | 1.00   | 1.05   | 1.10   | 0.89    |
| Downside risk             | -0.20  | -0.20  | -0.25  | -0.25  | -0.25  | -0.35  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.33   |
| <b>10-yr gilt yield</b>   |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| Upside risk               | 0.20   | 0.25   | 0.25   | 0.25   | 0.30   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.40   | 0.32    |
| Arlingclose Central Case  | 1.25   | 1.25   | 1.25   | 1.25   | 1.25   | 1.30   | 1.30   | 1.35   | 1.40   | 1.45   | 1.50   | 1.55   | 1.55   | 1.36    |
| Downside risk             | -0.20  | -0.25  | -0.25  | -0.25  | -0.25  | -0.30  | -0.35  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.40  | -0.33   |
| <b>20-yr gilt yield</b>   |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| Upside risk               | 0.20   | 0.25   | 0.25   | 0.25   | 0.30   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.40   | 0.32    |
| Arlingclose Central Case  | 1.85   | 1.85   | 1.85   | 1.85   | 1.85   | 1.90   | 1.90   | 1.95   | 1.95   | 2.00   | 2.05   | 2.05   | 2.05   | 1.93    |
| Downside risk             | -0.20  | -0.30  | -0.25  | -0.25  | -0.30  | -0.35  | -0.40  | -0.45  | -0.50  | -0.50  | -0.50  | -0.50  | -0.50  | -0.38   |
| <b>50-yr gilt yield</b>   |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| Upside risk               | 0.20   | 0.25   | 0.25   | 0.25   | 0.30   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.35   | 0.40   | 0.32    |
| Arlingclose Central Case  | 1.70   | 1.70   | 1.70   | 1.70   | 1.70   | 1.75   | 1.80   | 1.85   | 1.90   | 1.95   | 1.95   | 1.95   | 1.95   | 1.82    |
| Downside risk             | -0.30  | -0.30  | -0.25  | -0.25  | -0.30  | -0.35  | -0.40  | -0.45  | -0.50  | -0.50  | -0.50  | -0.50  | -0.50  | -0.39   |

#### Appendix B - Existing Investment & Debt Portfolio Position

|                                      | 31.12.17<br>Actual Portfolio<br>£m | 31.12.17<br>Average Rate<br>% |
|--------------------------------------|------------------------------------|-------------------------------|
| <b>External borrowing:</b>           |                                    |                               |
| Public Works Loan Board              | 98.9                               | 3.31                          |
| Local authorities                    | 1.0                                | 0.45                          |
| Other loans                          | 5.0                                | 4.71                          |
| <b>Total external borrowing</b>      | <b>104.9</b>                       | <b>3.07</b>                   |
| <b>Treasury investments:</b>         |                                    |                               |
| Government (incl. local authorities) | 1.0                                | 0.1                           |

**Appendix 2****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 Executive 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 nominates Executive to be 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 Authority’s investments followed by the yield earned on investments remain important but are secondary considerations.