Public Document Pack

Council

Mon 24 Feb 2020
7.00 pm (Or, if later, as soon as the Executive Committee meeting that evening, which will start at 6.30pm, has finished)

Council Chamber
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL
making a difference
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REDDITCH BOROUGH COUNCIL

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Council

Monday, 24th February, 2020

7.00 pm

Council Chamber Town Hall

Agenda

Membership:

Cllrs:

Michael Chalk (Mayor)
Gareth Prosser (Deputy Mayor)
Salman Akbar
Joe Baker
Tom Baker-Price
Roger Bennett
Joanne Beecham
Juliet Brunner
Debbie Chance
Greg Chance
Brandon Clayton
Matthew Dormer
John Fisher
Peter Fleming
Andrew Fry
Julian Grubb
Bill Hartnett
Pattie Hill
Ann Isherwood
Wanda King
Anthony Lovell
Gemma Monaco
Nyear Nazir
Mike Rouse
Mark Shurmer
Yvonne Smith
David Thain
Craig Warhurst
Jennifer Wheeler

1. Welcome

2. Apologies for Absence

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 (Pages 1 - 12)

5. Announcements

To consider Announcements under Procedure Rule 10:

a) Mayor's Announcements

b) The Leader's Announcements

c) Chief Executive's Announcements.

Council

Monday, 24th February, 2020

6. Executive Committee

Minutes of the meeting of the Executive Committee held on 11th February 2020

NOTE: The Exempt Minute in the Executive committee minutes from the 11th February meeting, at Minute Item No. 109, attached for this item has only been made available to Members and relevant Officers. Should Members wish to discuss the content of this exempt minute in any detail, a decision will be required to exclude the public and press from the meeting on the grounds that exempt information is likely to be divulged, as defined in paragraph 3 of Schedule 12 (a) of Section 100 1 of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

(Paragraph 3: Subject to the “public interest” test, information relating to the financial or business affairs of any particular person (including the authority holding that information).)

6 .1 Independent Remuneration Panel Report and Recommendations 2020/21 (Pages 25 - 38)

6 .2 Pay Policy Statement 2020/21 (Pages 39 - 48)

6 .3 Medium Term Financial Plan 2020/21 to 2023/24 (Pages 49 - 78)

The Overview and Scrutiny Committee is considering the Medium Term Financial Plan at its meeting on 17th February 2020 and may make recommendations to the Executive Committee meeting due to take place immediately before 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.

Council

Executive Committee meeting held on 24th February 2020

On the date of publication it was anticipated that at its meeting on 24th February 2020 the Executive Committee would only be making recommendations in respect of the Council Tax Resolutions. Due to the limited time available between the Executive and Council meetings any additional recommendations arising from this Executive Committee meeting will be reported verbally to the Council meeting.

6 .4 Council Tax Resolutions

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

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.

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.

The Council Tax Resolutions will follow in an additional papers pack.

7. Regulatory Committees

7 .1 Audit, Governance and Standards Committee 30th January 2020 - Treasury Management Recommendations (Pages 79 - 114)

An extract from the minutes of the meeting of the Audit, Governance and Standards Committee has been attached for this item together with a copy of the report that was considered by the Committee.

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).

Council

Monday, 24th February, 2020

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, 20 January 2020

MINUTES

Present:

Councillor Michael Chalk (Mayor), and Councillors Salman Akbar, Joe Baker, Tom Baker-Price, Roger Bennett, Joanne Beecham, Juliet Brunner, Debbie Chance, Greg Chance, Brandon Clayton, Matthew Dormer, John Fisher, Peter Fleming, Andrew Fry, Julian Grubb, Bill Hartnett, Ann Isherwood, Wanda King, Anthony Lovell, Nyear Nazir, Mike Rouse, Mark Shurmer, David Thain and Jennifer Wheeler

Also Present:

Ms Liz Williams, Reach CIC

Officers:

Kevin Dicks, Clare Flanagan, Chris Forrester and Sue Hanley

Senior Democratic Services Officer:

Jess Bayley

62. WELCOME

The Mayor welcomed all those present to the meeting.

63. APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of Councillors Pattie Hill, Gemma Monaco, Gareth Prosser, Yvonne Smith and Craig Warhurst.

64. DECLARATIONS OF INTEREST

Councillor Joanne Beecham declared a pecuniary interest in Minute Item No. 69, in respect of the Fees and Charges 2020/21 report, due to holding a license as an owner of a cattery. She advised that she would leave the room during consideration of that item.

....

Chair

Council

65. MINUTES

RESOLVED that

the minutes of the meeting of Council held on Monday 18th November 2019 be approved as a true and correct record and signed by the Mayor.

66. ANNOUNCEMENTS

The following announcements were made:

a) <u>The Mayor's Announcements</u>

A list of civic engagements detailing the appointments that had been attended by the Mayor in December 2019 was circulated at the meeting.

The Mayor advised Members that he was due to attend the Special Olympics on Friday 24th January 2020. He had also arranged to hold a charity dinner on Saturday 4th April 2020 at Redditch Town Hall. Tickets would cost approximately £30 per person and all Members were welcome to attend.

b) <u>The Leader's Announcements</u>

The Leader informed Members that a submission had been made to the Government in the review of the Local Enterprise Partnerships (LEPs). A response was awaited to this submission.

c) <u>The Chief Executive's Announcements</u>

The Chief Executive confirmed that he had no announcements to make on this occasion.

67. QUESTIONS ON NOTICE (PROCEDURE RULE 9)

The Leader responded to a question that had been submitted by Ms L. Williams in accordance with Council Procedure Rule 9.2.

Ms Williams asked the following question of the Leader:

"Can the Leader confirm that as part of any support to the VCS agreed tonight that:

The properties currently let at a concessionary rent will be properly assessed for the actual commercial rentable value?

In light of the recently recommended decision:

(Executive Committee 19th December 2019) for the closure of all Council One Stop shops, where it is clearly stated that the Winyates OSS could be let for between £5,000 and £6,000 per annum. This is less than the 3 properties in Winyates Centre currently let to VCS organisations."

The Leader responded as follows:

"I can confirm that all properties let by the Council are assessed in order to establish their appropriate commercial rent level.

Firstly the author of the report on the one stop shops was advised that the rental value for units at Winyates would be circa £7,000 to £7,500, but that the Council can look at a reduced rent or rent free period if we or the prospective tenant did work or fitting out to a unit before letting the property.

In this context the author recorded this in his report as an initial figure of £5,000 per annum rising to £7-7.5K per annum in subsequent years to show the predicted rental figures in different scenarios.

To be clear the full rent on the three Voluntary and Community Sector (VCS) occupied units at Winyates which the question refers to are:

Unit 4 (Elim Trust) £5,800 agreed in 2014
Unit 9 (Reach) £6,500 agreed in 2015
Unit 12 (Reach) £6,000 agreed in 2015

All units at Winyates are of a similar size, except for Unit 5 (Convenience store) and Unit 10 (newsagent) which are larger and command higher rents accordingly and the most recent agreement was for Unit 2 at £7,500 per annum.

The reality is that for the shops at Winyates Centre, including any which become vacant, we would look for a rent of between £7,000 and £7,500 per annum as a minimum and it is likely that if these were to be assessed independently that this would result in the figures coming out as this or even higher.

It isn't possible to comment on any negotiated reductions as these are dependent on the works being undertaken."

Ms Williams subsequently asked a supplementary question which asked the Leader whether he was certain that the Council would secure the rents quoted, given that the unit used by Reach CIC flooded each week.

The Leader responded by explained that Officers would respond to Ms Williams's supplementary question in due course with a written response.

68. MOTIONS ON NOTICE (PROCEDURE RULE 11)

There were no Motions on Notice for consideration at this meeting.

69. EXECUTIVE COMMITTEE

The following items, arising from meetings of the Executive Committee held on 19th December 2019 and 14th January 2020, were discussed in detail at the meeting:

Review of the One Stop Shops

Members noted that the One Stop Shops had been the subject of a thorough review over a six month period. There were a limited number of customers who utilised the services available from the One Stop Shops and all of those customers who did access the service had been informed about the proposed closure and alternative service options.

During consideration of this item concerns were raised that the closure of the One Stop Shops could have a disproportionate impact on elderly and vulnerable residents. The One Stop Shops also attracted people to the district centres and concerns were raised that their closure could impact on the long-term viability of those district centres. However, it was suggested that support would be made available to effected customers to help limit the impact in the local community.

Finance Monitoring Report Quarter 2

Members discussed the Council's Medium Term Financial Plan for 2020/21 to 2023/24 and the budget challenges facing the Council moving forward. Following the external auditor's decision to issue the Section 24 Notice to the Council Officers had reviewed action that could be taken to increase income whilst reducing expenditure. During the 2019/20 financial year to date Officers had already identified £571,000 of savings and it was anticipated that further savings would be identified for subsequent years. Officers had also undertaken a review of the Council's Capital Programme for 2019/20 to 2022/23 and this reprofiling work would result in savings on borrowing costs for the Council.

Housing Revenue Account Rent Setting 2020/21

The report in respect of the Housing Revenue Account (HRA) Rent Setting for 2020/21 was discussed and Members noted that this was the first year in five years in which the Council had had an opportunity to increase rents for Council tenants. For the previous four years the Council had been required by the Government to reduce rents by 1% per annum, which had had a detrimental impact on the Council's HRA.

Support to the Voluntary and Community Sector 2020/21

Members discussed the report in respect of support for the Voluntary and Community Sector (VCS) 2020/21 in some detail and in doing so noted the following:

- The proposals detailed in the report and minutes of the Executive Committee meeting held on 14th January 2020, which would result in the introduction of a single budget to support VCS organisations.
- The total value of this budget at £175,000 each year over a three year period, which would encompass both grant funding and concessionary rent support to some VCS organisations.
- The proposed changes to the concessionary rents scheme over the three years, which would result in a phased reduction in the concessionary rent from 70% support in the first year, to 50% support in the second year and 20% support from the Council in the third year.
- The fact that this phased approach to providing concessionary rents support would provide VCS organisations that were affected by the changes with an opportunity to plan for the future.
- The fact that no decisions had yet been taken on the support that would be provided to VCS organisations in the fourth year.
- The impact that the reduction in support provided by the Council in concessionary rents as a proportion of the budget over those three years would have on the support available to VCS organisations in the form of grants from this budget.
- The nine VCS organisations in receipt of a concessionary rent. Members noted that there were more VCS organisations located in the Borough that did not receive this form of support from the Council.
- The proposed changes over the three years, which would provide the Council with an opportunity to review how the authority should provide support to VCS organisations in the future.
- The option available to the Council to help establish a Redditch Community Foundation in the future, which could be modelled on community foundations already in existence in other parts of the country.
- The need for Members to make difficult decisions in order to balance the Council's budget.
- The message that the proposed changes to supporting the sector might send to VCS organisations. Concerns were

raised that this might be viewed as indicating that the Council did not value the sector.

- The protests that had taken place in October 2019 when an original report had been issued. Members noted that changes had subsequently been made to the proposals before a decision had been requested from Council.
- The potential impact of a reduction in concessionary rents for VCS organisations and the possibility that some of the effected VCS organisations would subsequently close.
- The impact that the closure of VCS groups could have on some of the most vulnerable people in society if the services those groups provided were not replicated elsewhere.
- The extent to which the need to balance the Council's budget should result in a reduction in financial support available to VCS organisations.
- The Council's continuing support for VCS organisations in the future and the fact that in some cases this could be in a different form, such as through signposting VCS groups to alternative sources of funding.
- The consultation that had been undertaken with VCS groups, which had reported that they were in favour of an Officer-led Grants Panel.

During consideration of this item Councillor Hartnett proposed an amendment to the recommendation in respect of the Council's future support for VCS organisations. This amendment was seconded by Councillor Greg Chance.

The amendment proposed the following:

"1) Council agrees to retain the current policy for concessionary rents scheme for the Voluntary and Community Sector.

2) Council agrees to end the current councillor community grants scheme and revert back to the grants panel of elected members for the distribution of grants which is now at £145k (£5,000 x 29 members) and to be distributed as previously to set criteria as set by the council and its priorities.

3) Council continue with and fund the £75k financial advice and problem solving contract."

In proposing the amendment Councillor Hartnett commented that he felt his proposals would offer value for money for both the Council and VCS organisations. The proposal would result in retaining the status quo for the provision of concessionary rents to VCS organisations and return the Council to a grants programme whereby a Member-led Grants Panel would consider and determine grants applications. Councillor Hartnett also commented that it was important to retain a contract with an external organisation to provide financial advice to residents funded at the same level as present due to concerns that demand for this service had not declined. In speaking on the amendment Councillor Hartnett also raised concerns that some VCS organisations in receipt of a concessionary rent from the Council would experience a 300% increase in their rent should changes occur and he questioned whether some of these group would be sustainable if they had to meet this cost. Councillor Hartnett suggested that for every £1 spent on VCS organisations the Council received £10 in value back. Members were asked to note that there was a lot of deprivation in Redditch, with 10 food banks in operation, and Councillor Hartnett raised concerns about what organisations would fill the gap in service delivery should local VCS organisations cease to operate due to a reduction in support. Councillor Hartnett concluded by noting that VCS organisations had been offered additional financial support in the form of public donations at the bonfire night celebrations and from the Redditch local lottery. However, as the Council had only received £400 in donations at the Bonfire Night celebrations in November 2019, half of which had been provided to the Mayor’s charities, and the Council had only sold 341 tickets for the local lottery he suggested that these would not provide sufficient funding to support VCS organisations in Redditch.

In seconding the proposal Councillor Chance commented that the work of VCS organisations was needed more than ever at a time when need for support in the community was increasing. Councillor Chance noted that VCS organisations often supported some of the most disadvantaged people in society and could help to prevent residents from becoming more vulnerable. He expressed concerns that proposed changes to the support available to VCS organisations was being driven by the need for the Council to make difficult decisions to balance the authority’s budget. Councillor Chance also expressed concerns that original proposals had been brought forward in the autumn in 2019 to remove concessionary rents from VCS organisations without consultation having been undertaken. Councillor Chance concluded by suggesting that it was not appropriate at this time to withdraw support from VCS groups.

Members subsequently discussed the following points in relation to the amendment:

- The financial difficulties experienced by many VCS organisations in relation to their core operational costs and the impact that changing the Council’s concessionary rents and grants schemes might have on these groups.
- The discussions that had been held about the support for VCS groups at a meeting of the Overview and Scrutiny Committee held on 9th January 2020 and the extent to which Members had supported a proposal that used similar wording to this amendment.

- The concept of the Big Society and the extent to which VCS organisations had assumed responsibility for delivering many local services that had previously been provided by statutory organisations.
- The sales numbers for the Redditch lottery. It was noted that this scheme had only recently been launched and high sales figures had not been anticipated in the first few months, though might increase over time to the benefit of local VCS organisations.
- The Councillor community grants scheme and the extent to which Members in all wards had spent their funding. Members noted that this funding could be spent over time and some applications would be approved in the first few months of 2020.

During consideration of this item a named vote was requested on the amendment in accordance with Council Procedure Rule 17.5.

Members voting FOR the amendment below:

Councillors Joe Baker, Debbie Chance, Greg Chance, John Fisher, Andrew Fry, Bill Hartnett, Wanda King, Mark Shurmer and Jenny Wheeler (9).

Members voting AGAINST the amendment below:

Councillors Salman Akbar, Tom Baker-Price, Joanne Beecham, Roger Bennett, Juliet Brunner, Michael Chalk, Brandon Clayton, Matt Dormer, Peter Fleming, Julian Grubb, Ann Isherwood, Anthony Lovell, Nyear Nazir, Mike Rouse and David Thain (15).

The amendment was therefore lost.

Councillor Joe Baker subsequently proposed an amendment in respect of the support provided by the Council to VCS groups. This amendment was seconded by Councillor Debbie Chance.

The amendment proposed the following:

“The Council remove the meanwhile type lease from option 5, as unanimously approved by the Overview and Scrutiny Committee on Thursday 9th January, 2020.”

In proposing the recommendation Councillor Baker commented that this had been discussed alongside other ideas at the Overview and Scrutiny Committee meeting on 9th January 2020 when the Support to the Voluntary and Community Sector 2020/21 report had been pre-scrutinised by Members. This proposal had, however, been endorsed by the Committee, unlike the other proposals. Councillor Baker expressed concerns that the use of meanwhile leases would impact on VCS organisations, which would not have the assurance of a secure tenancy.

In seconding the amendment Councillor Chance also expressed concerns about offering meanwhile leases to VCS organisations due to the impact that this could have on the future sustainability of those groups.

Members subsequently discussed the amendment and in doing so considered the following:

- The information in the report which indicated that the potential to use meanwhile leases would be assessed on a case by case basis.
- The flexibility provided to both VCS groups and the Council through using meanwhile leases.
- The consultation that had been undertaken with VCS organisations about the potential to use meanwhile leases. Members commented that some VS organisations had asked for meanwhile leases to be retained as an option.
- The work that the Council was undertaking in respect of the regeneration of the district centres and the flexibility that meanwhile leases would provide that would enable the Council to progress with these regeneration plans whilst also supporting VCS groups.

During consideration of this subject a named vote was requested on the amendment in accordance with Council Procedure Rule 17.5.

<u>Members voting FOR the amendment below:</u>

Councillors Joe Baker, Debbie Chance, Greg Chance, John Fisher, Andrew Fry, Bill Hartnett, Wanda King, Mark Shurmer and Jenny Wheeler (9).

<u>Members voting AGAINST the amendment below:</u>

Councillors Salman Akbar, Tom Baker-Price, Joanne Beecham, Roger Bennett, Juliet Brunner, Michael Chalk, Brandon Clayton, Matt Dormer, Peter Fleming, Julian Grubb, Ann Isherwood, Anthony Lovell, Nyear Nazir, Mike Rouse and David Thain (15).

The amendment was therefore <u>lost</u>.

Members subsequently considered the recommendations that had been proposed on this subject by the Executive Committee at the meeting held on 14th January 2020. During consideration of this matter a named vote was requested on the recommendation in accordance with Council Procedure Rule 17.5.

Members voting FOR the amendment below:

Councillors Salman Akbar, Tom Baker-Price, Joanne Beecham, Roger Bennett, Juliet Brunner, Michael Chalk, Brandon Clayton, Matt Dormer, Peter Fleming, Julian Grubb, Ann Isherwood, Anthony Lovell, Nyear Nazir, Mike Rouse and David Thain (15).

Members voting AGAINST the amendment below:

Councillors Joe Baker, Debbie Chance, Greg Chance, John Fisher, Andrew Fry, Bill Hartnett, Wanda King, Mark Shurmer and Jenny Wheeler (9).

The recommendation was therefore carried.

(During consideration of this report there was a brief adjournment from 7.53 to 7.58pm).

Council Tax Base 2020/21

The Mayor advised that no decision was required on this item at the meeting. There had been a typographical error in the report which had indicated that a Council decision was required but in fact the Executive Committee had had the authority to resolve the matter.

Fees and Charges 2020/21

Changes to the Council's fees and charges in 2020/21 were proposed. Members noted that the fees had been reviewed by Heads of Service and would enable the Council to cover the costs of delivering the service or provide the Council with greater flexibility in delivering the service.

Concerns were raised about the proposals detailed in the report to enable Officers employed in Leisure and Cultural Services to vary their fees by 20% and Bereavement Services by 25%. Furthermore, it was noted that in previous years attempts had been made to increase the fees for Bereavement Services and these increases had been reversed. However, Members also noted that the ability to vary fees for these services would provide officers in those departments with greater flexibility to act in a commercial manner.

Reference was made to the increases in fees for Dial a Ride and Shopmobility Services. Members noted that a single journey on a Dial A Ride service was increasing in cost by 53.85% and the concessionary fees for the service by 42.86%. Meanwhile, fees for Shopmobility would be increasing by between 30 and 70%.

During consideration of this item Members noted that a number of mistakes had been identified in relation to fees for some of the

Council's Housing Services. An additional recommendation in respect of these fees was presented at the meeting for Members' consideration and this was approved.

RESOLVED that

1) **the minutes of the meeting of the Executive Committee held on Thursday 19th December 2019 be received and all recommendations adopted; and**

2) **the minutes of the meeting of the Executive Committee held on Tuesday 14th January 2020 be received and all recommendations adopted, subject to to including the following additional resolution in respect of minute Item No. 91 Fees and Charges 2020/21:**

the charges detailed in the table below are implemented on 1st April 2020.

Service Category	Charge 1st April 2019	% Change	increase/ decrease	Proposed charge from 2020
	£		£	£
Service Charges				
Three Storey Flats*	7.50	4.00%	0.00	7.80
Woodrow Estate	3.90	2.56%	0.00	4.00
Evesham Mews	6.50	3.08%	0.00	6.70
Sheltered Scheme (VAT inclusive)				
Use of washing machines - per load	2.70	11.11%	0.30	3.00

70. URGENT BUSINESS - RECORD OF DECISIONS

The Leader explained that there had been one urgent decision taken since the previous meeting of Council. This decision had been taken in respect of funding for the refurbishment and property works of the Pitcheroak Golf Club Catering Service. The funding requested had been £103,000 for inclusion in the capital programme for 2019/20. The decision had had to be taken urgently to enable the site to be opened as soon as possible.

71. URGENT BUSINESS - GENERAL (IF ANY)

There was no general urgent business for consideration on this occasion.

The Meeting commenced at 7.04 pm
and closed at 8.18 pm

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REDDITCH BOROUGH COUNCIL

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Executive

Committee

Tuesday, 11 February 2020

MINUTES

Present:

Councillor Matthew Dormer (Chair), Councillor David Thain (Vice-Chair) and Councillors Greg Chance, Brandon Clayton, Julian Grubb, Bill Hartnett, Mike Rouse and Craig Warhurst

Officers:

Kevin Dicks, Clare Flanagan, Sue Hanley, Jayne Pickering and Darren Whitney

Senior Democratic Services Officer:

Jess Bayley

100. APOLOGIES

There were no apologies for absence.

101. DECLARATIONS OF INTEREST

There were no declarations of interest.

102. LEADER'S ANNOUNCEMENTS

The Leader circulated a list of announcements at the meeting.

In addition, the Leader advised Members that a response had been received from the Government regarding the review of Councils' membership of the Local Enterprise Partnerships (LEPs). The Government had requested that Councils and the LEPs resolve membership arrangements locally and a deadline of 28th February had been set for this process. However, if the matter was not resolved locally the Government had indicated that a decision would be imposed. A letter was in the process of being drafted which outlined the Council's perspective in respect of this matter and the preferred approach, if required to remain in one LEP, would be for Redditch Borough Council to be a member of the Greater Birmingham and Solihull LEP (GBSLEP).

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Chair

Executive
Committee

Tuesday, 11 February 2020

103. INDEPENDENT REMUNERATION PANEL REPORT AND RECOMMENDATIONS 2020/21

The Electoral Services Manager presented the Independent Remuneration Panel's (IRP) recommendations in respect of Redditch Borough Councillors' allowances for 2020/21.

Members discussed the proposals that had been made by the IRP and noted that this included the suggestion that the basic allowance for all Members should increase, which would have implications for the level of Special Responsibility Allowance (SRA) available to eligible Members. There was general consensus that Members could not justify increasing their allowances at a challenging financial time for the Council. However, Members agreed that the recommendations from the IRP which would not result in any additional financial costs for the Council should be approved.

RECOMMENDED that

1) **travel allowances for 2020-21 continue to be paid in accordance with the HMRC mileage allowance;**

2) **subsistence allowances for 2020-21 remain unchanged;**

3) **the Dependent Carer's Allowance remains unchanged; and**

4) **for Parish Councils 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.**

104. PAY POLICY STATEMENT 2020/21

The Executive Director of Finance and Corporate Resources presented the Pay Policy Statement 2020/21. The Committee was informed that this was a statutory document that had to be produced every year as part of the Council's budget setting process. The report needed to include information about senior managers' remuneration as well as spinal column points for staff pay grades. Members were asked to note that the report reflected the current management team arrangements prior to any changes and should have clarified that the Head of Housing's remuneration was covered 100 per cent by Redditch Borough Council.

RECOMMENDED that

the Pay Policy be approved.

Executive
Committee

Tuesday, 11 February 2020

105. MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2023/24

The Executive Director of Finance and Corporate Resources presented the Medium Term Financial Plan 2020/21 to 2023/24 and in so doing highlighted the following for Members' consideration:

- As Members were aware the Council had been issued with a Section 24 Notice in September 2020 by the external auditors, Grant Thornton.
- In the Section 24 Notice Grant Thornton had raised concerns about the financial sustainability of the Council moving forward. The Council was required to have a realistic financial plan and to monitor the budget and expenditure in 2019/20.
- Officers had been monitoring the Council's performance in relation to the 2019/20 budget. By the date of the meeting the authority was on track to deliver significant savings by the end of the financial year.
- Throughout the year updates in respect of the Section 24 Notice and the Council's budget position had been provided to the Budget Scrutiny Working Group and the Audit, Governance and Standards Committee.
- At the start of the financial year the Council had had less than £1 million in balances and this had been a cause for concern for the external auditors.
- Grant Thornton had been clear that Members needed to be able to demonstrate that they could make difficult decisions in order to balance the Council's budget.
- In 2019/20 a number of difficult decisions had been taken, including in respect of Rubicon Business Centre, funding for Voluntary and Community Sector groups and the closure of the One Stop Shops.
- At the start of the 2019 financial year a financial gap of £1.1 million had been expected for the Council in 2020/21. By February 2020 the Council was anticipating a surplus of £82,000 in that year.
- The £82,000 surplus would be returned to balances which would bring the Council's budget to a total just over £1 million.
- Savings had been secured in relation to areas such as the Management Review and as a result of a review of the operational model for the Dial a Ride service.
- Proposed changes to the Dial a Ride service would result in a reduction of buses in operation from six to five and the introduction of a voluntary car scheme. There would be no associated redundancies arising from these changes
- The Council's actuaries reviewed the authority's pension scheme each year. The investments that had been made for the pensions fund had performed better than expected and as a consequence the Council's contributions to the pensions

fund would not be as great as had originally been anticipated therefore an annual saving had been included in the budget projections.

- During the year there had been capital reprofiling work undertaken in respect of the Council's Capital Programme. This had resulted in significant changes and savings in respect of borrowing costs.
- The Council had unexpectedly received additional income in the form of New Homes Bonus (NHB) funding for 2020/21. The Government had been very clear that there would be no legacy payments associated with the NHB available to the Council in subsequent years.
- The Council Tax Resolutions would be presented to the Executive Committee at a meeting immediately before Council on Monday 24th February 2020.
- There remained a lot of uncertainty moving forward regarding future funding for local government.
- The Government's Fair Funding Review would provide some clarity once this had been finalised.
- Changes were also anticipated in respect of business rates. Members were advised that the Government was due to reset the level of business rates growth and this could result in a significant loss of income for the Council in the future.
- The Council also still needed to address a total budget gap of £1.6 million in 2021/22 to 2023/24.
- The Housing Revenue Account (HRA) was in a better position than had been anticipated at the start of the year. The Council would, however, still need to draw down from balances and reserves in order to balance the budget in the first couple of years of the plan.
- By 2023/24 the financial position for the HRA would start to improve as rent rises would be having a positive impact on the budget by that point.

After the presentation of the report Members discussed the following points in detail:

- The work of the Financial Services team and Heads of Service in respect of achieving savings in order to balance the Council's budget. Members thanked Officers for their hard work.
- The requirement for the Council to achieve a balanced budget at least in the first year of the four year plan.
- The challenges that had been presented by the Section 24 Notice.
- The difficult decisions that had been taken by Members in 2019/20 and the need for further difficult decisions to be taken in the future.

- The good news that the Council had received in respect of returns on the Council's pension investments.
- The need for a proper review to be undertaken of Local Government funding and the challenging financial situation impacting on many local authorities.
- The income that had been received from Rubicon Leisure since the company was established. Officers explained that as a result of introducing the company the Council's funding for Leisure and Cultural Services had reduced from £1 million to £600,000. The finances of the company would be reported to the Shareholder Committee.
- The date by which the 30 year business plan for the HRA would be available. Officers explained that the Council was in the process of working on a four year plan. Once the stock condition survey was completed the information arising from that survey would enable the Council to plan work for Housing over a longer period of time.
- The Government's plans to reset of business rates and when this might occur. Members requested further information about this process once it had been clarified.
- The funding that had been allocated to a café in Morton Stanley Park in the Capital Programme and the purpose of this fund. Officers explained that a business plan would be produced in respect of this matter and there was some S106 funding which could also be used for infrastructure spending in the park.
- The date by which the business plan would be reported to Members. Officers explained that should this funding be approved in the Capital Programme there would not be a requirement to present a report to the Executive Committee and this would be the preferred approach in order to increase the speed of the decision making process in line with recommendations from the Corporate Peer Challenge.
- The £1 million for works in respect of asbestos falling to £400,000 in subsequent years and the extent to which funding on this process had been spent to date.
- The issues that could impact on the Council's budget which were outside of the authority's control such as Brexit.
- The Briefing that had recently been provided to Members in respect of commercialism and the fact that this had been well attended.

During consideration of this item Members noted that the Budget Scrutiny Working Group had pre-scrutinised the report at a meeting held on Monday 10th February 2020. Based on their discussions the group had concluded that the capital programme should be presented in a different style in future years, whereby items in the plan would be set out in groups aligning to the Council's strategic purposes. The group had also suggested that the Council needed to ensure that once the Section 24 Notice no longer applied, this would be effectively communicated to the public in order to reassure residents. Members agreed that both of these proposals from the group should be supported.

RECOMMENDED that

1) the Unavoidable costs as attached at Appendix1 be approved:

2020/21 £221k
2021/22 £221k
2022/23 £228k
2023/24 £235k

2) the Revenue Bids as attached at Appendix 2 and Appendix 4 be approved:

2020/21 £95k
2021/22 £45k
2022/23 £45k
2023/24 £45k

3) the Identified Savings as attached at Appendix 3 be approved:

2020/21 £467k
2021/22 £562k
2022/23 £676k
2023/24 £729k

4) the General Fund Capital Programme bids as attached at Appendix 4 be approved:

2020/21 £242k
2021/22 £51k
2022/23 £51k
2023/24 £51k

5) the General Fund capital programme at Appendix 5 be approved:

2020/21 £3.775m
2021/22 £3.206m
2022/23 £5.149m
2023/24 £3.246m

6) the net general fund revenue budget be approved;

2020/21 £9.701m
2021/22 £9.903m
2022/23 £10.141m
2023/24 £10.355m

7) the Housing Revenue Account Budget at Appendix 7 be approved:

2020/21 £24.657m
2021/22 £24.987m
2022/23 £25.233m
2023/24 £25.705m

8) the Housing Revenue Account Capital Programme at Appendix 8 be approved:

2020/21 £10.755m
2021/22 £12.555m
2022/23 £12.217m
2023/24 £11.931m

9) the increase of the Council Tax per Band D at £5 for 2020/21 be approved;

10) the transfer to Balances of £82k for 2020/21; and

RESOLVED that

11) there should be a review of how the capital programme spreadsheet is presented in future years, and that items on the capital programme should be grouped in accordance with the Council's strategic purposes; and

12) once the Section 24 Notice no longer applies to the authority, the Council should ensure it actively communicates this to the public in the local press, having communicated it to the public in the first place. Members recognise that this will be subject to the Council receiving a sustainable value for money statement from the external auditors and approval of the Council's accounts in September 2020.

106. OVERVIEW AND SCRUTINY COMMITTEE

Officers confirmed that there were no outstanding recommendations arising from the meeting of the Overview and Scrutiny Committee held on Thursday 9th January 2020 that required the Executive Committee's consideration.

RESOLVED that

the minutes of the meeting of the Overview and Scrutiny Committee held on Thursday 9th January 2020 be noted.

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

Officers confirmed that there were no further minutes or recommendations from other Committees requiring the Executive Committee's consideration on this occasion.

108. ADVISORY PANELS - UPDATE REPORT

The following verbal updates were provided in respect of the recent work of Executive Advisory Panels and important working groups.

a) Climate Change Cross Party Working Group – Chair, Councillor Brandon Clayton

Councillor Clayton explained that the following meeting of the group would take place in April.

b) Constitutional Review Working Party – Chair, Councillor Matthew Dormer

Councillor Dormer advised that a meeting of the Constitutional Review Working Party was due to take place on 14th July 2020.

c) Corporate Parenting Board – Council Representative, Councillor Julian Grubb

Councillor Grubb informed the Committee that he had attended the latest meeting of the Board. Members were advised that Councillor Grubb was monitoring the potential for Redditch Borough Council to provide assistance to Worcestershire County Council with respect to offering support to young people leaving care.

d) Member Support Steering Group – Chair, Councillor Matthew Dormer

Councillor Dormer explained that the latest meeting of the group had taken place on 4th February 2020. During the meeting Members had finalised the content of the induction pack for new Members due to be elected in May 2020. Members' attendance at training had also been discussed and would continue to be monitored by the group.

The Committee was asked to note that two more data protection training sessions for Members would be held on the evenings of Tuesday 18th February and Thursday 27th February 2020. All Members who had not yet attended data protection training during the municipal year were urged to attend one of these sessions.

e) Planning Advisory Panel – Chair, Councillor Matthew Dormer

Members were advised that no meetings of the Planning Advisory Panel were scheduled to take place.

109. MINUTES

RESOLVED that

subject to the amendments to the exempt Minute Item No. 99, as discussed in exempt session, the minutes of the meeting of the Executive Committee held on Tuesday 14th January 2020 be approved as a true and correct record and signed by the Chair.

(During consideration of this item Members discussed matters that necessitated the disclosure of exempt information. It was therefore agreed to exclude the press and public prior to any debate on the grounds that information would be revealed relating to the financial affairs of any particular body (including the authority holding that information)).

The Meeting commenced at 6.33 pm
and closed at 7.18 pm

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REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE **11 February 2020**

REPORT OF THE INDEPENDENT REMUNERATION PANEL – RECOMMENDATIONS FOR MEMBERS' ALLOWANCES FOR 2020-21 AND THE MEMBERS ALLOWANCES SCHEME

Relevant Portfolio Holder	Councillor , M Dormer Leader and 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 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 2020-21;

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 makes changes to the current amounts of allowances there may be additional savings or costs. If the Council implements all the recommendations of the IRP, using the current scheme, costs would be increased in the region of £4,650.

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 2020-21 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

Report and recommendations from the Independent Remuneration Panel for 2019-20.

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 2020-21

Redditch Borough Council

January 2020

Agenda Item 6.1

Contents	Page

<u>Recommendations</u>

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

1. **That the Basic Allowance for 2020-21 is £4,526 representing a 2% increase.**

2. **That the Special Responsibility Allowances are as set out in Appendix 1.**

3. **That travel allowances for 2020-21 continue to be paid in accordance with the HMRC mileage allowance.**

4. **That subsistence allowances for 2020-21 remain unchanged.**

5. **That the Dependent Carer's Allowance remains unchanged.**

6. **That for Parish Councils 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 last year the Council supported the recommendations of the panel.

This year the Panel offered to meet with the Group Leaders of the Council to discuss any other particular issues. Members of the Panel met with the Leader of the Council on 23 October and discussed the role of the panel and Special Responsibility Allowances (SRAs) for vice chairs of committees. There were, however, no specific suggestions for the Panel to consider.

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 help 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 2019 which gives the mean hourly wage rate for Worcestershire at £14.88.
- 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.
- Considered local government pay awards.
- Reviewed information from the West Midland Members' Allowance Survey 2019.
- Considered the inflation rate (CPI) which was 1.5% in November 2019 (ONS).

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 in the consideration of the recommended basic allowance.

The figure being recommended by the Panel of £4,526 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 2018-19 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 2018-19 figures

Authority, population [1]and number of Councillors	**Total spend Basic Allowances £**	**Total spend on SRA £**	**SRA as a percentage of total Basic Allowance %**	**Cost of total basic and SRA per head of population £**	**Total of basic and SRA as a percentage of Net General Revenue Fund expenditure %**
Bromsgrove DC (31) 95,768	136,350	60,697	45.01	2.05	1.80
Malvern Hills DC (38) 75,339	163,274.80	65,517.37	40	2.93	2.99
Redditch Borough (29) 84,500	100,881	38,706	38.37	1.65	1.46
Worcester City (35) 100,405	150,117	68,016	45.31	2.17	1.64
Wychavon (45) 118,738	192,241	69,087	35.94	2.08	1.95

[1] ONS population figures mid 2019. Totals for Basic and Special Responsibility allowances paid are as published by each authority for the 2018-19 financial year.

Table 2 - Average allowance per Member of each authority (Basic and Special Responsibility Allowances, 2018 – 19 figures)

Authority (number of Councillors)	Amount £
Bromsgrove District (31)	6,356.35
Malvern Hills District (38)	6,020.85
Redditch Borough (29)	4,813.37
Worcester City (35)	6,232.37
Wychavon District (45)	5,807.29

Basic Allowance 2020 - 21

Considerations in calculating the Basic Allowance

In considering the Basic Allowance note is taken of:

- 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. As part of the Panel's assessment and analysis in June 2019 of a random sample of IRP reports from Nearest Neighbour councils we identified that other panels reported that they also apply a 40% public service discount. The Panel remain of the opinion that this level of public service discount is appropriate.

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

Whilst each Council may set out role descriptions for Councillors, the Panel accepts that each councillor will 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.

During the round of meetings held with Leaders during autumn 2019, all raised the issue of the SRA recommended for the Chair of Overview and Scrutiny. The Panel's position had always been that the Chair of Overview and Scrutiny has a very important and independent statutory role to scrutinise and, where appropriate, to challenge or question decisions taken or planned to be taken by the Council, as set out in the Local Government Act 2000. The Panel considered that this should be reflected in the award of an SRA equivalent to that of a Cabinet Portfolio Holder (ie, a multiplier of 1.5.). As a result of concerns raised, the Panel has reviewed its

position on the SRA for Chair of Overview and Scrutiny in this reporting cycle but it is not persuaded that this SRA should be reviewed downwards as suggested by some Councils. In reaching this decision the Panel has taken account of the "Statutory Guidance on Overview and Scrutiny in Local and Combined Authorities published in May 2019, which reinforces the significance and importance of the role of Overview and Scrutiny in holding an authority's decision makers to account on behalf of their electorate.
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 an average of 2% increase in pay in April 2019 (dependent on scale).

The research information used in considering the level of the Basic allowance is set out at **appendix 2**.

Special Responsibility Allowances (SRA) 2020-21

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 SRAs for Vice-Chairs of Committees. Having considered the evidence presented to us and the nature of the roles, as a principle the Panel does not recommend SRAs for Vice-Chair roles.

Appendix 1 to this report sets out the allowances recommended for 2020-21.

Mileage and Expenses 2020-21

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 was asked by one council to make a recommendation in relation to mileage rates for privately owned electric vehicles. The Panel notes that councils generally apply the HMRC Approved Mileage Allowance Payment (AMAP) rates for employees and council members using their own privately owned vehicles for official business. The Panel notes that whilst HMRC introduced an Advisory Electric Rate (AER) for electric vehicles in September 2018, this rate does not apply to privately owned electric vehicles and the AMAP rate should, therefore, continue to be used where the AMAP rates are applied by Councils.

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 2020-21

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:

Terry Cotton, Interim Chair of the Panel - 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 severance in May 2011, he worked part-time in Birmingham's Jewellery Quarter, setting up a new business led community development trust and currently works part-time for Worcestershire County Council's Road Safety Team. He is also a trustee of a small charitable trust providing grants to grassroots community initiatives in deprived communities.

Caroline Murphy – Caroline has 20 years' experience of working in public and voluntary sector organisations, including three West Midlands Local Authorities and the Civil Service. She was a senior Education Manager at Wolverhampton City Council until 2011 developing and delivering a large part of the 14-19 Pathfinder, during which time her department was recognised as achieving Beacon Council Status. She has a wealth of experience at building partnerships. Caroline now works as freelance Education, Skills and Development Adviser supporting individuals and organisations with strategic management, quality assurance and improvement, safeguarding, regulation compliance, research and evaluation, data protection and developing policies and procedures. She has worked in a consultancy capacity for a number of organisations, specialising in those who support vulnerable young people. She also spent 14 years as the Vice Chair of Governors of a primary school in Birmingham.

Jonathan Glover – Jonathan has over 30 years' experience working in central and local government. He has worked mostly in central government, in a range of departments and disciplines. These include: regional finance and accounts; building management; personnel management; contract management. At a local level he specialised in employment support for people with disabilities. Returning to a regional role, he ensured projects throughout the West Midlands region, which were receiving European Commission grants, complied with EC financial and regulatory compliance. Since leaving the civil service he has worked in both the public and private sector. Jonathan was a governor at his local junior school for eight years. He was vice chair of the full governing body, representing the school at Ofsted inspection and appeal panels; chair of its curriculum sub committee; and a member of personal and finance sub committees. He was a member of several recruitment and interview panels, including for a new headteacher.

Reuben Bergman – Reuben is a Fellow of the CIPD with significant senior HR leadership experience across a range of public sector organisations in both England and Wales. He currently runs a HR Consultancy Business in Worcestershire providing advice and support on managing change, employment law, HR policy development, mediation, management coaching and employee relations. Reuben has led successful equal pay reviews in three separate local authorities and is known for his successful work in managing change and developing effective employee relations. He is a qualified coach, mediator and a Shared Service architect. He has won national awards for his work on employee engagement and the development of an innovative Café style leadership development programme.

Matthew Davies – Matthew qualified as a Social Worker in 2008, and subsequently worked in Worcestershire and Jersey in the Channel Islands with children, their families and carers. On returning to Worcestershire in 2013 he worked with children in the care of the local authority before he was appointed as a Safeguarding Manager in Worcestershire in 2014, a role he continued in Manchester City until 2017. Currently he's employed as an Independent Reviewing Officer in Worcestershire. Independent Reviewing Officers are Social Workers, who are also experienced social work managers whose duty is to ensure the care plans for children in care are legally compliant and in the child's best interest. Passionate about learning and development Matthew is a guest speaker who contributes toward the West Midlands Step Up To Social Work Programme for the West Midlands, contributing toward the learning of social workers in training. He is also an Independent Panel Member of an Independent Fostering Agency, contributing toward the approval of prospective and established foster parents for children in care.

The Panel has been advised and assisted by:

- Claire Chaplin and Margaret Johnson from Worcester City Council;
- Darren Whitney, Amanda Scarce and Jess Bayley from Bromsgrove and Redditch Councils;
- Mel Harris from Wychavon District Council;
- Lisa Perks 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.

Terry Cotton, Interim Chair of Independent Remuneration Panel

Appendix 1

Independent Remuneration Panel for District Councils in Worcestershire Recommendations for 2020-21

Redditch Borough Council

Role	Recommended Multiplier	Current Multiplier	Recommended Allowance £	Current Allowance (paid) £
Basic Allowance – all Councillors	1	1	4,526	4,437
Special Responsibility Allowances:				
Leader	3	3	13,578	13,311, plus 6,656 as portfolio holder
Deputy Leader	1.75	1.75	7,920.50	7,765, plus 6,656 as portfolio holder
Cabinet Portfolio Holders	1.5	1.5	6,789	6,656
Executive Members without portfolio	****	1	****	4,437
Chair of Overview and Scrutiny Committee	1.5	1.5	6,789	6,656
Chairs of Overview and Scrutiny Task Groups	0.25	0.25	1,131.50	1,109
Chair of Audit, Standards and Governance Committee	0.25	0.25	1,131.50	1,109
Chair of Planning Committee	1	1	4,526	4,437
Chair of Licensing Committee	0.75	0.75	3,394.50	3,328
Political Group Leaders	0.25	0.25	1,131.50	1,109

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/reports/lmp/la/contents.aspx

https://www.nomisweb.co.uk/query/construct/summary.asp?reset=yes&mode=construct&dataset=30&version=0&anal=1&initsel=

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. Applying this formula would produce a figure of £4,360 per annum.

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 1.5% for November 2019.

Local Government Pay Award

The Panel was particularly mindful of the latest Local Government pay award implemented from 1 April 2019. For the majority of Local Government employees this resulted in a pay increase of 2% on 1st April 2019.

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REDDITCH BOROUGH COUNCIL

EXECUTIVE 2020

PAY POLICY STATEMENT 2020/21

Relevant Portfolio Holder	Cllr David Thain
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 2020/21

2. RECOMMENDATIONS

The Executive 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 31st 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.

The information provided is based on the current pay structure and is subject to any national pay award for 2020/21 being agreed

Legal Implications

3.3 These are already included in the report

Service / Operational Implications

3.4 This report precedes the Management Restructure. The Management Restructure is subject to consultation therefore the current pay policy is as defined in 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 2020/21

AUTHOR OF REPORT

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REDDITCH BOROUGH 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 2020 and each subsequent financial year, until amended.

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 43, the Council uses the

nationally negotiated pay spine. Salary points above this are locally determined. The Council's Pay structure is set out below.

Grade	Spinal Column Points		Nationally determined rates	
			Minimum £	Maximum £
1	1	2	17,364	17,711
2	2	5	17,711	18,795
3	5	9	18,795	20,344
4	9	14	20,344	22,462
5	14	19	22,462	24,799
6	19	24	24,799	27,905
7	25	30	28,875	32,878
8	30	34	32,878	36,876
9	34	37	36,876	39,782
10	37	40	39,782	42,683
11	40	43	42,683	45,591
Manager 1	Hay evaluated	43%	55,756	58,030
Manager 2	Hay evaluated	45%	58,030	60,412
Head of Service 1	Hay evaluated	51%	66,312	69,019
Head of Service 2	Hay evaluated	61%	79,574	82,822
Head Of Service 3	Hay evaluated	68%	88,777	92,025
Executive Director	Hay evaluated	74%	96,355	100,145
Deputy Chief Executive	Hay evaluated	80%	106,099	108,254
Chief Executive	Hay evaluated	100%	130,011	135,317

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 1st April 2020 (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.

Post Title	**% of Chief executive salary**	**Pay range (minimum) £**	**Pay range (maximum) £**	**Incremental points**	***Cost to Redditch Borough Council £***
Chief Executive	100%	130,011	135,317	3	*66,407*
Deputy Chief Executive	80%	106,099	108,254	3	*53,588*
Executive Director of Finance and Resources. (Also S151 Officer)	74%	96,355	100,145	3	*49,125*
Head of Worcestershire Regulatory Services	68%	88,777	92,025	3	*This is a shared post across 6 district Authorities at a cost of £15,066 each*
Head of Customer Access and Financial Support	61%	79,574	82,822	3	*40,599*
Head of Planning and Regeneration	61%	79,574	82,822	3	*40,599*
Head of Transformation and Organisational Development	61%	79,574	82,822	3	*40,599*
Head of Legal, Equalities and Democratic	61%	79,574	82,822	3	*40,599*

Services					
Head of Environmental Services	61%	79,574	82,822	3	40,599
Head of Leisure and Cultural Services	61%	79,574	82,822	3	*40,599*
Head of Community Services	61%	79,574	82,822	3	*40,599*
Head of Housing Services	61%	79,574	82,822	3	40,599

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 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 1st April 2020 this is £17,364 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 which is 1:3.7.

26. 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.

REDDITCH BOROUGH COUNCIL

EXECUTIVE **11th February 2020**

MEDIUM TERM FINANCIAL PLAN 2020/21 – 2023/24

Relevant Portfolio Holder	Councillor David Thain, Portfolio Holder for Finance and Enabling Services
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Non-Key Decision	

1. SUMMARY OF PROPOSALS

1.1 To enable members to consider the Medium Term Financial Plan for the period 2020/21 – 2023/24 to include General Fund Revenue and Capital together with the Housing Revenue Account budget proposals. The report includes recommendations to Council to enable a balanced budget to be set for 2020/21 and the proposed Council Tax for 2020/21. In addition members are asked to note the position for future years 2021/22-2023/24. The recommendations will then be presented to Council on 24th February together with the resolutions once we have received all of the precepting bodies Council Tax calculations.

2. RECOMMENDATIONS

2.1 Executive is asked to recommend that Full Council;

2.1.1 Approve the Unavoidable costs as attached at Appendix1:
2020/21 £221k
2021/22 £221k
2022/23 £228k
2023/24 £235k

2.1.2 Approve the Revenue Bids as attached at Appendix 2 and Appendix 4:
2020/21 £95k
2021/22 £45k
2022/23 £45k
2023/24 £45k

2.1.3 Approve the Identified Savings as attached at Appendix 3:
2020/21 £467k
2021/22 £562k
2022/23 £676k
2023/24 £729k

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

2020/21 £242k
2021/22 £51k
2022/23 £51k
2023/24 £51k

2.1.5 Approve the General Fund capital programme at Appendix 5:

2020/21 £3.775m
2021/22 £3.206m
2022/23 £5.149m
2023/24 £3.246m

2.1.6 Approve the net general fund revenue budget;

2020/21 £9.701m
2021/22 £9.903m
2022/23 £10.141m
2023/24 £10.355m

2.1.7 Approve the Housing Revenue Account Budget at Appendix 7 :

2020/21 £24.657m
2021/22 £24.987m
2022/23 £25.233m
2023/24 £25.705m

2.1.8 Approve the Housing Revenue Account Capital Programme at Appendix 8:

2020/21 £10.755m
2021/22 £12.555m
2022/23 £12.217m
2023/24 £11.931m

2.1.9 Approval the increase of the Council Tax per Band D @ £5 for 2020/21.

2.1.10 Approve the transfer to Balances of £82k for 2020/21.

3. KEY ISSUES

Financial Implications

3.1 The Council's Medium Term Financial Plan (MTFP) provides the framework within which the revenue and capital spending decisions can be made. This year a 4 year plan is proposed to 2023/24 to ensure we address the section 24 Notice. 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:

- Run and Grow a successful business
- Finding somewhere to live
- Aspiration , Work and Financial Independence
- Living independent, active & healthy lives
- Communities which are safe, well maintained & green

3.2 As Members are aware, following the audit for 2018/19, Grant Thornton issued the Council with a Statutory recommendation made under section 24 of the Local Audit and Accountability Act 2014. Grant Thornton concluded that it was appropriate for them to use our powers to make a recommendation under section 24 of the Act due to the Council's current and forecast financial position.

3.3 The formal recommendation required the Council to deliver

- A financial plan for 2020/21 that includes the identification of further deliverable savings and income generation schemes, cost base reductions and Council Tax increases that eliminates the planned £1.17 million use of General Fund balances and ensures there are no further calls on HRA balances. This will require Members to take difficult decisions about sustainable levels of service and increases in Council Tax.

- Agreement of a realistic financial plan for 2021/22 that has deliverable savings and seeks to ensure that there are no further planned uses of General Fund and HRA balances that would put them below a financial sustainable level.

3.4 Members and officers have reviewed the services provided by the Council over the last 6 months to consider the levels of funding available to the Council and identified where potential savings can be made or additional income generated.

3.5 In addition a financial framework was approved to enable an overarching strategy to be in place to support the future financial position of the Council. In light of the financial pressures the Council faces the strategy aims to provide a framework in which the Council can become financially sustainable whilst delivering the priorities to our communities. The key objectives are:

- To ensure resources are directed to the council's strategic purposes

- To set financially sustainable budgets over the 4 year period for General Fund and HRA
- To increase balances to £1.5m in the General Revenue Fund and £1m in the HRA
- To maximise income opportunities whilst supporting the vulnerable
- Identify and disinvest in non priority areas
- To ensure all savings are achievable and developed with robust data
- To reduce overheads & direct costs over the 4 year period
- To maximise use of assets and disinvest surplus or non performing assets
- To further develop the commercial culture within the Council
- To consider and adapt to the uncertain future financial climate
- To work with the public, members and staff to engage and inform partners on the impact of the financial pressures of the Council

3.6 Significant savings are forecast for 2019/20 and these will be transferred to General Fund balances with the aim to increase these to the level proposed in the framework. As can be seen in Table at 3.10 to this report additional income and savings have been identified to reduce the costs associated with the delivery of services. Furthermore Members have already approved service changes and realignment of funding to realise additional savings of;

- Closure of the One Stop Shops (saving £60k)
- Withdrawal from the Rubicon Business Centre (saving £92k)
- Reallocation of Voluntary Community Service Funding (saving £108k)

3.7 The Council has made these difficult decisions in light of the financial challenges it faces and it is clear that further savings are required over the longer term to address the financial pressures of the Financial Plan as shown in Table at 3.23.1. Whilst addressing the position for 2020/21 it is clear that further savings are required to ensure the Council has a financially sustainable position in the future in light of the potential changes to Borough Council funding and service demands in the future. There is a need to consider how these savings can be made and there are potential areas for review included later in this report which will need to be explored with officers and members to ensure the Council is financially sustainable in the longer term.

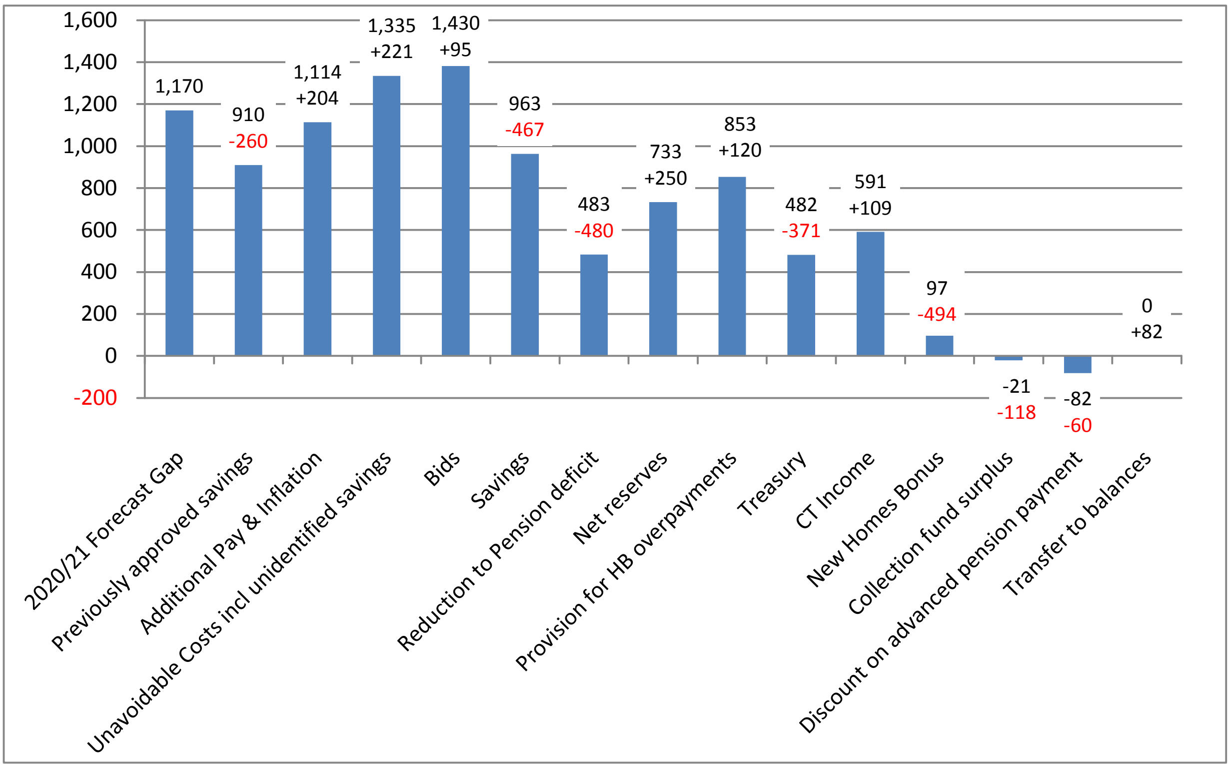
3.8 Over the last 12 months the Budget Scrutiny working group as established by the Overview and Scrutiny Committee has met on a regular basis to review costs, fees and charges and the capital programme and have made a number of recommendations to Executive.

REDDITCH BOROUGH COUNCIL

EXECUTIVE **11th February 2020**

3.9 Officers have factored in a number of assumptions into the Medium Term Financial Plan to update it in line with revised calculations and information from officers and Government.

3.10 The table below demonstrates the changes in the financial projections and budget gap for 2020/21 based on the original estimation of a £1,170k gap as presented in February 2019. Following the table there are explanations of the reasons for the changes resulting in an achieved balanced budget for 2020/21.



3.11 **Previously approved savings (£260k)**

Members have already approved service changes and realignment of funding to realise additional savings of;

- Closure of the One Stop Shops (saving £60k)
- Withdrawal from the Rubicon Business Centre (saving £92k)
- Reallocation of Voluntary Community Service Funding (saving £108k)

3.12 **Additional pay and inflation (£204k)**

One of the pressures to the budget is general inflation on utility costs along with additional costs in relation to pay. The additional costs relating to pay inflation are above that initially anticipated. The original budget included

1% pay award however current negotiations are proposing a 2% which is therefore included in the estimated position above.

3.13 **Unavoidable Costs (£221k)**

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 2019/20 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 of £221k are identified at Appendix 1. These include

- Removal of the previous unidentified savings £181k
- Additional WRS salary pressures £16k

3.14 **Bids (£95k)**

In addition to the unavoidable pressures revenue bids have been identified and included at Appendix 2 (and appendix 4). Bids relate to new funding requests made by officers to improve service delivery or to realise future efficiencies. The total bids for 2020/21 of £95k include a Strategy development for Parks and green spaces (£50k) and the revenue implications of capital expenditure.

3.15 **Identified Savings/additional income (£467k)**

Identified savings and additional income of £467k are detailed at Appendix 3. These are proposed to ensure that budget pressures can be met and demonstrate the additional income that the Council is generating. These include;

- Income generated from new 0 -19 Prevention & Early Intervention contract £32k
- A reduction in insurance budgets of £80k due to a new insurance contract being tendered.
- Savings from the management review (subject to consultation) £54k
- Reduction in enabling costs £45k
- Reduction in costs associated with the Dial A Ride service £90k

It is proposed that a realignment of the Dial A Ride service can deliver savings to the Council whilst maintaining the service to our community. The £90k saving identified from the service will be achieved through the introduction of a new service delivery model. This will reduce the fleet of minibuses from six to five and the buses will focus on group activities thereby utilising the available passenger capacity on each trip. Where possible bookings will be arranged to service specific locations of the Borough eg. supermarket trips to cover local communities on allocated days of the week. This will increase the number of passengers on the bus at any one time. The service will use a community volunteer car scheme for the least efficient and more costly one to one journeys such as GP or medical appointments. Overall this new service delivery model will increase the number of passengers and income generated per month. New services such as a chaperone service and one off full cost recovery trips to venues outside of the Borough will also be investigated.

3.16 **Reduction to pension deficit (£480k)**

An actuarial assessment of the council's pension liabilities has seen a sizeable reduction in the historic pension deficit payments due to significantly better performance than was expected from investments by the pension fund.

3.17 **Net Reserves (£250k)**

In relation to the revised pension liabilities it is worth advising that as Pension deficits are re calculated every 3 years and can be volatile a proposal has been made to allocate £200k of the savings to an earmarked reserve which will be available to manage any pension actuary adverse changes. In addition a reserve is proposed to support transformational change within the Borough of £100k along with a release of a reserve £50k which is no longer required.

3.18 **Provision for Housing Benefits (£120k)**

The Council spends £15m on Housing Benefit funded from the DWP. There is currently no bad debt provision for Housing Benefit overpayments and therefore an assessment has been made and the £120k is proposed to provide funding for these debts.

3.18 **Treasury (£371k)**

The decrease of £371k is driven by two factors. The first is a re-profiling of the capital programme to more accurately reflect planned spend which has moved expenditure into future years and also reduced planned spend. Secondly officers undertook a review of the length of asset lives where appropriate which in some cases resulted in an increase. This reduces the minimum revenue provision (MRP) per year for assets where the asset life increased, though not reducing the total amount of MRP required to be provided over the life of those assets.

3.19 **Council Tax (£109k)**

As part of the Financial Settlement the Council is allowed to increase Council Tax by up to 2% or £5 whichever is higher without the need for a referendum. This is less than the previous assumption of 2.99% and therefore there is a projected loss of income for 2020/21 – 2023/24. The current projections include £5 increase for 2020/21 and the demand on the collection fund to meet the Council's own needs will be £6.617m. The Council Tax relating to the Councils services will rise from £239.15 to £244.15.

In addition the Council pay a parish precept estimated at £8k which is funded from Council tax income from the specific parish area.

3.20 **New Homes Bonus (NHB) (£494k)**

The amount of NHB for 2020/21 has been confirmed as £924k, which is £494k more than anticipated in the MTFP. This is due to the Government funding an additional year of New Homes Bonus than initially proposed. However the financial settlement stated this would be for one year only and would not attract future legacy payments. A consultation on New Homes Bonus is expected in the spring to enable alternative proposals to be considered by the Council

3.21 **Council Tax Surplus (£118k)**

This is the estimated surplus based on the latest 2019/20 collection fund information

3.22 **NNDR Income – no change**

The Council is currently participating in a pan-Worcestershire Business Rates Pool (WBRP) pilot for the 75% Business Rate Retention for 2019-20 financial year. This one year arrangement is at no detriment to our financial position based on our former membership of the Greater Birmingham and Solihull Business Rates Pool. As part of the Finance Settlement approval was granted for the Council to be a member of a Worcestershire Pool for 2020-21 that also includes the Fire Authority. Again there is no detriment to the Council in joining this pool and whilst the position for the Council has been projected at a baseline from the current position for future years it is expected that additional growth may be generated which will be reported in the quarterly financial reports. In addition the position in relation to further appeals and resultant uncertainty due to the impact on performance of the Pool remain a concern; this is being managed by the S151 Officer in conjunction with the other treasurers within the Pool. It is unknown if Business Rate Pools will cease when the new funding system is introduced. The planned Business Rates baseline reset in 2021 could result in a reduction in the ability to retain business rates growth and therefore there is a risk this will impact adversely on our overall funding position.

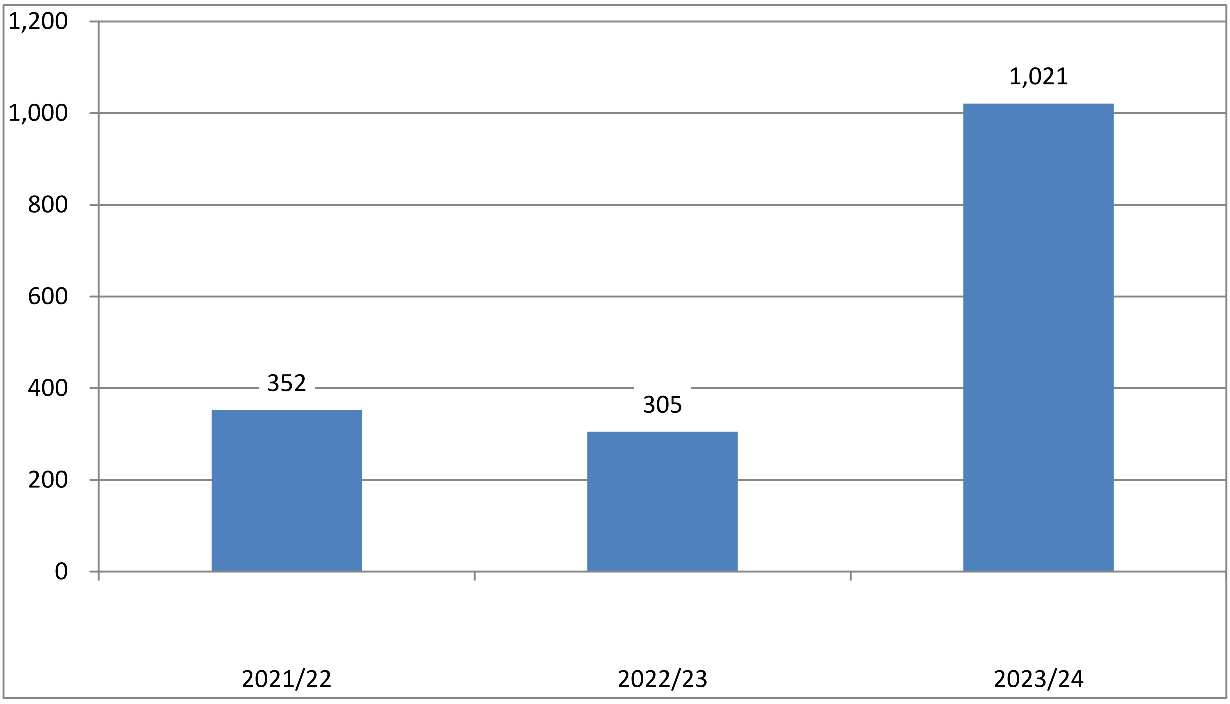
3.23 **Future Years**

Further consultation is awaited from the Government on plans for reform of local government finance that has now been delayed until 2021. The Council is currently taking part in a pan Worcestershire pilot of 75% business rates retention in 2019-20. The timetable for introducing 75% business rates retention across England and the fair funding review has been deferred until 2021-22. The Council continues to remain vulnerable to other changes in respect of local government finance, such as the rules for distributing new homes bonus. In addition the Government has yet to provide clarity on the impact of Brexit, including such issues as the replacement arrangements for EU funding streams that may benefit the Council, the procurement regime after Brexit and many other aspects of EU law that impact on local government activities;

Assumptions have been made in the financial plan for the following years including:

- The final year of the New Homes Bonus Scheme in 2020/21. There is no further funding included in the MTFP for “new” monies from 2021/22 which will result in a considerable funding gap for the Council. Therefore the New Homes Bonus for 2021/22 will reduce to £231k (from £9244k 2020/21) and 2022/23 to £209k before being withdrawn completely for 2023/24.
- Increases in Council Tax at 2%
- Baseline position for Business Rates as currently there is limited information available on any proposed changes to funding

3.23.1 This results in a medium term financial gap to 2023/24 as follows:



3.23.2 Members are advised that there is a great level of uncertainty around the funding available from Central Government from 2021/22. The budget presented above shows the position should all New Homes Bonus be removed with no reallocation of central funding to offset this shortfall. In addition there will be a change to the government methodology on the calculation of the amount individual local authorities need to spend (Fair Funding Review) and a reset of the business rates baseline figures. The total shortfall over the three years is £1.678m.

3.23.3 Whilst it is important to see the step improvement in the budget projections there remain significant savings to be made over the Financial Planning period. There is a need to consider how these savings can be made and it is proposed that officers consider the following areas to present options available to reduce costs and grow income to Members in the Autumn. The areas to consider include:

- Improving income through commercial activities and income from regeneration investments
- Increase in income and reduction in spend on Environmental Services
- Increase in income and reduction in spend on Leisure Services
- Additional income or reduction in cost of Dial a Ride
- Additional income or reduction in cost of Shopmobility

3.24 **General Fund**

The proposed budget is summarised in the table below:

REDDITCH PROPOSED REVENUE BUDGET 2020/21 - 2023/24

	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
Departmental base budget	10,269	10,496	10,757	10,757
Incremental Progression/Inflation on Utilities	204	248	246	445
Unavoidable Pressures	220	220	227	234
Revenue Bids/Revenue impact of capital bids	95	45	45	45
Savings and Additional income	-727	-823	-937	-990
Reduction to pension deficit payments	-480	-403	-317	-255
Provision for Housing Benefits overpayments	120	120	120	120
Net Revenue Budget Requirement	**9,701**	**9,903**	**10,141**	**10,355**
FINANCING				
Reserve release	-50	0	0	0
Transfer to pension reserve	200	0	0	0
Transfer to Transformational Change reserve	100	0	0	0
Business Rates Net Position	-2,899	-2,940	-2,985	-2,985
Council Tax	-6,415	-6,617	-6,821	-7,008
New Homes Bonus	-924	-231	-209	0
Collection Fund Surplus (Council Tax)	-118	0	0	0
Parish Precept	8	8	8	8
Parish Precept income	-8	-8	-8	-8
Bad Debt Provision	50	50	50	50
Investment Income	-832	-899	-967	-1,035
MRP (Principal)	910	969	1,028	1,282
Interest payable	342	375	436	448
Recharge to Capital Programme	-38	-38	-38	-38
Discount on advanced pension payment	-110	-221	-331	-50
Funding Total	**-9,784**	**-9,552**	**-9,837**	**-9,336**
General Balances	**2020-21 £000**	**2021-22 £000**	**2022-23 £000**	**2023-24 £000**
Estimated opening balances 20/21 (projected)	**957**	**1,039**	**687**	**382**
Contribution (from) / to General Balances	82	-352	-305	-1,021
Agreed in year transfer to/from balances				
Closing Balances	**1,039**	**687**	**382**	**-639**

3.25 **Collection Fund**

The anticipated collection fund surplus is £880k, which will be distributed amongst the major preceptors using the prescribed formulae. This Councils share of the surplus payable as a one off sum is £118k.

3.26 **Precepts**

The precepts from Worcestershire County Council, Hereford and Worcester Fire Authority and the West Mercia Police and Crime Commissioner are due to set their precepts in the week commencing 10th February. This will enable the Council to set the Council Tax on 24th February 2020. The precepting bodies Council Tax requirements will be included in the formal resolutions which will be presented to Executive and Council on 24th February.

3.27 **Capital Programme**

The Capital Programme has been considered to propose any new bids required to deliver services to the community. These are included at Appendix 4 with the proposed complete Capital Programme at Appendix 5. The borrowing costs have been factored into the revenue budget for the financial plan. There are detailed business cases available for all capital projects should members wish to consider them further.

4. Housing Revenue Account

4.1 The Housing Revenue Account is a ring fenced account holding transactions relating to Council dwellings. It is a separate account within the General Fund but receives income from Council rents.

4.2 For the four financial years up to and including 2019/20 there has been a national requirement to reduce rents by 1% per annum and this has put severe pressure on the housing revenue account. From 2020/21 rents will now increase by the consumer price index plus 1%. The rent increase was approved by the Executive on 19th December 2019. Over the next four years the rent increases will start putting the housing revenue account into a positive position.

4.3 Appendix 7 provides a summary of the housing revenue account including the latest forecast for 2019/20. For 2019/20 and 2020/21 the anticipated position is a deficit which would reduce the Housing Revenue Account balances to below the £600k minimum required advised by the Section 151 officer and agreed by Members. To enable the balances to remain at £600k the budget includes drawing £195k from the reserves in 2019/20 and £208k in 2020/21. However, this will be reimbursed 201/22 to 2023/24 as the HRA position improves. The reserves are currently designated for capital purposes but were created from revenue when the HRA was in surplus and the temporary use of the reserve is permitted.

4.4 Based on the medium term financial plan by 2023/24 the reserves will have been reimbursed by 2023/24 and £338k will be available to increase the HRA Balances. The continued financial management and assessment of the delivery of a balanced and sustainable budget is a key recommendation in the Section 24 and the subsequent transfer back to reserves will demonstrate the Council is managing the financial position for the HRA.

4.5 Appendix 8 provides the HRA Capital Programme and Appendix 9 the reserves and capital receipts position taking account of the capital programme and revenue use of reserves. The temporary use and reimbursement of the capital reserve does not impact on the capital plans.

5 Legal Implications

5.1 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. These will be included in the resolutions and presented to Executive and Council on 24th February 2020.

6 Service / Operational Implications

6.1 The MTFP will enable services to be maintained and, where achievable, improvements to the community.

7 Customer / Equalities and Diversity Implications

7.1 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 service that create value to the customer are resourced.

8. RISK MANAGEMENT

8.1 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 being undertaken to address any areas of concern. Risks include:

- Reductions in government funding leading to a reduction in the level of services delivered to the public
- Reductions in business rates income as a result of appeals or reduction in the rateable value leading to a lower level of income for the Council.
- Identification of sufficient and ongoing revenue savings to deliver a balanced budget.
- Allocation of sufficient resources to meet the needs of service delivery and the Councils priorities.
- Maintain adequate revenue and capital balances as identified in the MTFP to ensure financial stability.

The regular financial monitoring by Officers and Executive will provide a framework to mitigate the above risks.

8.2 **Risk Management - Chief Financial Officer (CFO) Opinion on the Estimate Process and Reserve Levels**.

Section 25 of the Local Government Act 2003 requires the CFO to report to the Council when it is making the statutory calculations required to determine its Council Tax or precept.

Government guidance states, '*The authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. What is required is the professional advice of the CFO on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together*.'

8.3 **Section 25: Report of the CFO - Robustness of the Estimates**

The Chief Financial Officer's opinion is that the estimates are robust, although there are a number of risks and uncertainties as set out below. Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff and Management Team prior to submission to Members. The Council has addressed as a matter of urgency the recommendations as detailed in the Section 24 Notice.

The Council's revenue and capital budgets are 'joined up', both for next year's budget and for the longer term. This means that the full cost of the proposed Capital Programme is reflected in the revenue estimates. Both revenue and capital budgets include the funding needs of the Council.

The main risks in the 2020/21 budget relate to:

- The delivery of income and managing the impact of savings proposed. Mitigating actions are in place within departmental risk registers to ensure managers are aware of any variances to budget.

- Business Rate Income – whilst this is essentially part of Central Government funding, the actual income received will vary depending on actual Business Rates income. It is difficult to predict the likely income with accuracy. It will be affected by many variables beyond the Council's control, for example, the level of appeals by ratepayers against their rating assessments. The funding mechanism gives a degree of in year protection against volatility but this only defers the impact of variances to future years.

- European Union Withdrawal (Brexit) – the overall effects of Brexit are difficult to quantify. It does remain a significant risk, which will only become clear when the final withdrawal takes place. This will require careful attention

- Central Government Funding – the MTFP shows income from NHB reducing to zero in 2023/24. This may change as a result of the Fair Funding Review. As already stated, government are consulting on a revised funding formula. There is no certainty around any of the streams of government funding. The current shortfalls in the MTFP need to be addressed over the next 12 months.

- Potential overspends within the HRA Budgets. This will be managed by monthly financial monitoring meetings with the housing and finance teams.

Adequacy of Reserves

The Financial Framework proposed a level of balances at £1.5m for General Fund activity and £1m in the Housing Revenue Account over the next 3 years. It is anticipated that the 2019/20 underspends will enable general fund transfers to increase balances with the aim to reach the level proposed by 2023/24.

The reserves position will allow the Council to be robust and make coordinated plans to address the deficit position.

Taking account of the above, and the level of risk within the budget, the S151 Officer judges that reserves are at an appropriate level throughout the period of the MTFP. This will need to be reviewed if there are any major unplanned calls on reserves, for example, to fund capital expenditure.

9. APPENDICES

Appendix 1 – Unavoidable costs
Appendix 2 – Revenue Bids
Appendix 3 – Identified savings
Appendix 4 – Capital bids
Appendix 5 – Proposed Capital programme
Appendix 6 – Budget by strategic purposes
Appendix 7 - Housing Revenue Account Budget 2020/21 and medium term financial plan to 2023/24
Appendix 8 – Housing Revenue Account Capital Programme 2020/21 to 2023/24
Appendix 9 – HRA reserves and capital receipts position

AUTHOR OF REPORT

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UNAVOIDABLE PRESSURES - RBC

Appendix 1

Service	Strategic Purpose	Description of Pressure	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'001
Human Resources	Enabling	Chris 21 system annual cost - one year costs due to New system in place.	8	0	0	0
CCTV	Communities which are safe, well maintained & green	increase in contract for CCTV maintenance	7	7	7	7
Corporate management	Enabling	Removal of Unidentified savings	181	181	181	181
Elections	Enabling	New polling stations	2	2	2	2
Business Development - Business	Run and grow successful business	Shortfall in income from community centre no longer in use - Hawthorn Road	6	6	6	6
Environmental Health	Communities which are safe, well maintained & green	Worcestershire Regulatory Services (WRS) Salary pressures	16	24	31	38
			221	**221**	**228**	**235**

NEW REVENUE BIDS - RBC

Appendix 2

Service	Strategic Purpose	Description of revenue bid	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Private Sector Housing Team	Finding somewhere to live	Idox licence fee	1	1	1	1
Parks & Events	Communities which are safe, well maintained & green	Strategy development parks and green spaces/ play and pitch/ sports dev/S106 adoption	50	0	0	0
			51	**1**	**1**	**1**

SAVINGS & ADDITIONAL INCOME - RBC

Appendix 3

Service	Strategic Purpose	Description of saving	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Human Resources	Enabling	Savings on car mileage budget	-2	-2	-2	-2
Lifeline	Living independent, active & healthy lives	Additional income for digitalised systems	-17	-34	-44	-54
Community Services - Shopmobility	Living independent, active & healthy lives	Savings arising from a new model of working the shopmobility service	-1	-1	-1	-1
Community Transport	Living independent, active & healthy lives	Dial - a Ride savings	-90	-90	-90	-90
Communications & Print	Enabling	Additional Saving from New Print Contract	-10	-10	-10	-10
Corporate Services	Enabling	Management Review	-54	-54	-54	-54
Corporate Services	Enabling	Reduction in enabling costs - 1% per annum	-45	-90	-135	-180
Customer Access & Financial Support	Aspiration, work & financial independence	Service restructure	-30	-30	-35	-35
Core Environmental Operations	Communities which are safe, well maintained & green	Inflation on income from WCC for underpass maintenance	-2	-3	-4	-4
Engineering	Communities which are safe, well maintained & green	Inflation on income from WCC for land drainage	-2	-2	-3	-3
Transport	Enabling	Additional income from MOTs.	-3	-3	-3	-3
Place Teams	Communities which are safe, well maintained & green	Inflation on income from WCC for verge maintenance	-3	-5	-7	-9
Engineering	Communities which are safe, well maintained & green	Income from WCC for design services provided by Engineering & Design Team	-3	0	0	0
Bereavement Services	Communities which are safe, well maintained & green	Additional income from changes in structure re commercialism	-11	-18	-60	-80
Finance	Enabling	Insurance contract saving	-80	-80	-80	-80

Service	Strategic Purpose	Description of saving	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Finance	Enabling	Savings arising from New Finance Enterpise System.	0	-30	-35	-40
0-19 Prevention and Early Intervention Service	Enabling	Income for new contract for Prevention and Early Intervention service	-32	-32	-32	0
Democratic Services	Enabling	Budget no longer required	-3	-3	-3	-3
Democratic Services	Enabling	Budget no longer required	-10	-10	-10	-10
Legal Services	Enabling	Additional income from HRA recharge	-34	-35	-36	-37
Business Development - Cultural	Communities which are safe, well maintained & green	Additional income from civic suite	-1	-1	-1	-1
Business Development - Cultural	Communities which are safe, well maintained & green	Reduction in advertising budget civic suite	-1	-1	-1	-1
CMT	Enabling	Professional fees budget saving	-17	-17	-17	-17
Development Management	Communities which are safe, well maintained & green	Savings on car mileage budgets	-2	-2	-2	-2
Planning Policy	Communities which are safe, well maintained & green	General supplies and services budget savings	-5	-5	-5	-5
Building Control	Communities which are safe, well maintained & green	General supplies and services budget savings	-1	-1	-1	-1
Licensing	Run and grow successful business	Inflationary increase on income	-1	-1	-1	-1
Licensing	Run and grow successful business	Inflationary increase on income	-3	-3	-3	-3
Rubicon Client	Run and grow successful business	Saving due to AVVC being run by Rubicon	-4	-4	-4	-4
			-467	**-562**	**-676**	**-729**

CAPITAL BIDS - RBC

Appendix 4

Service	Strategic Purpose	Chris 21 system annual cost - one year costs due to New system in place.	Capital implications 2020-21 £'000	Capital implications 2021-22 £'000	Capital implications 2022-23 £'000	Capital implications 2023-24 £'000	Revenue Implications 2020-21 £'000	Revenue Implications 2021-22 £'000	Revenue Implications 2022-23 £'000	Revenue Implications 2023-24 £'000
Lifeline	Living independent, active & healthy lives	New digital service	86	51	51	51	9	9	9	9
Core Environmental Services	Communities which are safe, well maintained & green	Replacement of Environmental Services Computer System	39	0	0	0	23	23	23	23
Transport	Communities which are safe, well maintained & green	New Environmental Services Fleet Management Computer System	17	0	0	0	12	12	12	12
Parks & open spaces	Communities which are safe, well maintained & green	Café and infrastructure Morton Stanley Park in addition to s106 funding available.	100	0	0	0	0	0	0	0
			242	**51**	**51**	**51**	**44**	**44**	**44**	**44**

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Redditch Borough Council - Capital Programme 2020/21

Appendix 5

Description	Strategic Purposes	funding	2020/21 Total £'000	2021/22 Total £'000	2022/23 Total £'000	2023/24 Total £'000
Public Building	Communities which are safe, well maintained & green	borrowing/capital receipts	250	250	250	0
GF Asbestos	Communities which are safe, well maintained & green	borrowing/capital receipts	40	40	40	0
Home Repairs Assistance	Living independent, active & healthy lives	Long Term Debtors	40	40	40	0
New Digital Service	Communities which are safe, well maintained & green	borrowing/capital receipts	86	51	51	51
Improved Parking Scheme (includes locality funding)	Communities which are safe, well maintained & green	borrowing/capital receipts	0	400	400	0
Vehicle replacement	Communities which are safe, well maintained & green	borrowing/capital receipts	744	316	2,258	1,195
Localilty Capital Projects - Green Lane, Studley	Communities which are safe, well maintained & green	borrowing/capital receipts	200	0	0	0
Localilty Capital Projects - Garage Condition Survey (Housing)	Communities which are safe, well maintained & green	borrowing/capital receipts	100	0	0	0
Localilty Capital Projects - Capital Landscape Improvement	Communities which are safe, well maintained & green	borrowing/capital receipts	25	0	0	0
Wheelie Bin purchase	Communities which are safe, well maintained & green	borrowing/capital receipts	85	85	85	0
Replacing 3 fuel pumps and upgrading tank monitoring equipment	Communities which are safe, well maintained & green	borrowing/capital receipts	25	0	0	0
Car Park Maintenance	Communities which are safe, well maintained & green	borrowing/capital receipts	25	25	25	0
Fleet Management Computer System	Communities which are safe, well maintained & green	borrowing/capital receipts	17	0	0	0
Environmental Services Computer System	Communities which are safe, well maintained & green	borrowing/capital receipts	38	0	0	0
Regeneration Fund	Enabling	borrowing/capital receipts	2,000	2,000	2,000	2,000
Café and Infrastructure Morton Stanley Park	Communities which are safe, well maintained & green	borrowing/capital receipts	100	0	0	0
Total current Capital programme			3,775	3,206	5,149	3,246

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Redditch Borough Council Budget 2020/21 - 2023/24	Final Budget 2020/21 £'000	Final Budget 2020/21 £'000	Final Budget 2020/21 £'000	Final Budget 2021/22 £'000	Final Budget 2021/22 £'000	Final Budget 2021/22 £'000	Final Budget 2022/23 £'000	Final Budget 2022/23 £'000	Final Budget 2022/23 £'000	Final Budget 2023/24 £'000	Final Budget 2023/24 £'000	Final Budget 2023/24 £'000
Strategic purpose	**Expenditure**	**Income**	**Net**	**Expenditure**	**Income**	**Net**	**Expenditure**	**Income**	**Net**	**Expenditure**	**Income**	**Net**
Aspiration, work & financial independence	21,239	-20,576	**663**	21,281	-20,558	**723**	21,251	-20,571	**680**	21,280	-20,584	**697**
Communities which are safe, well maintained & green	7,436	-2,961	**4,474**	7,531	-2,978	**4,553**	7,635	-3,031	**4,604**	7,713	-3,062	**4,651**
Enabling	10,164	-7,372	**2,792**	10,357	-7,482	**2,875**	10,601	-7,542	**3,059**	10,637	-7,492	**3,145**
Finding somewhere to live	1,267	-216	**1,051**	1,223	-216	**1,008**	1,234	-216	**1,019**	1,247	-216	**1,031**
Living independent, active & healthy lives	1,372	-1,038	**334**	1,398	-1,058	**340**	1,418	-1,069	**348**	1,434	-1,049	**385**
Run and grow successful business	1,464	-1,077	**386**	1,485	-1,077	**408**	1,506	-1,077	**429**	1,526	-1,077	**449**
Financing	1,772	-11,474	**-9,702**	624	-10,176	**-9,552**	744	-10,581	**-9,837**	1,056	-10,392	**-9,336**
Grand Total	**44,713**	**-44,715**	**-0**	**43,899**	**-43,545**	**352**	**44,390**	**-44,087**	**305**	**44,894**	**-43,871**	**1,021**

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Appendix 7

Housing Revenue Account (HRA) 2019/20 to 2023/24

	2019/20 Revised budget £'000	2019/20 Forecast Outurn £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000
INCOME						
Dwelling Rents	22,857	22,900	23,083	23,615	24,152	24,704
Non-Dwelling Rents	523	523	537	551	564	578
Tenants' Charges for Services & Facilities	649	649	667	683	700	718
Contributions towards Expenditure	43	81	44	45	46	48
Total Income	24,072	24,153	24,331	24,894	25,462	26,048
EXPENDITURE						
Repairs & Maintenance	5,293	5,975	6,038	6,095	6,070	6,166
Supervision & Management	8,660	8,388	8,249	8,417	8,589	8,764
Rent, Rates, Taxes & Other Charges	144	147	294	302	309	317
Provision for Bad Debts	273	200	182	187	191	195
Depreciation & Impairment of Fixed Assets	5,729	5,729	5,715	5,807	5,895	6,084
Interest Payable & Debt Management Costs	4,179	4,179	4,179	4,179	4,179	4,179
Total Expenditure	24,278	24,618	24,657	24,987	25,233	25,705
Net Operating Expenditure	**206**	**465**	**326**	**93**	**-229**	**-343**
Interest Receivable	-36	-100	-118	-105	-86	-71
Transfer to/(from) general reserves	-170	-170	0	0	0	338
Transfer to/(from) Earmarked Reserves		-195	-208	12	315	76
(Surplus)/Deficit on Services	**0**	**0**	**0**	**0**	**0**	**0**
HOUSING REVENUE ACCOUNT BALANCE						
Forecast Balance as at beginning of year	770	770	600	600	600	600
Surplus/(deficit) for year	-170	-170	0	0	0	338
Forecast Balance as at end of year	600	600	600	600	600	938

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Appendix 8

HRA Capital Programme and Financing

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Major Repairs Reserve					
Capital - Gas CH	400	416	416	416	416
Capital - Electric Heating		42	42	42	42
Capital - Kitchen Renewals	100	180	180	180	180
Capital - Bathroom Renewals	100	105	105	105	105
Capital - Windows	100	100	100	100	100
Capital - Electrics	400	888	888	888	888
Capital - Electrics - Catch up works	0	624	624	286	0
Capital - Door Renewals	0	20	20	20	20
Capital - Door Access Systems	0	72	72	72	72
Capital - Roofs	50	270	270	270	270
Capital - Balcony Replacements	0	150	150	150	150
Capital - Fencing Replacements	90	90	90	90	90
Capital - Asbestos Removal	1,000	400	400	400	400
Capital - structural	60	30	30	30	30
Capital - Water Supply	50	50	50	50	50
Capital - Hard Wire Installation	0	378	378	378	378
Capital - Damp & Mould	0	38	38	38	38
Capital - Fire Safety	0	82	82	82	82
Capital - works on buy backs	0	270	270	270	270
Capital - Compartmentation Works	500	1,800	1,800	1,800	1,800
Capital Design	350	300	300	300	300
	3,200	6,305	6,305	5,967	5,681
Capital Receipts					
Capital - Stock Condition Survey	150	0	0	0	0
Capital - New Housing System	448	469	106	0	0
Capital - Excellent Estates	375	350	350	350	350
Capital - Bin Stores	0	200	200	200	200
Capital - disabled adaptations	696	700	700	700	700
	1,669	1,250	1,250	1,250	1,250
Acquisitions	4,277	3,200	5,000	5,000	5,000
	9,146	10,755	12,555	12,217	11,931
Financed by					
Major Repairs Reserve	3,200	6,305	6,305	5,967	5,681
Capital Receipts	1,669	1,250	1,250	1,250	1,250
Capital Receipts earmarked for acq	1,283	960	1,500	1,500	1,500
HRA Capital Reserve	2,994	2,240	3,500	3,500	3,500
	9,146	10,755	12,555	12,217	11,931

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Appendix 9

HRA Reserves and Capital Receipts Position 2019/20 to 2023/24

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Major Repairs Reserve					
Balance 1st April	5,867	8,394	7,804	7,306	7,235
Contributions in year	5,727	5,715	5,807	5,895	6,084
Applied in year	-3,200	-6,305	-6,305	-5,967	-5,681
Balance 31st March	**8,394**	**7,804**	**7,306**	**7,235**	**7,638**
Capital Receipts					
Balance 1st April	2,109	1,940	2,093	2,283	2,509
Contributions in year	1,500	1,403	1,440	1,477	1,515
Applied in year	-1,669	-1,250	-1,250	-1,250	-1,250
Balance 31st March	**1,940**	**2,093**	**2,283**	**2,509**	**2,774**
Capital Receipts earmarked for acquisition					
Balance 1st April	3,961	4,228	4,671	4,611	4,588
Contributions in year	1,550	1,403	1,440	1,477	1,515
Applied in year	-1,283	-960	-1,500	-1,500	-1,500
Balance 31st March	**4,228**	**4,671**	**4,611**	**4,588**	**4,602**
HRA Capital Reserve					
Balance 1st April	18,236	15,047	12,599	9,111	5,926
Transferred to revenue reserve	-195	-208	12	315	76
Applied in year for capital	-2,994	-2,240	-3,500	-3,500	-3,500
Balance 31st March	**15,047**	**12,599**	**9,111**	**5,926**	**2,502**
HRA Revenue Reserve					
Balance 1st April	0	0	0	0	0
Transfer from/to Capital Reserve	195	208	-12	-315	-76
Transfer to/from revenue account	-195	-208	12	315	76
Balance 31st March	**0**	**0**	**0**	**0**	**0**

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REDDITCH BOROUGH COUNCIL

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Audit, Governance & Standards Committee

Thursday, 30 January 2020

MINUTES

Present:

Councillor John Fisher (Chair), Councillor Mark Shurmer (Vice-Chair) and Councillors Tom Baker-Price, Michael Chalk, Ann Isherwood, Julian Grubb, Nyear Nazir, Yvonne Smith and David Thain

Democratic Services Officers:

Jess Bayley and Jo Gresham

45. TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS AND MINIMUM REVENUE POLICY PROVISION 2020/21

The Executive Director, Finance and Resources presented the Treasury Management Strategy 2020/21 report for Members' consideration. It was explained to Members that this was a statutory report which would enable the Council to manage it's treasury management with the aim to maximise income.

The Executive Director, Finance and Resources highlighted the key points from the report as follows:

- The Council planned £17.8m of capital expenditure in the year 2020/21.
- Borrowing was not permitted for the day to day working of the Council for example salaries and wages.
- The fleet replacement programme was part of the £1.8m General Fund expenditure.
- The Authority planned to invest in regeneration properties that provided a good rate of return
- The Council's Finance team had the relevant skills including qualified accountants who prepared this strategy. In addition external professional support is received via a contract.

- The external borrowing figures were fluid as the Finance team constantly looked at ways to decrease debt payments.

Members questioned whether there was a possibility of leasing vehicles rather than using the General Fund for a fleet replacement scheme. The Executive Director Finance and Resources stated that she would ask the Head of Environmental Services to investigate.

It was discussed whether the tables that were used on pages 30 and 32 of the agenda pack were the correct ones that were used for investment counterparts and limits. The Executive Director, Finance and Resources undertook to query this with her team and report back to Members.

The Chair questioned whether the strategy had significantly changed. It was confirmed by the Executive Director Finance and Resources that the strategy towards regeneration and commercialism had changed. She also confirmed that the capital receipts strategy meant that transformation projects could be undertaken which resulted in savings for the Authority.

RECOMMENDED that

1) the Capital Strategy as an appropriate overarching strategy for the Council be approved;

2) the Treasury Management Strategy for 2020/21 and the associated MRP policy be approved;

3) the policy for Flexible use of Capital Receipts be approved; and

4) the Investment Strategy be approved.

The Meeting commenced at 7.00 pm
and closed at 8.55 pm

REDDITCH BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE 30th January 2020

Capital Strategy 2020/21 incorporating the Treasury Management Strategy

Relevant Portfolio Holder	Councillor David Thain, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY

This report for 2020/21 presents the Capital strategy, Treasury Management Strategy, Minimum Revenue Provision Statement, a policy for use of flexible Capital receipts and the Investment Strategy for 2020/21 to be considered for recommendation to Council.

2. RECOMMENDATIONS

Audit, Governance and Standards Committee are asked to RECOMMEND TO COUNCIL that

i) the Capital Strategy (Appendix A) as an appropriate overarching strategy for the Council be approved

ii) the Treasury Management Strategy for 2020/21 (Appendix B) and the associated MRP policy (Appendix C) be approved

iii) the policy for Flexible use of Capital Receipts as per appendix D be approved

iv) the Investment Strategy (Appendix E) be approved

3. KEY ISSUES

Financial Implications

3.1 The report for 2020/21 is required following changes in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG) guidance. It combines an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategies set limits and indicators that embody the risk management approach that the Council believes to be prudent. The strategies are set against the mid-term financial strategy, the context of the UK economy and projected interest rates.

The Council are required to set a balanced operating budget. The role of the treasury function is to manage cash flow within the authority so that the demands of expenditure can be met. The policies included in this report set out the criteria in which the Council can manage its Treasury management function.

The CIPFA 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. In addition the Council has to receive a report on treasury management and this is reported on a quarterly basis which is included within the Quarterly Monitoring Report.

3.2 CIPFA has defined Treasury Management as:

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

3.3 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices and include:

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

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

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

Legal Implications

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

Service/Operational Implications

3.7 None as a direct result of this report.

Customer / Equalities and Diversity Implications

3.8 None as a direct result of this report.

4. RISK MANAGEMENT

Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment.

Controls in place to mitigate these risks are as follows:

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

5. APPENDENCES

Appendix A – Capital Strategy 2020/21
Appendix B – Treasury Management Strategy 2020/21
Appendix C – Minimum Revenue Provision Statement 2020/21
Appendix D – Policy for the Flexible Use of Capital receipts
Appendix E – Investment Strategy 2020/21

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Redditch Capital Strategy Report 2020/21

Introduction

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

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure.

In 2020/21, the Authority is planning capital expenditure of £17.8m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
General Fund services	2.5	5.6	1.8	1.2	3.1
Council housing (HRA)	4.8	9.1	10.8	12.6	11.9
Capital investments	0	0.9	5.2	2	2
TOTAL	7.3	15.6	17.8	15.8	17

The main General Fund capital projects include the fleet replacement programme which totals £3.5m across the budget period, Locality improvements of £1.2m across the budget period and public building improvements/repairs of £874k. The Authority also plans to incur £10.1m of capital expenditure on investments, which are detailed later in this report.

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

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

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

Table 2: Capital financing in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
External sources	0.6	3.3	0	0	0
Own resources	4.8	9.1	10.8	12.6	11.9
Debt	1.9	3.2	7	3.2	5.1
TOTAL	**7.3**	**15.6**	**17.8**	**15.8**	**17**

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

Table 3: Replacement of debt finance in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Own resources	0.8	0.9	0.9	1.0	1.0

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £6m during 2020/21. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
General Fund services/HRA	139.6	141.1	141.9	142.1	144.2
Capital investments	0	0.9	6.1	8.1	10.1
TOTAL CFR	**139.6**	**142**	**148**	**150.2**	**154.3**

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Authority is currently also permitted to spend capital receipts on service transformation projects until 2022/23. Repayments of capital grants, loans and investments also generate capital receipts.

<u>Treasury Management</u>

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

Due to decisions taken in the past, the Authority currently has £103.9m of long term external borrowing.

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

Liability benchmark: To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £0.2m at each year-end. This benchmark is currently £94.6m and is forecast to rise to £121.7m over the next three years.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 forecast	31.3.2022 forecast	31.3.2023 forecast
Outstanding borrowing	110	106.1	110.4	120.4	138
Liability benchmark	**94.6**	**100.2**	**108.4**	**114.1**	**121.7**

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

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

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

	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit
Authorised limit – borrowing	147.3	160.0	170.0	180.0
Authorised limit – PFI and leases	0.5	1.5	1.5	1.5
Authorised limit – total external debt	147.8	161.5	171.5	181.5
Operational boundary – borrowing	135.0	155.0	165.0	175.0
Operational boundary – PFI and leases	0.5	1.5	1.5	1.5
Operational boundary – total external debt	135.5	156.5	166.5	176.5

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

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

Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

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

Investments for Service Purposes

The Authority may make investments to assist local public services, including potentially making loans to the Authority's subsidiaries that provide services. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to at least break even after all costs.

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

Commercial Activities

With central government financial support for local public services declining, the Authority is planning to invest in commercial property to encourage economic growth as well as to make a financial return and may lend to a future subsidiary should one be set up for the same reasons. Total commercial investments are currently valued at £0.9m.

With financial return being a primary objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures are potential falls in property values, vacancies reducing rental income etc. These risks are managed by having a risk register in place, regularly reviewing purchased assets and the market place and talking to tenants. In order that commercial investments remain proportionate to the size of the authority, these are subject to an overall maximum investment limit of £20m.

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

Liabilities

In addition to the debt detailed above, the Authority is committed to making future payments to cover its pension fund deficit. It has also set aside £3.3m to cover risks of insurance £528k, NNDR appeals £2,630k and employee benefits £128k.

Governance: Decisions on incurring new discretional liabilities are taken by service managers in consultation with the Executive Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by finance and reported as required.

Revenue Budget Implications

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

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

	2019/20 forecast	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**
Financing costs (£m)	5.4	5.5	5.5	5.7
Proportion of net revenue stream	15.9%	16.2%	15.8%	16.4%

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

Knowledge and Skills

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

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

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Redditch Treasury Management Strategy Statement 2020/21

Introduction

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

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

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

External Context

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.

UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

Credit outlook: Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast: The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

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 treasury management investments will be made at an average rate of 0.5%, and that new long-term loans will be borrowed at an average rate of 1.5%.

<u>Local Context</u>

On 23 January 2020, the Authority held £103.9m of borrowing and £6m of treasury investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
Total CFR	139.6	142.0	148.0	150.2	154.3
Less: External borrowing **	(111.1)	(103.9)	(103.9)	(103.9)	(103.9)
Internal (over) borrowing	**28.5**	**38.1**	**44.1**	**46.3**	**50.4**
Less: Usable reserves	(40.3)	**(37.1)**	**(34.9)**	**(31.4)**	**(27.9)**
Less: Working capital	**(4.9)**	**(4.9)**	**(4.9)**	**(4.9)**	**(4.9)**
Treasury investments (or New borrowing)	**16.7**	**3.9**	**(4.3)**	**(10)**	**(17.6)**

** shows only loans to which the Authority is committed and excludes optional 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 underlying availability of internal borrowing will reduced over the period reflecting the use of the HRA capital reserve and capital receipts held on account and a reduction in HRA working balances to a minimum level of £0.6m in the medium term.

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £17.6m over the forecast period.

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

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

Table 2: Liability benchmark

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
CFR	139.6	142.0	148.0	150.2	154.3
Less: Usable reserves	(40.3)	(37.1)	(34.9)	(31.4)	(27.9)
Less: Working capital	(4.9)	(4.9)	(4.9)	(4.9)	(4.9)
Plus: Minimum investments	0.2	0.2	0.2	0.2	0.2
Liability Benchmark	**94.6**	**100.2**	**108.4**	**114.1**	**121.7**

Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing each year, minimum revenue provision on new capital expenditure based on a 50 year asset life and income, expenditure and reserves all increasing/decreasing in line with the MTFP.

Borrowing Strategy

The Authority currently holds £103.9 million of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £4.3m in 2020/21. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

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

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

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised the majority of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive options. The Authority will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

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

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

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

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Worcestershire Pension Fund)
- capital market bond investors

- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

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

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

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

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

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held.

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

Negative interest rates: If the UK enters into a recession in 2020/21, 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 2020/21. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits. This diversification will represent a continuation of the approved strategy.

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

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

Table 3: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3 m 5 years	£3m 20 years	£3m 50 years	£3m 20 years	£1m 20 years
AA+	£3m 5 years	£3m 10 years	£3m 25 years	£3m 10 years	£1m 10 years
AA	£3m 4 years	£3m 5 years	£3m 15 years	£3m 5 years	£1m 10 years
AA-	£3m 3 years	£3m 4 years	£3m 10 years	£3m 4 years	£1m 10 years
A+	£3m 2 years	£3m 3 years	£3m 5 years	£3m 3 years	£1m 5 years
A	£3m 13 months	£3m 2 years	£3m 5 years	£3m 2 years	£1m 5 years
A-	£3m 6 months	£3m 13 months	£3m 5 years	£3m 13 months	£1m 5 years
None	£1.5m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
Pooled funds and real estate investment trusts		£2.5m per fund or trust			

This table must be read in conjunction with the notes below

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

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

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

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

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

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

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

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

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

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

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

- no new investments will be made,

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

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

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

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

Investment limits: The Authority’s revenue reserves available to cover investment losses are forecast to be £37.1 million on 31st March 2020. The maximum that will be lent to any one organisation (other than the UK Government) will be as below. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£4m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£4m 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
Foreign countries	£5m per country
Registered providers and registered social landlords	£2.5m in total
Unsecured investments with building societies	£2.5m in total

Loans to unrated corporates	£1m in total
Money market funds	£11m in total
Real estate investment trusts	£2.5m in total

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

Treasury Management Indicators

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

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

Credit risk indicator	**Target**
Portfolio average credit rating	*A*

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

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

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

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

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

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

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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

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

Price risk indicator	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£1.5m	£1.0m	£0.5m

Related Matters

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

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

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

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

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account: On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured at year end and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

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

Financial Implications

The budget for investment income in 2020/21 is £0.8 million. The budget for debt interest paid in 2020/21 is £0.3 million. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

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

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

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2019

Underlying assumptions:

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.

- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.

- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitionary period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.

- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.

- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.

- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.

- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.

- Arlingclose judges that the risks are weighted to the downside.

- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.

- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.21**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	**0.25**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.60**
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	**0.37**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.55**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.57**
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.56**
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.85**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**0.88**
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.45**
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

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

Appendix B – Existing Investment & Debt Portfolio Position

	23/1/2020 **Actual Portfolio £m**	23/01/2020 **Average Rate %**
External borrowing:		
Public Works Loan Board	**98.9**	**3.35**
Barclays	**5.0**	**4.71**
Total gross external debt	103.9	3.42
Total treasury investments	6.0	0.57
Net debt	97.9	

Redditch Borough Council

Minimum Revenue Provision Statement 2020/21

Annual Minimum Revenue Provision Statement 2020/21

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

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

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance and a locally determined approach to loans to third parties and asset backed capital expenditure where there are detailed plans in place to demonstrate that all expenditure will be recovered from income streams generated by the expenditure in an appropriate timeline.

- For capital expenditure incurred before 1st April 2008 MRP will be determined as 4% of the capital financing requirement in respect of that expenditure on an annuity basis.

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

- For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

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

- No MRP will be charged in respect of assets held within the Housing Revenue Account.

- Where the council makes a capital contribution or loan to another entity or where responsibility for a council asset with borrowing attached is transferred to a third party, and

    - the payments are appropriately covered by assets

- there are detailed plans demonstrating that all the expenditure will be recovered in an appropriately short time frame

Then no MRP will be set aside. To ensure that this remains a prudent approach the Council will review the expenditure and income regularly to determine if the income or asset values have decreased to the point that MRP needs to be provided for. Should evidence emerge which suggests the expenditure will no longer be recovered MRP will be provided for.

- Where the council uses internal borrowing and receipts of rental income are greater than the MRP calculated then as there are sufficient revenues to repay the capital cost no MRP will be set aside.

Capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22.

Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2020, the budget for MRP has been set as follows:

	31.03.2020 Estimated CFR £m	**2020/21 Estimated MRP £**
Unsupported capital expenditure after 31.03.2008	19.8	910
Total General Fund		
Assets in the Housing Revenue Account	**23.3**	0
HRA subsidy reform payment	**98.9**	0
Total Housing Revenue Account	**122.2**	**0**
Total	**143.0**	**910**

Policy for Flexible use of Capital Receipts Purpose

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

Background

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

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

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

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

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

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

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

Flexible Use of Capital Receipts Strategy

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

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

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

10. The Council's intends to use the following capital receipts to fund the following transformation projects:

Project description	2020/21
	£000
Restructure costs as part of ERP programme	150
Restructure of service delivery	300
Total General Fund	**450**
Housing system introduction and service redesign	300
Total HRA	**300**

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

Project description	2020/21
	£000
Restructure costs as part of ERP programme	15
Restructure of service	30
Total General Fund	**45**
Housing system introduction and service redesign	30
Total HRA	**30**

Impact on Prudential Indicators

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

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

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

Investment Strategy Report 2020/21

Introduction

The Authority invests its money for three broad purposes:

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

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £0m and £14m during the 2020/21 financial year.

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

Further details: Full details of the Authority's policies and its plan for 2020/21 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council may in future lend money to its subsidiaries and local businesses to support local public services and stimulate local economic growth.

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

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2019 actual			2020/21
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	5
Local businesses	0	0	0	0.5
TOTAL	**0**	**0**	**0**	**0**

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

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans by using specialist advice to understand the market and the potential future demands of the market and the customers in it. It will also use benchmarking data from the market to determine future potential risks which need to be planned for. External advice is only sought from credible sources eg acknowledged experts in their fields, and officers ensure that they fully understand any information given to them before decision or advice is taken.

Commercial Investments: Property

Contribution: The Council is currently and is planning to further invest in local (within the council's operating area boundary) commercial and residential property with the intention of regenerating the local area as well as making a surplus that will be spent on local public services, where a surplus will not be achieved a business case will explain the reasons as to why this is the case. To date the council has made one purchase, an office block. It is currently reviewing a number of potential investments in commercial property to ensure that the proposed investment is suitable for the authority and the risks of the investment are fully understood.

Table 3: Property held for regenerative and investment purposes in £ millions

Property	**Actual**	**31.3.2019 actual**		**31.3.2020 expected**	
	Purchase cost	**Gains or (losses)**	**Value in accounts**	**Gains or (losses)**	**Value in accounts**
Oak Tree Park	0.9	n/a	n/a	0	0.9
Property to be purchased during 2020	5.2 (planned)	n/a	n/a	n/a	n/a
TOTAL	**6.1**	**-**	**-**	**0**	**0.9**

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

A fair value assessment of the Authority's investment property portfolio will be undertaken every year. Should the 2019/20 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

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

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

Proportionality

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

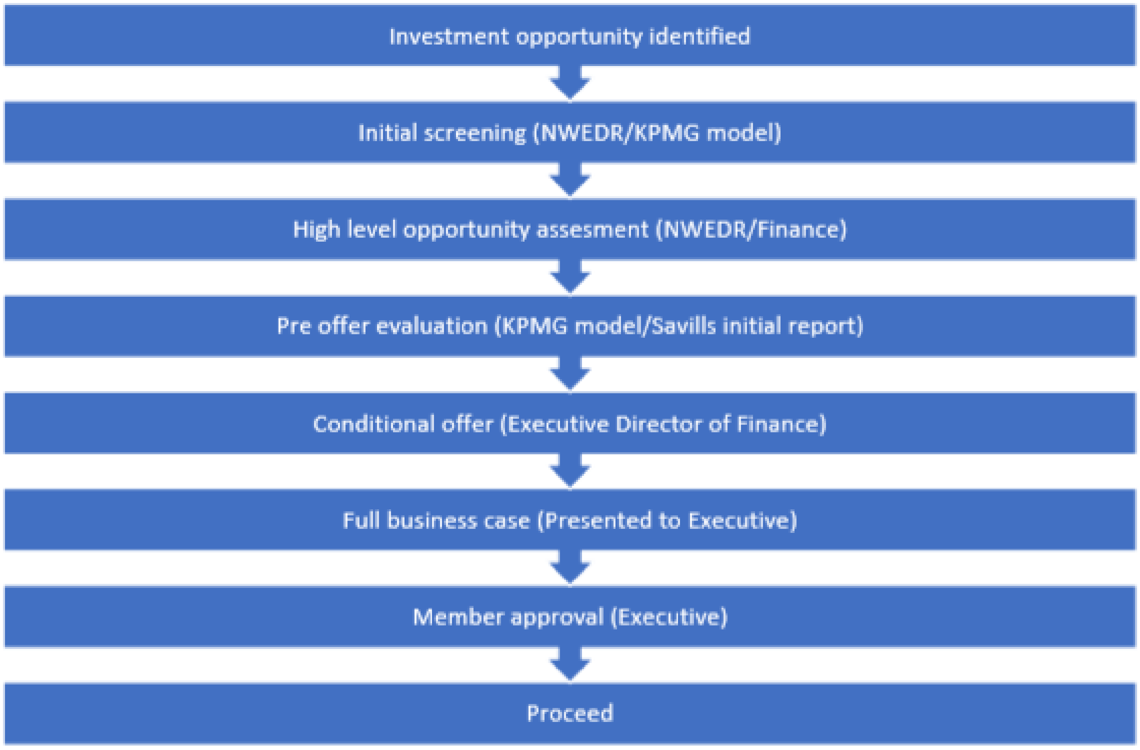
Capacity, Skills and Culture

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

Commercial deals: Significant work has been undertaken using external advisors and relevant training courses have been attended to ensure that officers are fully aware of the code and statutory requirements of a local authority which is investing.

KPMG have developed a modelling tool for the authority to use when assessing potential purchases as a precursor to engaging with external consultants to ensure that potential purchases are likely to make sense from the perspective of the authority before incurring advisor costs. The minimum net yield for an investment return is largely to be set at 0.75%. However, following an internal review of policy, it has been decided that the council may wish to make purchases which do not make a financial return or may indeed make a loss in the short term. On these occasions a business case will be developed which specifies the non-financial benefits of the investment. These are likely to be regenerative schemes for the greater good of the area with an intended long term impact. The regenerative and redevelopment benefits which will flow from the investment will be taken into account in the development of the business case, so if the net investment yield falls below 0.75% it can still proceed if these benefits are deemed to outweigh the lower than target yield.

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



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

<u>Investment Indicators</u>

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

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

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Commercial investments: Property	0	0.9	6.1
TOTAL INVESTMENTS	0	0.9	6.1
TOTAL EXPOSURE	0	0.9	6.1

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

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Commercial investments: Property	0	0.9	6.1
TOTAL FUNDED BY BORROWING	0	0.9	6.1

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

Table 7: Investment rate of return (net of all costs) %

Investments net rate of return	2018/19 Actual	2019/20 Forecast	Minimum Return
Treasury management investments	0	0	0.4
Service investments: Loans	0	0	0.75
Commercial investments: Property	0	1.2	0.75
ALL INVESTMENTS	0	0	0.62

Table 8: Other investment indicators

Indicator	2018/19 Actual	2019/20 Forecast	Limit
Debt to net service expenditure ratio	0	9%	200%
Commercial income to net service expenditure ratio	0	0.8%	5%

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