

Open

Cabinet

Agenda

6.00pm
Tuesday, 18th September 2012
The Earl Baldwin Suite
Duke House
Kidderminster



Cabinet

The Cabinet Members and their responsibilities:-

Councillor J-P Campion	Leader of the Council
Councillor M J Hart	Deputy Leader, Environmental Services
Councillor N J Desmond	Resources and Transformation
Councillor I Hardiman	Community Well-Being
Councillor J Phillips	Place-Shaping

Scrutiny of Decisions of the Cabinet

The Council has one Scrutiny Committee that has power to investigate policy issues and question members of the Cabinet who have special responsibility for a particular area of the Council's activities. The Cabinet also considers recommendations from this Committee.

In accordance with Section 10 of the Council's Constitution, Overview and Scrutiny Procedure Rules, and Standing Order 2.4 of Section 7, any item on this agenda may be scrutinised by the Scrutiny Committee if it is "called in" by the Chairman or Vice-Chairman of the Overview & Scrutiny Committee and any other three non-Cabinet members.

The deadline for "calling in" Cabinet decisions is 28th September 2012.

Councillors wishing to "call in" a decision on this agenda should contact Sue Saunders, Committee/Scrutiny Officer, Civic Centre, Stourport-on-Severn. Telephone: 01562 732733 or email susan.saunders@wyreforestdc.gov.uk

Urgent Key Decisions

If the Cabinet needs to take an urgent key decision, the consent of the Scrutiny Committee Chairman must be obtained. If the Scrutiny Committee Chairman is unable to act the Chairman of the Council or in his/her absence the Vice-Chairman of the Council, must give consent. Such decisions will not be the subject to the call in procedure.

Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of this constitution for full details.

Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

For further information: -

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sue Saunders, Committee/Scrutiny Officer, Civic Centre, Stourport-on-Severn. Telephone: 01562 732733 or email susan.saunders@wyreforestdc.gov.uk

Documents referred to in this agenda may be viewed on the Council's website - www.wyreforestdc.gov.uk/council/meetings/main.htm

Wyre Forest District Council

Cabinet

Tuesday, 18th September 2012

The Earl Baldwin Suite, Duke House, Clensmore Street, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
3.	Minutes To confirm as a correct record the Minutes of the meeting held on the 19 th June 2012.	6
4.	CALL INS a verbal update will be given on any decisions which have been "called in" since the last meeting of the Cabinet.	
5.	Items Requiring Urgent Attention To consider any item which, in the opinion of the Chairman requires consideration at the meeting as a matter of urgency.	
6.	Public Participation In accordance with the Council's Scheme for Public Speaking at Meetings of Full Council/Cabinet, to allow members of the public to present petitions, ask questions, or make statements, details of which have been received by 9 am on Monday 10 th September 2012. (See front cover for contact details).	
7.	Leader of the Council	
7.1	Leader's Announcements	

8. Delivering Together, With Less		
8.1	<p style="text-align: right;"><i>Councillor N J Desmond</i></p> <p>Local Authority Mortgage Scheme (LAMS)</p> <p>To consider a report from the Director of Resources on the detail in relation to the introduction of the Local Authority Mortgage Scheme (LAMS) as approved by Council on the 29th February 2012 and to consider the recommendations from the Overview & Scrutiny Committee on 6th September 2012.</p>	10
8.2	<p style="text-align: right;"><i>Councillor N J Desmond</i></p> <p>Budget Monitoring First Quarter 2012/13</p> <p>To consider a report from the Director of Resources that outlines the monitoring of the Revenue Budget and Capital Programme in accordance with the Local Government Act 2003.</p>	30
8.3	<p style="text-align: right;"><i>Councillor N J Desmond</i></p> <p>Annual Report on Treasury Management Service, Actual Prudential Indicators 2011/12 and Revision to the Investment Policy and Strategy Statement 2012/13</p> <p>To consider a report from the Director of Resources which recommends to Council the treasury management activities for 2011/12, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and to consider the recommendations from the Overview & Scrutiny Committee on 6th September 2012.</p> <p><i>The appendices to this report have been circulated electronically and a public inspection copy if available on request. (See front cover for details.)</i></p>	36
8.4	<p style="text-align: right;"><i>Councillor N J Desmond</i></p> <p>Business Rates – pooling</p> <p>To consider a report from the Director of Resources which informs Members of the progress towards the decision on whether or not to join the Worcestershire business rates pool</p>	59

9. Recommendations from Committees		
9.1	<p>Recommendations from Overview and Scrutiny Committee, 5th July 2012</p> <p>a. Wyre Forest Affordable Warmth Action Plan.</p> <p>b. Wyre Forest Climate Change Action Plan.</p>	62 63
9.2	<p>Recommendations from Overview and Scrutiny Committee, 8th August 2012</p> <p>a. Recommendations from the Housing Review Panel (31st July 2012).</p>	64

10.	To consider any other business, details of which have been communicated to the Director of Community Assets & Localism before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
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11.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in paragraph 3 of Part 1 of Schedule 12A to the Act”.</p>	
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Part 2

Not open to the Press and Public

<p>12. <i>Delivering Together, With Less/ Improving Community Well Being</i> <i>Councillor I Hardiman</i></p>		
12.1	<p>Leisure Centre Site Acquisition</p> <p>To consider a report from the Director of Community Well-Being and Environment that asks for Cabinet approval to purchase land for the new Leisure Centre and to consider the recommendations from the Overview & Scrutiny Committee on 6th September 2012.</p>	66

<p>13. <i>Securing the Economic Prosperity of the District</i> <i>Councillor J-P Campion</i></p>		
13.1	<p>Exchange of Land</p> <p>To consider a report from the Director of Economic Prosperity and Place on land transfers in Bewdley. (Report to follow)</p>	-

14.	To consider any other business, details of which have been communicated to the Director of Community Assets & Localism before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
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**WYRE FOREST DISTRICT COUNCIL
CABINET
THE EARL BALDWIN SUITE, DUKE HOUSE, CLENSMORE STREET,
KIDDERMINSTER
19TH JUNE 2012 (6.00 PM)**

Present:

Councillors: J-P Champion, N J Desmond, I Hardiman, M J Hart and J Phillips.

Observers

Councillors: G Ballinger, H Dyke and F Oborski.

Before the meeting commenced the Leader of the Council formally welcomed Joanne Wagstaffe as the new Director of Resources and Councillor Hardiman as the new Cabinet Member for Community Well-Being.

CAB.1 Apologies for Absence

There were no apologies for absence.

CAB.2 Declarations of Interest

No declarations of interest were made.

CAB.3 Minutes

Decision: The minutes of the Cabinet meeting held on 17th April 2012 be confirmed as a correct record and signed by the Chairman.

CAB.4 Call Ins

No decisions had been called in since the last Cabinet meeting.

CAB.5 Items Requiring Urgent Attention

There were no items requiring urgent attention.

CAB.6 Leader's Announcements

The Leader of the Council reminded Members that the next stage of the Local Development Order (LDO) would be discussed later in the agenda and the Secretary of State would be visiting Wyre Forest to receive the LDO. The Leader emphasised the importance of the visit, the opportunity to showcase key areas of activity within Wyre Forest and the District Council's involvement in two Local Enterprise Partnerships.

CAB.7 South Kidderminster Enterprise Park - Local Development Order

A report was considered from the Director of Economic Prosperity and Place that asked Cabinet to recommend to Council that the South Kidderminster Local Development Order be approved for submission to the Secretary of State. It also considered recommendations from the Overview & Scrutiny Committee on 31st May 2012.

The Cabinet Member for Place-Shaping outlined the content of the report and highlighted the inception of the South Kidderminster Business Park, the introduction of super fast broad band, and the reduction in business rates; all of which were outcomes of the State of the Area debate held earlier in the year. Moreover that Kidderminster would have its own Enterprise Zone.

Members were advised that 35 consultation responses had been received from a variety of organisations, public bodies and local residents. Attention was drawn to the cessation of the planning fees for development permitted by virtue of the order, and it was estimated that that this would result in a loss of income of between £35 -£45k.

The Leader of the Council expressed his support for the initiative, explaining that it was an exciting opportunity that would allow business growth within the District.

The Chairman of Overview and Scrutiny addressed Cabinet and explained the steps that scrutiny had undertaken prior to the consultation process commencing and during the subsequent development process. The Overview and Scrutiny Chairman concluded by stating the report had the support of the Overview and Scrutiny Committee.

Decision: To recommend to Council that the South Kidderminster Local Development Order (attached at Appendix 2 of the report to Cabinet) be approved for submission to the Secretary of State.

CAB.8 Report on Final Accounts 2011/12

A report was considered from the Acting Director of Resources on the Final Accounts 2011/12.

The Cabinet Member for Resources outlined the content of the report and advised Members that the provisional outturn position had identified savings of over £800k. The Cabinet Member thanked members of the Corporate Management Team and the relevant Divisional Management Teams for their contribution in delivering efficiency savings.

In response to a question regarding the possibility of free car parking within the District, Members were advised that the reduced income from car parking and civil enforcement amounted to less than 5% of the overall parking income. The Cabinet Member surmised that behaviour change by car users may be a reason for the reduced income, together the economic climate which had possibly impacted on the number of season tickets being purchased. The Cabinet Member concluded by explaining that there would be a future evaluation of the free parking allowed in some of the outer car parks in Kidderminster.

In answer to a question regarding targeted civil enforcement, Members were advised that the Civil Enforcement Team were very responsive to any issue raised.

Decision:

- 1. The additional reserves of £407,590 generated for the 2011/12 surplus be reconsidered in accordance with the Council's Finance Strategy, as part of the 2013/16 Budget Process.**
- 2. That an allocation of £100,000 from the 2011/12 surplus be allocated to the One-off Implementation reserve to facilitate the Wyre Forest Forward programme.**
- 3. That £50,000 from the 2011/12 savings be used to create an earmarked reserve in relation to initial support to Bewdley Community Venues Ltd (formerly Bewdley Development Trust) for the redevelopment of St George's Hall.**
- 4. That £250,000 from the 2011/12 savings be used to create an earmarked reserve for a Town Centre Support Fund.**
- 5. That £1,000 from 2011/12 savings be used to an earmarked reserve to supplement the Civic Protocol Budget.**

CAB.9 Wyre Forest District Local Development Framework

A report was considered from the Director of Economic Prosperity and Place that asked Cabinet to recommend to Council that the Site Allocations and Policies Development Plan Document, be approved. Recommendations from the Overview and Scrutiny Committee on 14th June 2012 were also considered.

The Cabinet Member for Place-Shaping précised the report and explained a little of the background and history of the Local Development Framework in Wyre Forest. He asked Cabinet to note that following a recommendation from the Overview and Scrutiny Committee the consultation period had been extended from six to eight weeks. The Cabinet Member concluded by thanking officers in the Planning Performance Team and the Local Development Framework Panel for their contributions.

Decision: To recommend to Council

- 1. The Site Allocations and Policies Development Plan Document (attached at Appendix 1 of the report to Cabinet), be approved for pre-submission and subsequent submission to the Secretary of State in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012.**
- 2. The Kidderminster Central Area Action Plan Development Plan Document (attached at Appendix 2 of the report to Cabinet) be approved for pre-submission publication and subsequent submission to the Secretary of State in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012.**
- 3. The Sustainability Appraisal Reports (attached at Appendix 4 of the report to Cabinet) be approved for publication and submission to the Secretary of State alongside the Development Plan Documents.**
- 4. That authority to make any necessary changes to the Development Plan Documents prior to or resulting from pre-submission publication be delegated to the Director of Economic Prosperity and Place in consultation with the Cabinet Member for Place Shaping.**
- 5. The Director of Economic Prosperity and Place be given delegated authority to determine the final format and presentation of the Development Plan Documents.**

and

- 6. The arrangements for the pre-submission publication and submission of the Development Plan Documents be undertaken in accordance with the Consultation Plan as attached at Appendix 5 of the report to Cabinet, but extending the consultation period from six weeks to eight weeks.**

There being no further business the meeting closed at 18:40.

WYRE FOREST DISTRICT COUNCIL**CABINET**
18TH SEPTEMBER 2012**Local Authority Mortgage Scheme (LAMS)**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources
CONTACT OFFICER:	Jo Wagstaffe Ext. 2100 joanne.wagstaffe@wyreforestdc.gov.uk
APPENDICES:	Appendix A - Accounting Paper 3 Appendix B - Opinion Letter Appendix C - Prescribed Form A Monitoring Officers Indemnity Deed – Prescribed Form

1. PURPOSE OF REPORT

- 1.1 To determine the views of the Treasury Management Review Panel on the detail in relation to the introduction of the Local Authority Mortgage Scheme (LAMS) as approved by Council on the 29th February 2012.

2. RECOMMENDATIONS

That Cabinet decides:

- 2.1 That the Council enters the LAMS scheme with Lloyds TSB Plc in accordance with the outline provided within this report, and that approval is given for the following scheme detail:
- A total indemnity value of £1,000,000;
 - A maximum loan size to an individual borrower of £150,000;
 - The qualifying post codes will be all postcodes falling within the district boundary.
- 2.2 The Council's Monitoring Officer to provide an Opinion Letter confirming that the Council has the power to enter into, observe and perform the terms and obligations required of it under the Scheme; and for the Council to indemnify the Monitoring Officer in respect of any personal liability that may be incurred by providing the Opinion Letter. Both the Opinion Letter and the Monitoring Officer's Indemnity Deed will be in the prescribed form as set out in Appendices B and C.

3. BACKGROUND

- 3.1 Council on the 29th February 2012 approved the introduction of the LAMS; funding of £1,000,000, was agreed with the detail of the scheme to be determined at a later date. The Treasury Management Review Panel is now asked to consider the scheme detail and make recommendations to Overview and Scrutiny on the 6th September that the scheme now be formally adopted and the detail approved by Cabinet.
- 3.2 The turmoil in the financial and banking market has had a severe impact on both the local economy and on local housing. The slightly weaker trend observed since March 2012 is unsurprising, given the continuing difficulties with the economic backdrop, with the economy dipping back into recession at the start of the year. Economic conditions are expected to remain challenging over the next twelve months.
- 3.3 The Council of Mortgage Lenders (CML) reported in July 2012 that broadly speaking, the housing market continues to echo the subdued tone of the wider economy. Mortgage lending has experienced something of a see-saw pattern over recent months, largely reflecting the short-term spike and subsequent trough in house purchase activity associated with the ending of the stamp duty concession for first-time buyers in late March. According to the Bank of England, seasonally adjusted gross lending was a little below the six-month average, and is consistent with a gentle downwards drift since the turn of the year.
- 3.4 Despite all the economic and financial difficulties, 81% of British adults hope to be home-owners in ten years' time, and 74% aspire to it within two years, according to a new YouGov research article published by the CML. Aspirations are much higher than current home-ownership levels among those aged under 35, but it is far from clear whether and how people will achieve their home-ownership goal. Notably, most of those who are renting privately or sharing with family or friends are under 35, and more than half of these (54%) would like to become home-owners over the short term. However, only a third (33%) of those who hope to be home-owners in two years time actually expect it to happen.
- 3.5 Nationwide reported in June 2012 that the price of a typical house fell by 0.6% in June 2012 and prices are 1.5% lower than a year ago, the lowest reading since August 2009. Part of the weakness is associated with the ending of the stamp duty holiday in March which provided a temporary boost in early 2012 as buyers brought forward purchases that would have otherwise taken place later in the year. Overall this suggests a continuation of the pattern experienced over the past two years, with prices remaining fairly stable over the next twelve months.
- 3.6 Lloyds Banking Group reported in June 2012 that UK house price growth was broadly stable in the first half of the year. House prices in the three months to June were 0.3% lower than in the previous three months and 0.5% lower than in the same period a year earlier and house prices continue to fluctuate on a monthly basis with an even number of falls and rises over the past year. Despite falling back in April and May, sales remain slightly higher than a year ago. Lloyds expects little change in prices and sales over the remainder of the year provided that the UK's economic outlook does not deteriorate significantly.

- 3.7 There is still considerable concern about some areas of the housing market, particularly the low percentage of first time buyers. The CML reported in February 2012 that the housing and mortgage market sentiment had improved a little. This was sustained with an increase in lending to first time buyers to the end of March as the housing market was temporarily boosted by the relief for first time buyers from stamp duty however this was followed by a significant, but expected, fall in lending to first time buyers in April as reported by the CML in June 2012. It remains to be seen if there will be an improving and sustainable trend going forwards as any improvement is comparatively recent and from a low base.
- 3.8 Current constraints are a particular problem for first-time buyers, especially those unable to provide a substantial deposit. While mortgage insurance, shared ownership, and product innovation can all potentially play a part, none will provide a “magic bullet” to normalise the mortgage market for first-time buyers. This is likely to be a gradual process as confidence in funding markets and lending decisions is restored in the light of a more stable market environment. The preference for low loan to value mortgages is therefore expected to continue to restrict first time buyers in the current financial environment.
- 3.9 As a result of the recession and the adverse affect on the local economy and the housing market, a number of Local Authorities including this Council, are trying to take a proactive approach in supporting the local area, and also to address pressing issues in increasing the supply of affordable housing.

4. KEY ISSUES

Current situation

- 4.1 Most mortgage lenders are typically prepared to lend a maximum of 75% - 80% loan to value (LTV), even if the applicant can afford a 95% mortgage. This means the applicant requires a substantial deposit, e.g. a first time buyer purchasing a property valued at £150,000 would have to provide a deposit in the region of £30,000. Many potential first time home-buyers do not have the funds needed for the deposit.
- 4.2 As a result of the current economic environment, uncertainty in the housing market and the difficulties in obtaining an affordable mortgage, many potential home-buyers may remain in social / affordable housing units, thereby reducing the availability of social / affordable housing for those who may have a greater need. Increasing the supply of affordable / social housing is a key corporate priority for most Local Authorities.
- 4.3 To address the shortage in supply of affordable housing to those who need it, and to help the housing market and the local economy in general, a number of Local Authorities have considered issuing mortgages to potential home-buyers. However, Local Authorities have limited financial resources available for this purpose, and they also have limited staffing resources and expertise in this area to manage their own mortgages. There are also considerable operational risks attached to entering into this area of residential mortgage activity.

- 4.4 Rather than entering into the residential mortgage market themselves, Local Authorities have therefore explored the possibility of entering into a partnership with residential mortgage lenders, with the remit of minimising the financial impact on the Local Authority, and at the same time taking advantage of the expertise already available from existing mortgage providers.
- 4.5 In September 2009, Sector Treasury Services set up a pilot scheme to assess the viability of a new LAMS, including the legal and accounting issues surrounding a financial indemnity of this nature. 11 Local Authorities initially sponsored the pilot scheme.
- 4.6 The remit of the pilot scheme included initial discussions with a range of residential mortgage lenders, with a view to securing options for funding the scheme. Initial discussions with potential funders / partners revealed that due to the high level of set up costs, funders would only be interested in a large national scheme rather than separate arrangements with individual Local Authorities. It was also considered appropriate to discuss the proposed scheme with the CML. Early discussion with the CML secured support for a standard national scheme.
- 4.7 Following the successful completion of the pilot scheme, this report outlines the scheme where the Local Authority can provide targeted help to potential home-buyers to enable them to obtain a mortgage. The scheme is a private sector initiative, i.e. not linked to the Right to Buy Mortgage scheme previously provided by Local Authorities.

5. FINANCIAL IMPLICATIONS

The Local Authority Mortgage Scheme (LAMS)

- 5.1 The scheme is aimed at first time buyers, providing help for potential buyers who can afford mortgage payments - but not the initial deposit – to get on to the property ladder. Under the scheme, each Local Authority will be able to specify three qualifying criteria; the maximum level of indemnity, the maximum loan size (based on 95% of maximum property valuation) and the qualifying post codes. The scheme is standardised as much as possible.
- 5.2. If a potential buyer meets the strict credit criteria applied by the lender, and meets the criteria set out by the Local Authority to qualify for a mortgage under the scheme, the Local Authority will provide a top-up indemnity to the value of the difference between the typical LTV (i.e. 75%) and a 95% LTV mortgage. The potential buyer will thereby obtain a 95% mortgage on similar terms as a 75% mortgage, but without the need to provide the substantial deposit usually required.
- 5.3 It should be stressed that the scheme does not promote reckless lending, it is essential that the applicant meets the standard lending criteria as set out by the lender, and that the higher LTV mortgage is affordable.
- 5.4 The indemnity will be in place for a fixed 5 year period for each mortgage granted under the scheme, which may be extended for a further 2 years if a mortgage were in arrears in the last 6 months of the initial 5 year period.

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- 5.5 The indemnity would only be called upon if a loss is crystallised by the lender. By way of example, a property valued at £150,000, with a mortgage of £142,500 and with Local Authority indemnity of £30,000 is sold at £100,000, net of attributable costs. The full value of the £30,000 indemnity would be requested by the lender. If the property is sold at £130,000 net of costs, i.e. an actual loss of £12,500 is incurred by the lender, £12,500 would be requested from the Local Authority. Any loss in excess of the value of the indemnity would be attributable to the lender. The lender would request payment from the Local Authority, who would undertake to make payment within 30 days.
- 5.6 The table below shows potential number of first time buyers the scheme may initially assist based on £1m advance, assuming a purchase price of £150,000.

Total Local Authority Indemnity	£1,000,000
Assumed Property value	£150,000
5% Deposit	£7,500
95% Mortgage	£142,500
Local Authority Indemnity	£30,000
Potential number of mortgages	33

- 5.7 The Council has set a maximum limit for indemnities offered in total of £1,000,000. The indemnity could be either unfunded or “cash-backed”, depending on the requirements of the lender. Report approvals have been on the basis of the indemnity being “cash backed”.
- 5.8 For ‘cash backed’ indemnities, i.e. supported by a deposit, the Local Authority will be required to place a 5-year deposit at the start of the scheme to the full value of the indemnity being offered. The deposit will be in place for the term of the indemnity – i.e. 5 years (with the possibility of a further 2 year extension if the mortgage is in arrears at the end of the initial 5 years) - and may have conditions / structures attached. The Local Authority will receive a 5-year commercial deposit rate + a premium. The Local Authority will be required to have a deposit in place with the lender to cover the level of the residual indemnity at the end of the 5 year initial period.

6. LEGAL & POLICY IMPLICATIONS

- 6.1 In accordance with the legislation, the lender will not have a legal charge over the deposit. In the event of an indemnity being called and an amount being payable by the Local Authority to the lender, a request for payment would be made by the lender. The Local Authority will undertake to settle the amount payable within 30 days. The accounting requirements for the ‘cash backed’ indemnity are shown in Appendix A (Accounting Paper 3).
- 6.2 For both types of indemnity, and assuming no default by the buyer, the indemnity liability would terminate on the earliest of the end of the agreed indemnity period (i.e. 5 years) or an early repayment of the mortgage. In the case of a cash-backed indemnity, the fixed-term deposit would be repaid to the Local Authority at the date of maturity, plus interest due.

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- 6.3 An increasing number of County Councils are working with Districts within their boundary to launch County-wide schemes. Some have introduced schemes whereby funding is 'pass-ported' from the County to the District within their boundary area.
- 6.4 Sector Treasury Services have provided a legal White Paper and State Aid Paper which sets out the legislative framework that would give a Local Authority in England, Wales and Scotland the power to implement the Scheme, copies of these are available on request. The Legal White Paper also provides an outline of policy and commercial issues that a Local Authority should consider when deciding how to implement the Scheme.
- 6.5 When a Local Authority decides to participate in the LAMS, they should initially agree the criteria required to qualify for the scheme. The local criteria are:
- The maximum limit for the total indemnity to be offered under the scheme - £1m has already been approved by Council;
 - The maximum loan size (based on maximum property valuation) for which £150,000 is recommended; and
 - The qualifying post codes within the boundary area.
- 6.6 Once these parameters have been set, the mortgage lender should manage the operational side of the scheme without any direct input from the Local Authority. Sector Treasury Services will undertake an annual audit of the scheme to ensure both parties are fully compliant with the agreement.
- 6.7 Due to the changing environment, further legal and / or accounting advice may be required during the life of the LAMS. To ensure consistency, it is anticipated that Sector Treasury Services Ltd will obtain updated advice on behalf of participating authorities. Any additional fees incurred in this respect will be agreed with all parties in advance.
- 6.8 Before the formal launch of LAMS, the Council's Monitoring Officer must provide an Opinion Letter confirming that the Council has the power to enter into, observe and perform the terms and obligations required of it under the Scheme; and for the Council to indemnify the Monitoring Officer in respect of any personal liability that may be incurred by providing the Opinion Letter. Both the Opinion Letter and the Monitoring Officer's Indemnity Deed will be in a prescribed form as contained in Appendices B and C. Lloyds Bank require that they see this approval before the launch can proceed as this is a key legal requirement, and as such is reflected as the second recommendation to this report.

7. RISK MANAGEMENT

- 7.1 There are a number of risks associated with the scheme, and the Local Authority should give careful consideration to how to manage those risks and the mitigating controls to be put in place. A Risk Assessment, outlining the key risks and potential mitigating controls has been prepared and is available on request.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 This is a financial report and there is no requirement for an equality impact assessment.

9. CONCLUSION

- 9.1 The LAMS is designed to help increase the supply of affordable housing for those who need it, and to help the local housing market and thereby the local economy.
- 9.2 The scheme has been designed to minimise the financial impact on the Local Authority, and to work in partnership with a range of experts in the market, i.e. residential mortgage lenders.
- 9.3 The scheme requires the Local Authority to provide a financial indemnity of up to 20% of a mortgage for potential home-buyers who qualify for Local Authority support, and who meet the strict lending criteria set by the lender.
- 9.4 The scheme does NOT promote reckless lending or provide un-affordable mortgages, it simply reduces the value of deposit currently required.
- 9.5 The indemnity could be un-funded or 'cash backed', report approvals so far have been on the basis of the "cash backed" option.
- 9.6 The pilot scheme has provided comprehensive accounting advice on both the un-funded and the cash-backed option, as attached in Appendix A and Appendix A1. (Further specialist accounting papers are available on request).
- 9.7 The pilot scheme has obtained Counsel's opinion on the legality of the scheme. The advice has been obtained on behalf of all participating Local Authorities; however, each authority should ensure the Council's Monitoring Officer is satisfied with the advice provided. Advice on the State Aid was obtained.
- 9.8 The scheme is currently supported by seven mortgage lenders; two national lenders (Lloyds Banking Group and Leeds Building Society), and five smaller lenders; Furness BS, Leek United BS, Marsden BS, Kent Reliance BS and Teachers BS. It is expected that further lenders will be joining the partnership at a later stage. It is a requirement of the scheme that mortgage applicants should have a choice of mortgage providers, and the scheme should be available to all lenders on a national basis. It is recommended that the Council enter the scheme with Lloyds TSB as it offers the scheme nationally has local branches and offers the higher premium rate.
- 9.9 The scheme was launched nationally in March 2011, and mortgages were initially launched in Blackpool and Warrington. A further 23 Local Authorities have since launched resulting in 25 Local Authorities now providing mortgages within their area, and approximately 35 plan to launch during July to October 2012.

10. CONSULTEES

- 10.1 Sector.
- 10.2 Corporate Management Team/Cabinet.

11. BACKGROUND PAPERS

- 11.1 Treasury Management Panel 10th November 2011.
- 11.2 Overview and Scrutiny 1st December 2011.
- 11.3 Cabinet 21st February 2012.
- 11.4 Council 29th February 2012.

SECTOR

Local Authority Mortgage Scheme

Accounting for Mortgage Support – Paper 3

Cash Backed Scheme

30 April 2012

This report is intended for the use and assistance of customers of Sector Treasury Services Ltd ("Sector"). It should not be regarded as a substitute for the exercise by the recipient of its own judgement. Sector exists to provide its clients with advice primarily on borrowing and investment. We are not legal experts and we have not obtained legal advice in giving our opinions and interpretations in this paper. Clients are advised to seek expert legal advice before taking action as a result of any advice given in this paper. Whilst Sector makes every effort to ensure that all information provided by it is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. Furthermore, Sector shall not be held liable in contract, tort or otherwise for any loss or damage (whether direct, or indirect or consequential) resulting from negligence, delay or failure on the part of Sector or its officers, employees or agents in procuring, presenting, communicating or otherwise providing information or advice whether sustained by Sector's customer or any third party directly or indirectly making use of such information or advice, including but not limited to any loss or damage resulting as a consequence of inaccuracy or errors in such information or advice. All information supplied by Sector should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision.

Sector is a trading name of Sector Treasury Services Limited, which is authorised and regulated by the Financial Services Authority (FSA) for the provision of the investment advisory services it provides as part of its Treasury Management Service and is also a member of the Finance and Leasing Association (FLA). Registered in England No. 2652033. We operate as part of The Capita Group Plc, the UK's leading provider of integrated professional support service solutions.

SECTOR

Introduction

This paper provides an outline of the accounting implications for Local Authorities who are considering providing assistance to participating lenders wishing to provide mortgage advances under the Local Authority Mortgage Scheme (LAMS). This paper (Accounting Paper 3) outlines the accounting requirements for the scheme offered by relevant lenders which operate the cash backed scheme.

From an accounting perspective, the view outlined in Paper 1 and Paper 2 was that the support provided would constitute a financial guarantee, and as a result of which the authority would be required to recognise a liability by charging the 'fair value' of the guarantee to Comprehensive Income and Expenditure Statement (and by crediting Financial Guarantee Liabilities). In those cases where no premium would be received, and the fair value would therefore be estimated by considering the probability of the guarantee being called, there would be adverse short-term revenue implications for the authority. This paper (Paper 3) is based on the scheme offered by relevant lenders which offer the cash backed scheme.

Lender Agreement

A formal agreement is now in place with relevant lenders which operate the cash backed scheme. As part of this agreement authorities will be required to deposit funds with the bank, equivalent to the limit of the authorities' indemnity / support. In the case of default by the mortgagor, there will be an obligation for the authority to reimburse the bank as soon as a loss is realised. The bank will pay an enhanced rate of interest on the original advance from the authority.

Proposed Accounting Treatment

The emphasis of the arrangement and the overall aim or substance of the transaction is that the authority is providing financial assistance to facilitate the bank loaning a greater amount to the borrower / mortgagor than would otherwise be their practice.

In England and Wales, one of the routes by which the expenditure of a local authority can qualify as capital is set out in regulation 25 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Section (1)(c) of the regulation defines that "the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure " shall be treated as being capital expenditure.

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An almost identical regulation also exists for Welsh authorities in the form of regulation 20 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 [WSI 2003 No 3239]

The rules for Scottish Authorities are of course slightly different and we are currently in the process of consulting with Scottish Ministers on the capitalisation matter.

Sector therefore thinks the scheme developed with relevant lenders which offer the cash backed scheme should be treated as a capital transaction.

If and when a loss is realised by the lender and the local authority is required to compensate the bank, the authority will have the choice of making a separate payment or having the amount deducted from the original advance. A deduction from the original advance might result in breakage costs being incurred; it is therefore likely that authorities will prefer to make a separate payment at the time. It is important to point out that the authority would have already recognised the full amount of any potential liability in its balance sheet, in the form of a long term debtor.

The obligation for the authority to pay on default should therefore be viewed as the amount of bad debt that would need to be charged; as in any other type of loan situation. Although write-offs of the principal part of advances and provisions for doubtful debts are legitimate charges against the authority's net expenditure (according to generally accepted accounting principles), they do not need to be financed from council tax (unlike corresponding transactions in relation to interest). The advances originally made constituted expenditure for capital purposes. Any debits made to service revenue accounts in relation to principal should therefore be cancelled out in the Movement in Reserves Statement by an appropriation credit from the Capital Adjustment Account.

CFR and MRP Liability

If the original advance (capital expenditure) was not financed, there would be an increase in the authority's CFR, which in turn would create an additional MRP liability. The authority could however opt to meet this liability by setting aside the associated repayment from the bank, which in accordance with accepted accounting practice would be regarded as a capital receipt.

In the event of a default, an authority that had previously agreed to adopt the latter practice of setting aside the capital receipt would need to consider alternative arrangements for repayment of the remaining debt liability – as the final net receipt would be insufficient to cover the full liability associated with the original transaction. The authority would therefore need to either introduce an MRP charge or apply other resources (such as RCCO), equivalent to the amount of the total default, in order to extinguish the remaining CFR liability. The preferred MRP treatment should be addressed in the authority's MRP Policy, and Sector can assist with the appropriate wording.

The MRP Policy should be reviewed on an annual basis.

MRP only applies to authorities in England and Wales as Scottish Authorities continue to administer debt through the loans fund.

Illustration of Accounting Entries (Capital Advance)

Example accounting entries are outlined in Appendix Ai as follows:

Appendix Ai - Suggested Accounting Entries – Cash Backed Scheme

Capital Advance - Partial Default								Bal Check	CFR
CIES	MiRS	LT Debtors	Debtor	CASH	Capital Adjust Account	Capital Receipts			
(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)	
Year 1 - Original Advance to Bank			1,000,000		(1,000,000)			0	1,000,000
Year 1 - Interest Receivable	(41,000)				41,000			0	
Year 1 - Cap Financing (Optional)									
Year 2 - Interest Receivable	(41,000)				41,000				
Year 3 - Interest Receivable	(41,000)				41,000				
Year 4 - Interest Receivable	(41,000)				41,000				
Year 4 - Bad Debt recognised and written off	10,000		(10,000)					0	
Year 4 - Appropriation to CAA via SMGFB		(10,000)				10,000		0	
Year 4 - Interim Payment for Bank (for default)				10,000	(10,000)				
Year 5 - Interest Receivable	(41,000)				41,000				
Year 5 - Repayment from Bank				(10,000)	1,000,000		(990,000)	0	
Year 5 - W/O of LT Debtor to CAA			(990,000)			990,000		0	
Closing Balance	(195,000)	(10,000)	0	0	195,000	1,000,000	(990,000)	0	1,000,000

Notes / Comments :

The above example assumes a default of £10k in year 4. This figure is based the current national average default rate of 1%, as published the Council of Mortgage Lenders.

Although write-offs of the principal part of advances and provisions for doubtful debts are legitimate charges against the authority's net expenditure (according to generally accepted accounting principles), they do not need to be financed from council tax (unlike corresponding transactions in relation to interest). The advances originally made constituted expenditure for capital purposes and their financing would have been concluded in the year the expenditure was incurred. Any debits made to service revenue accounts in relation to principal should therefore be cancelled out in the Movement in Reserves Statement (MiRS) by an appropriation credit from the Capital Adjustment Account. From the items originally debited or credited to the service revenue account, this will leave a net charge against the amount to be raised from local taxes comprising management costs and interest receivable.

LOCAL AUTHORITY LETTERHEAD

Date

Lloyds TSB Bank plc
Barnett Way
Gloucester GL4 3RL

Lloyds TSB Scotland plc
Henry Duncan House
120 George Street
Edinburgh
EH2 4LH

Dear Sirs

Local Lend a Hand Mortgage Scheme (Scheme)

I am appointed [*Monitoring Officer*] [*Head of Legal*] [*Head of Paid Services*] to [*Local Authority*] (the **Authority**). I am instructed in connection with the negotiation, preparation and completion of the documentation described in part 1 of appendix 1 (**Scheme Documents**) and have reviewed the documentation described in part 2 of appendix 1 (**Decision Documents**) (which are together called the **Opinion Documents**).

Reference to an appendix is to an appendix to this letter and reference to a paragraph is to a paragraph of this letter, unless otherwise stated.

1 Documents examined

For the purposes of giving this opinion, I have examined the Opinion Documents.

2 Opinion

I am of the opinion set out in this paragraph 2:

(a) **Capacity and authority**

The Authority has the power and authority to enter into, observe and perform the terms and obligations on its part to be observed and performed by it under the Scheme Documents.

(b) **The Decision Documents**

The Decision Documents are the only documents relevant to the decision of the Authority to participate in the Scheme.

(c) **Legal, Valid, Binding and Enforceable**

The Scheme Documents will (when duly executed) constitute legal, valid and binding obligations of the Authority enforceable under English law according to their terms and without limitation.

(d) **Authorisations**

Officer's Opinion Letter

No consents are necessary from any governmental authority or regulatory body in England and Wales to ensure the validity and legality of the Opinion Documents.

(e) **Immunity**

The Authority is not entitled to claim immunity from suit, execution, attachment or other legal process in England and Wales.

3 Opinion for addressees and their transferees and successors in title

The opinion contained in this letter is given as of the date of this letter. It is addressed to Lloyds TSB Bank plc, Lloyds TSB Scotland plc and their transferees, assignees and successors in title (Addressees). It may not be relied upon by anyone else without my prior written consent. In addition, this letter may not be disclosed in whole or in part by you to anyone other than the Addressees and it may not in whole or in part be filed with any governmental agency or authority or regulatory body or quoted in any public document without, in each such case, our prior written consent.

4 Governing law

This letter (and any non-contractual obligations arising out of or in connection with it) is governed by and construed according to English law. The English Courts shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this letter.

Yours faithfully

[Monitoring Officer] [Head of Legal] [Head of Paid Services]

Appendix 1

Part 1 - Scheme Documents

- 1 A Local Lend a Hand Mortgage Scheme Indemnity Deed [dated [date]] [to be] made between the Authority (1), Lloyds TSB Bank plc (2), Lloyds TSB Scotland plc (3) and Sector Treasury Services Limited (4)
- 2 Local Lend a Hand Amended Bank Mandate Letter to be completed by the Authority
- 3 Public and Community Sector Authority Form to be completed by the Authority
- 4 Lloyds Banking Group and your business information for Corporate customers
- 5 A Deed of Indemnity to be made between [Monitoring Officer] [Head of Legal] [Head of Paid Services] (1) and the Authority (2)

Part 2 - Decision Documents

[List Local Authority resolutions and policy documents reviewed]

Dated

2012

[X]

◆ COUNCIL

DEED OF INDEMNITY

ADDLESHAW GODDARD

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Officer's Indemnity Deed

This Deed is made on

2012

Between

- (1) [X] of ♦ (**Officer**); and
- (2) ♦ of ♦ (**Authority**).

Whereas

- (A) The Officer is the [*Monitoring Officer*][*Head of Paid Services*][*Head of Legal*] of the Authority. The Officer has provided the Opinion Letter to the Bank in relation to the Authority's authority and capacity to enter into the Scheme.
- (B) The Authority agrees to indemnify the Officer to cover the Officer in relation to any liability he/she may personally incur to the Bank in the provision of the Opinion Letter. [*Insert details of necessary authority*] permits the Authority to provide this indemnity.
- (C) The Authority has power to give this indemnity under the provisions of the Local Government Act 2000 and the Local Authorities (Indemnity for Members and Officers) Order 2004.

It is agreed

1 Interpretation

- 1.1 References in this Deed, except where the context requires otherwise, to the Officer shall include their personal representatives and to the Authority shall include any statutory successor.
- 1.2 The headings in this Deed do not affect its interpretation.

2 Definitions

- 2.1 In this Deed, unless the context otherwise requires:

Bank means Lloyds TSB Bank plc, Lloyds TSB Scotland plc and their transferees, assignees and successors in title

Opinion Letter means the opinion letter to be provided by the Officer to the Bank and to be relied on by the Bank in relation to the Authority's authority and capacity to enter into the Scheme

Scheme means the Local Lend a Hand Mortgage Scheme under which the Authority will give assistance to certain mortgage borrowers from the Bank by providing an indemnity to the Bank for certain losses that may be suffered by the Bank in respect of such mortgages

3 Indemnity

- 3.1 In consideration of the Officer providing the Opinion Letter to the Bank in relation to the Scheme, the Authority hereby indemnifies the Officer against all liabilities, losses, actions, proceedings, damages, costs, claims, demands and expenses brought or made against or suffered or incurred by the Officer arising out of or in connection with the provision of the Opinion Letter to the Bank.

Officer's Indemnity Deed

4 Costs

The Authority shall pay all the costs relating to the negotiation, preparation, execution and implementation of this Deed.

5 Notices

5.1 All notices (including all other documents) to be served under this Deed shall be in writing in English and shall be delivered or sent to a party at its address set out in this Deed or to such other address as he may have notified in writing to the other party in accordance with this clause 5.

5.2 A notice shall be delivered by hand or sent by prepaid first class post.

5.3 In the absence of evidence of earlier receipt, a notice shall be deemed to have been received:

(a) if delivered personally, when left at the address referred to in clause 5.1; and

(b) if sent by mail two days after posting it.

5.4 In proving service of a notice it shall be sufficient to prove that delivery was made or that the envelope containing the notice was properly addressed and posted (as the case may be).

5.5 E-mail notice shall not be valid for the purposes of this Agreement.

6 General

6.1 This Deed sets out the entire agreement and understanding between the parties relating to the matters contemplated by this Deed.

6.2 Delay in exercising, or a failure to exercise, any right or remedy in connection with this Deed shall not operate as a waiver of that right or remedy. A single or partial exercise of any right or remedy shall not preclude any other or further exercise of that right or remedy or the exercise of any other right or remedy. A waiver of a breach of this Deed shall not constitute a waiver of any subsequent breach.

6.3 This Deed may be entered into in any number of counterparts and by the parties on separate counterparts, all of which taken together shall constitute one and the same instrument.

7 Governing law and jurisdiction

7.1 This Deed (and any non-contractual obligations arising out of or in connection with it) is governed by and construed according to the laws of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Deed.

WYRE FOREST DISTRICT COUNCIL

**Cabinet
18th September 2012**

**Recommendations from the Overview and Scrutiny Committee
6th September 2012**

Local Authority Mortgage Scheme

The Committee considered the recommendations from the Treasury Management Review Panel on the detail in relation to the introduction of the Local Authority Mortgage Scheme (LAMS) as approved by Council on the 29th February 2012.

Recommend to Cabinet:

- 1. The Council enters the LAMS scheme with Lloyds TSB Plc in accordance with the outline provided within the report to the Treasury Management Review Panel of 5th September 2012, and that approval is given for the following scheme detail:**
 - A total indemnity value of £1,000,000**
 - A maximum loan size to an individual borrower of £150,000**
 - The qualifying post codes will be all postcodes falling within the district boundary**

- 2. The Council's Monitoring Officer to provide an Opinion Letter confirming that the Council has the power to enter into, observe and perform the terms and obligations required of it under the Scheme; and for the Council to indemnify the Monitoring Officer in respect of any personal liability that may be incurred by providing the Opinion Letter. Both the Opinion Letter and the Monitoring Officer's Indemnity Deed will be in the prescribed form as set out in Appendices B and C in the report to the Treasury Management Panel of 5th September 2012.**

WYRE FOREST DISTRICT COUNCIL**CABINET**
18TH SEPTEMBER 2012**Budget Monitoring First Quarter 2012/13**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources
CONTACT OFFICER:	Joanne Wagstaffe Ext. 2100 joanne.wagstaffe@wyreforestdc.gov.uk
APPENDICES:	<p>Appendix 1 - Wyre Forest District Council General Fund Total Requirements - District Council Purposes</p> <p>Appendix 2 - Budgetary Control Reports - Revenue</p> <p>Appendix 3 - Income Generation Projection Report</p> <p>Appendix 4 - Final Capital Outturn against Programme 2011/12</p> <p>Appendix 5 - Capital Programme 2012/13 with slippage from 2011/12</p> <p>Appendix 6 - Cabinet Proposal Progress Report</p> <p>Appendix 7 - Budget Risk Matrix</p> <p>Appendix 8 - Housing Benefit Overpayment Debt Position as at 31st March 2012</p> <p>Appendix 9 - Sundry/Property Debt Position and payment methods for debtor accounts as at 31st March 2012</p> <p><i>The appendices to this report have been circulated electronically and a public inspection copy if available on request. (See front cover for details.)</i></p>

1. PURPOSE OF REPORT

- 1.1 To monitor the Revenue Budget and Capital Programme in accordance with the Local Government Act 2003.
- 1.2 To inform members of the Housing Benefit Overpayment debt position as a 31st March 2012, summary attached as Appendix 8, together with details of performance against targets.

- 1.3 To inform members of the Sundry/Property debt position as at 31st March 2012, summary attached as Appendix 9, together with details of performance against the targets.

2. RECOMMENDATIONS

The Cabinet is asked to DECIDE:-

- 2.1 **That the projected budget variations and comments outlined within this report and appendices 2 to 9 be noted.**

3. KEY ISSUES - BUDGET MONITORING 1st QUARTER 2012/13

- 3.1 **The projected outturn at 31 March 2013 is a small overspend of £74,050.** The details are in **appendix 2** and the main variances are:

- £145,000 favourable – Treasury Management, comprised of £45k anticipated additional external interest and £100k reduced borrowing costs as a result of improved cash flows, and improved investment returns.
- £81,000 favourable: in respect of pay and general administrative savings projected to year end.
- £10,000 favourable: Mapping Services Agreement part of the service provided by Central Government – no longer required to be funded at a local level.
- £100,000 adverse: Systems Thinking Interventions are progressing within the Directorates, however at this early stage it has been assumed that it is unlikely we will achieve the full saving in 2012/13 and the saving will be re-profiled into future years.
- £70,000 adverse: Waste Operational Variance - £100,000 savings should be achieved, £70,000 to be re-profiled into future years.
- £64,600 adverse: Plans by Central Government to implement a new scheme for planning fees have now been abandoned and the Council has been unable to achieve the projected income from planning fees. This variance takes into account the forecast 15% increase in fees from Autumn 2012.
- £30,000 adverse: The challenging economic climate continues to affect the income received from Land Charges.
- £30,000 adverse: reduction in the issue of Parking Penalty Charge Notices.

- 3.2 A copy of the Income Generation Projection Report for the first quarter is enclosed as **Appendix 3**. Overall, income is projected to be broadly in line with the amounts assumed in the budget.

- 3.3 The final Capital Programme and Vehicle, Equipment and Systems Renewal Schedule for 2011/12 is enclosed as **Appendix 4**. Spending was generally in line with budget although expenditure on some schemes has slipped into 2012/13.

- 3.4 The updated Capital Programme and Vehicle, Equipment and Systems Renewal Schedule for 2012/13, including slippage from 2011/12 is enclosed as **Appendix 5**. Spending for the first quarter was generally in line with the budget.

- 3.5 A Progress Report of Cabinet Proposals approved at Council on the 29th February for 2012/13 is shown in **Appendix 6**. Progress on most of these is satisfactory, although it should be noted that most of the Proposals for 2012/13 are in fact growth items. The most significant savings proposal is £100k for Systems Thinking and although the interventions are progressing well across all Directorates, it is too early to gauge if the saving can be realised this financial year, they may be re-profiled into future years; we will continue to monitor this and report the updated position at Quarter 2.
- 3.6 The Budget Risk Matrix has been reviewed to reflect the current assessment of risk. A copy is enclosed for information as **Appendix 7**.
- 3.7 The key issues relating to Housing Benefit Overpayments are as follows (further details available at **Appendix 8**).
- Total housing benefit expenditure was £29.8 million in 2011/12 (28.6 in 2010/11), an increase of 4.20% compared to the previous year.
 - Total Housing Benefit Overpayments debt as at 31st March 2012 **represents 3.2% of housing benefit expenditure**. The total debt has decreased by £17.600 or 1.84% compared to the position a year earlier.
 - Within this overall figure, debts outstanding for less than 3 months total £180,500 and have increased by £8,700 or 5.08% compared to 2010/11.
 - Debts outstanding for more than 3 months total £773,300 and have decreased by £26,300 or 3.29% compared to 2010/11.
- 3.8 The key issues relating to Sundry/Property Debtors are as follows (further details available at **Appendix 9**):
- The Council raised over £3.3 million in debtor invoices during the period to 31st March 2012. During the same period **less than £28,000 has been written off, which is 0.8% of the debt raised**.
 - As at 31st March 2012, there were a total of £224,000 of debts which are more than 6 months old. That means that the Council has collected 81% of debts outstanding within 6 months.
 - The council has introduced two Local Performance measures for debtor management
- Property Debtor Arrears as a percentage of Annual Rent Roll – 12.0% in 2011/12 compared with 12.3% in 2010/11.
- Non-Property Debts – debts outstanding over 24 months old as a percentage of total debt outstanding – 8.6% in 2011/12 compared to 3.9% in 2010/11.
- 3.9 The position on **investments** is as follows. At 30th June 2012, the Council had £8.097m (excluding Icelandic Investments) on deposit with various institutions. This is monitored by the Treasury Management Review panel twice yearly, with additional reporting as necessary. During the first quarter of 2012 the Council's Treasury advisors Sector has revised its assumptions in relation to investment returns expected as the Bank Base Rate remains at the historic low of 0.5%. Based on current market indicators, the prediction is that this low rate could reduce even further to 0.25% in the next 6 months.

- 3.10 As reported to Cabinet on the 19th June 2012, an update to the guidance for accounting for potential losses (impairment) in relation to the Icelandic investments (update to LAAP Bulletin 82) was issued on the 14 May 2012. This statutory guidance resulted in improvements in the impairment position for all 3 investments, more or less matched by a writing-off of our claim for penalty interest now confirmed as refused, on the Landsbanki deposit. A further update to the LAAP Bulletin was received during June, the implications of this late change are reflected as a Post Balance Sheet Event in the 2011/12 accounts.
- 3.11 The position on recovery of the £9m of Icelandic investments that were frozen in October 2008 is that, at 30th June, a total of £5.61m had already been received (62%).

Financial Institution	Principal Invested £	Principal Repaid to Date £	% Recovery to Date	Estimated Total Recovery %
Landsbanki	3,000,000	1,243,746	41.46	Close to 100%
Kaupthing Singer & Freidlander	5,000,000	3,650,000	73	83.5
Heritable bank	1,000,000	716,860	71.69	88
Overall Total	9,000,000	5,610,606	62.34	89.5

- 3.12 The Council has been successful in maintaining its “priority status” with Landsbanki, as confirmed in October 2011 by the Icelandic Court. This is excellent news and two dividend repayments have now been received totalling £1,243,746 as shown above, with close to a full recovery predicted.

3.13 Pensions Update

On 31st May, the Local Government Association and unions made a joint announcement about proposed changes to the local government pension scheme which would take effect from April 2014. The main changes proposed are that the pension would be based on career average salary rather than final salary; the accrual rate would be 1/49 compared to 1/60 now; and contribution rates for most staff would remain broadly similar to what is paid now, although contribution rates for those earning over £43,000 p.a. would rise.

A new option of a half rate pension would be introduced, for which staff would pay half the normal contribution rate.

There will be a formal consultation on these proposals later in the year. The other important point to note is that there would be no effect on any pension that has been earned before April 2014 – the proposed changes affect only the pension that will be earned from 2014 onwards.

4. FINANCIAL IMPLICATIONS - BUDGET MONITORING 1ST QUARTER 2012/2013

- 4.1 A copy of the Council's approved Revenue Budget is enclosed as **Appendix 1** for Members' information. This includes the additional approval on the 17th April 2012, of £50,000 for support for the North Worcestershire Shared Economic Development and Regeneration Team for the implementation of the State of the Area Debate initiative.
- 4.2 The continuing effects of the economic recession and the decline of the global economy and the Eurozone may have an overall adverse impact on the budget, although this should be offset by savings in pay and administrative costs. While the report suggests a small overspend, overall, close monitoring by the Director of Resources and all Directorates will continue, with reports to Cabinet as part of the ensuing Budget process.
- 4.3 Housing Benefits overpayments – the council needs to monitor performance as it receives from the Department of Work and Pensions benefit subsidy on those payments which are identified as overpayments. The rate of subsidy varies dependent on the classification of the overpayment. In addition should the Council recover the full or any part of an overpayment then those recovered monies can be retained by the Council.
- 4.4 Sundry/Property Debt - There are no direct financial implications associated with this report.

5. LEGAL AND POLICY IMPLICATIONS

- 5.1 The Local Government Act 2003 (sections 25–29) placed new duties on Local Authorities on how they set and prioritise budgets.
- 5.2 Section 28 places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the Authority must take such action as it concludes necessary. The Cabinet currently reviews the Budget on a quarterly basis.
- 5.3 The Audit Commission make an assessment based on the annual programme of external audit work. The focus is on ensuring there are proper arrangements in place for securing financial reliance and that the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

6. RISK MANAGEMENT

- 6.1 The budget risk matrix in appendix 6 is regularly reviewed and updated. Regular monitoring of expenditure and other financial information mitigates risk for the Council.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

8. CONCLUSIONS/ACTION

- 8.1 The information contained within Appendices 2, 3, 4, 5, 6, 7, 8 and 9 provides Members with an overview of financial trends within the period to 30th June 2012.
- 8.2 A further report identifying the updated position for 2012/13 from the revised budget will be submitted to the Cabinet as part of the budget process.

9. CONSULTEES

- 9.1 Corporate Management Team.
9.2 Cabinet.

10. BACKGROUND PAPERS

Council 29th February 2012.
Cabinet Report on Final Accounts 2011/12 19th June 2012.
Cabinet Financial Strategy 2011/2015 20th December 2011.
Cabinet 17th April 2012.

WYRE FOREST DISTRICT COUNCIL

REVENUE BUDGET TOTAL REQUIREMENTS - DISTRICT COUNCIL PURPOSES

SERVICE	2011/12		2012/13		2013/14		2014/15		TOTAL £
	Original Estimate £	Revised Estimate £	At Nov.11 Prices £	Inflation £	TOTAL £	At Nov.11 Prices £	Inflation £	TOTAL £	
CHIEF EXECUTIVE	1,239,900	1,268,000	1,113,510	1,790	1,115,300	1,093,620	16,000	1,109,620	1,125,550
COMMUNITY ASSETS AND LOCALISM	1,323,540	1,354,280	1,501,770	13,880	1,515,650	1,379,650	38,210	1,417,860	1,445,380
COMMUNITY WELL-BEING AND ENVIRONMENT	6,189,470	6,532,450	6,036,050	54,640	6,090,690	6,008,910	144,620	6,153,530	6,169,730
ECONOMIC PROSPERITY AND PLACE	3,264,350	3,105,140	2,867,110	19,190	2,886,300	2,505,420	45,380	2,550,800	2,573,660
RESOURCES	3,720,540	3,790,260	2,811,820	3,090	2,814,910	2,740,650	42,630	2,783,280	2,567,550
LESS: CAPITAL ACCOUNT INTEREST RECEIVED	15,737,800 (1,289,490) (223,530)	16,050,130 (1,447,130) (341,390)	14,330,260 (1,151,120) (166,600)	92,590 70 0	14,422,850 (1,151,050) (166,600)	13,728,250 (1,084,740) (123,650)	286,840 790 0	14,015,090 (1,083,950) (123,650)	13,881,870 (761,320) (110,930)
TOTAL NET EXPENDITURE ON SERVICES	14,224,780	14,261,610	13,072,540	92,660	13,105,200	12,519,860	287,630	12,807,490	13,009,620
LESS: CONTRIBUTION (FROM) TO RESERVES	(883,730)	(736,560)			(372,400)			(329,870)	(656,840)
NET BUDGET REQUIREMENT	13,341,050	13,525,050			12,732,800			12,477,620	12,352,780
LESS: REVENUE SUPPORT GRANT LOCAL SERVICES SUPPORT GRANTS BUSINESS RATES COLLECTION FUND SURPLUS	(1,474,240) (109,270) (4,769,440) (50,650)	(1,474,240) (293,270) (4,769,440) (50,650)	(5,564,730) (109,270) 0 (51,000)		(5,564,730) (109,270) 0 (51,000)			(5,244,640) 0 0 (50,000)	(4,940,370) 0 0 (50,000)
GENERAL EXPENSES - DISTRICT COUNCIL PURPOSES	6,937,450	6,937,450			7,007,800			7,182,980	7,362,410
COUNCIL TAX LEVY		197.62			197.62			202.56	207.62
COUNCIL TAX BASE		35,105			35,461			35,461	35,461

Notes

1) For the years 2013/2014 and 2014/2015 the split between the Revenue Support Grant and Business Rates is not known at this stage.

2) Revised Management Structure effective from 01/03/2012, but reflected across all budget years for consistency.

APPENDIX 2

BUDGETARY CONTROL REPORT
MAJOR REVENUE VARIATIONS QUARTER ONE (TO 30th JUNE 2012)

Total Original Budget 2012/2013	13,055,200
Add Additional Approval from Reserves for support for the North Worcestershire Shared Economic Development & Regeneration Team for implementation of the SotAD - Approved Cabinet 17/04/2012	50,000
Additional Expenditure/(Projected Saving) on Original Budget	74,050
Total Quarter One Projection to Year End 2012/2013	13,179,250

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
Chief Executive		
1. No major variance		
Community Assets and Localism		
1. Land Charges - adverse market conditions	30,000	
Community Well Being and Environment		
1. Waste - Operational Variance	70,000	
2. Parking Facilities and Civil Enforcement - reduction in fine income	30,000	
Economic Prosperity and Place		
1. Development Control - unachievable additional income due to abandonment of Government scheme, including forecast increase in fees from Autumn 2012	64,600	
2. Mapping Services - Licence fees now the responsibility of Central Government		(10,000)
3. High Street Innovation Scheme - additional external Funding - approved use for Business Rate Relief for Empty Shops	100,000	(100,000)
4. Mortgage Rescue Scheme - additional grant award - matched by expenditure	41,500	(41,500)
Resources		
1. Localising Council Tax Support - Support for transitional arrangements - will be offset by expenditure	84,000	(84,000)
Capital Account		
1. External Interest - revision of investment strategy		(45,000)
2. External Borrowing - Capital Programme slippage and improved cashflow has resulted in lower external borrowing costs		(100,000)
Corporate Variations		
1. ICT Infrastructure Upgrade	15,750	
2. Systems Thinking - Cabinet Proposal savings reprofiled as work progresses	100,000	
3. Pay and General Administration Costs - savings projected before revised estimates		(81,300)
	535,850	(461,800)
Increase/(Decrease) on Revised Budget (based on Quarter One 2012/2013 Projection) to Year End made up as follows:		£74,050

INCOME GENERATION PROJECTION STATEMENT 2012/2013 (QUARTER ONE JUNE 2012)

Cost Centre Description	Cost Centre	Account Code	Description	2012/13 Original Budget	2012/13 Profiled Budget	2012/13 Actual To Date	Projection to Year End	Variance Projection Less Original Budget	Comments
COMMUNITY WELL BEING AND ENVIRONMENT									
Domestic Waste	R002	88200	WASTE DISPOSAL INCOME	-£521,020.00	-£130,411.31	-£79,877.62	-£421,000.00	£100,020.00	Customers down sizing and opting for alternate week service
Garden Waste Collection Service	R005	88200	WASTE DISPOSAL INCOME	-£95,130.00	-£58,181.52	-£38,763.00	-£95,130.00	£0.00	
Kerbside Recycling	R010	84150	COUNTY COUNCIL PAYMENTS	-£60,000.00	-£15,018.00	£0.00	-£60,000.00	£0.00	
Paper	R018	88300	INCOME - Miscellaneous	-£13,000.00	-£3,253.90	£0.00	-£13,000.00	£0.00	
Other	R019	88300	INCOME - Miscellaneous	-£6,000.00	-£1,501.80	£0.00	-£6,000.00	£0.00	
Cemetery	R040	87500	FEES AND CHARGES	-£21,000.00	-£4,697.70	-£7,672.34	-£21,000.00	£0.00	
Summer Playschemes	R055	87500	FEES AND CHARGES	-£6,480.00	-£1,027.17	-£3,591.05	-£6,480.00	£0.00	
Bewley Museum	R065	86550	FEES - Education & Instruction VAT Exempt	-£10,000.00	-£3,100.00	-£3,591.05	-£10,000.00	£0.00	
Bewley Museum	R065	87600	LICENCES & REGISTRATION	-£9,400.00	-£5,666.32	-£6,666.66	-£9,400.00	£0.00	
Sports Pitches and Facilities	R095	86700	SPORTS FEES ETC - MISCELLANEOUS	-£25,600.00	-£4,044.79	-£2,982.91	-£25,600.00	£0.00	
Parks & Green Spaces	R160	87110	PROPERTY RENTAL INCOME	-£22,560.00	-£5,592.64	-£5,577.87	-£22,560.00	£0.00	
Parks & Green Spaces	R160	84220	S.106/COMMITTED SUM FUNDING REVENUE CONTRIBUTION	-£9,880.00	-£2,472.96	-£18,158.64	-£18,200.00	-£8,320.00	Grant award
Events	R175	87210	FEES AND CHARGES (DANCE FESTIVAL)	-£6,500.00	£0.00	£0.00	-£6,500.00	£0.00	
Car Parks General	R185	87400	PARKING FEES	-£325,680.00	-£87,933.60	-£57,271.41	-£305,680.00	£20,000.00	Car parks Fire Income
Car Parks General	R185	89120	RECHARGES TO OTHER COST CENTRES	-£74,220.00	-£18,577.27	-£18,602.49	-£74,220.00	£0.00	
Surface Car Parks	R187	87400	PARKING FEES	-£902,600.00	-£244,965.64	-£213,272.60	-£902,600.00	£0.00	
Market Street Car Park	R188	87400	PARKING FEES	-£73,850.00	-£19,090.23	-£13,905.54	-£73,850.00	£0.00	
Weavers Wharf Car Park	R189	87290	MANAGEMENT FEE	-£117,950.00	-£29,487.51	-£20,973.00	-£117,950.00	£0.00	
Stour Spts. Ctre Car Park	R190	87400	PARKING FEES	-£16,410.00	-£4,990.28	-£1,575.67	-£16,410.00	£0.00	
Civil Enforcement	R193	87400	PARKING FEES	-£120,000.00	-£23,184.00	-£19,459.03	-£110,000.00	£10,000.00	On street fines income
Highways General Cleansing	R200	88100	INCOME - EXTERNAL WORKS	-£36,400.00	-£337.92	£0.00	-£38,400.00	£0.00	
Highways Mice Of Verges	R205	88100	INCOME - EXTERNAL WORKS	-£36,430.00	£0.00	£0.00	-£36,430.00	£0.00	
Garage Trading Account	R229	87500	FEES AND CHARGES	-£18,460.00	-£2,898.22	-£5,495.00	-£22,000.00	-£3,540.00	
Garage Trading Account	R229	88100	INCOME - EXTERNAL WORKS	-£20,300.00	-£4,721.78	-£7,67.81	-£16,760.00	£3,540.00	
Garage Trading Account	R229	89200	DSO INCOME -for TAXI INSPECTIONS	-£10,700.00	-£2,678.21	-£2,426.00	-£10,700.00	£0.00	
Grounds Maintenance	R236	84040	SPONSORSHIP INCOME	-£6,000.00	-£1,501.80	£0.00	-£6,000.00	£0.00	
Grounds Maintenance	R236	88100	INCOME - EXTERNAL WORKS	-£55,960.00	-£9,205.41	-£10,081.16	-£55,960.00	£0.00	
TOTAL COMMUNITY WELL BEING AND ENVIRONMENT				-2,623,530.00	-685,780.81	-522,146.97	-2,501,830.00	121,700.00	
COMMUNITY ASSETS AND LOCALISM									
Management Of K. Town Hall	R216	87000	SALES	-£9,080.00	-£1,883.20	-£470.00	-£9,080.00	£0.00	
Management Of K. Town Hall	R216	87100	RENTS	-£45,940.00	-£11,223.13	-£6,310.06	-£45,940.00	£0.00	
Management Of Stour Civic Hall	R221	87100	RENTS	-£5,890.00	-£1,231.03	-£1,748.00	-£5,890.00	£0.00	
Other Ind. Estates	R270	87110	PROPERTY RENTAL INCOME	-£172,240.00	-£44,885.68	-£43,060.07	-£172,240.00	£0.00	
Hoobrook Ent.Centre	R285	87110	PROPERTY RENTAL INCOME	-£101,470.00	-£25,702.51	-£19,482.51	-£101,470.00	£0.00	
Hoobrook Ent.Centre	R285	87150	SERVICE CHARGES	-£32,200.00	-£8,014.67	-£6,064.02	-£32,200.00	£0.00	
Other Property	R289	87110	PROPERTY RENTAL INCOME	-£223,700.00	-£53,397.18	-£54,950.17	-£223,700.00	£0.00	
Comberton Place	R291	87150	PROPERTY RENTAL INCOME	-£50,370.00	-£12,592.52	-£6,779.98	-£50,370.00	£0.00	
Comberton Place	R291	87150	SERVICE CHARGES	-£8,500.00	-£2,124.98	£324.99	-£8,500.00	£0.00	
Legat & Dem - Land Charges	R510	87500	FEES AND CHARGES	-£170,730.00	-£48,219.22	-£36,013.35	-£130,000.00	£40,730.00	Adverse market conditions
TOTAL COMMUNITY ASSETS AND LOCALISM				-820,120.00	-209,274.12	-174,553.17	-779,390.00	40,730.00	
ECONOMIC PROSPERITY AND PLAGE									
Kidderminster Street Market	R030	87100	RENTS	-£10,000.00	£0.00	-£10,000.00	-£10,000.00	£0.00	
Bromsgrove Market	R031	84500	SHARED SERVICES INCOME	-£67,270.00	-£11,205.33	-£11,205.33	-£67,270.00	£0.00	
Redditch Market	R032	84500	SHARED SERVICES INCOME	-£55,020.00	-£13,771.51	-£9,138.33	-£55,020.00	£0.00	
Development Control	R605	86200	PLANNING APPLICATION FEES	-£424,600.00	-£101,988.92	-£66,707.50	-£360,000.00	£64,600.00	Unachievable additional income due to abandonment of Government scheme
Development Control	R605	86210	PLANNING ADVICE/ENQUIRIES FEES	-£19,280.00	-£4,578.99	-£3,361.34	-£19,280.00	£0.00	
Building Control Fee Earning	R625	86010	BUILDING NOTICE FEES	-£57,200.00	-£15,037.88	-£9,677.14	-£57,200.00	£0.00	
Building Control Fee Earning	R625	86030	BUILDING CONTROL INSPECTION FEES	-£10,000.00	-£12,788.00	£62.01	-£10,000.00	£30,000.00	Not likely to achieve income
Building Control Fee Earning	R625	86060	BUILDING CONTROL FULL PLANS APPLICATION	-£100,000.00	-£28,420.00	-£26,638.53	-£100,000.00	£0.00	
Administration of Street Naming & Numbering	R631	87500	FEES AND CHARGES	-£5,250.00	-£1,314.08	-£771.00	-£10,000.00	-£4,750.00	Two large amounts received in Quarter 1
Environmental Health	R637	87300	PEST CONTROL FEES	-£14,240.00	-£4,047.00	-£791.75	-£14,240.00	£0.00	
Environmental Health	R637	87450	POLLUTION CONTROL FEES	-£19,490.00	-£15,619.29	-£14,345.83	-£19,490.00	£0.00	
Licensing Activities	R638	87050	TAXI & PRIVATE HIRE LICENCES	-£78,890.00	-£51,436.28	-£89,524.66	-£78,890.00	£0.00	
Licensing Activities	R638	87600	LICENCES & REGISTRATION	-£127,540.00	-£12,814.10	-£15,622.33	-£127,540.00	£0.00	
NW Water Management Shared Service	R676	84150	COUNTY COUNCIL PAYMENTS	-£20,000.00	-£10,004.00	£0.00	-£20,000.00	£0.00	
NW Water Management Shared Service	R676	84500	SHARED SERVICES INCOME	-£106,450.00	-£53,246.29	-£17,741.33	-£106,450.00	£0.00	

INCOME GENERATION PROJECTION STATEMENT 2012/2013 (QUARTER ONE JUNE 2012)

Cost Centre Description	Cost Centre	Account Code	Description	2012/13 Original Budget	2012/13 Profiled Budget	2012/13 Actual To Date	Projection to Year End	Variance Projection Less Original Budget	Comments
Homelessness Hsg Advice & Access to Hsg	R685	84190	RENT DEPOSIT LOAN REPAYMENTS	-£10,000.00	-£2,503.00	-£210.00	-£10,000.00	£0.00	
Homelessness Hsg Advice & Access to Hsg	R685	84195	INCOME RE. SINGLE HOMELESS UNITS	-£24,000.00	-£6,007.20	£0.00	-£24,000.00	£0.00	
Homelessness Hsg Advice & Access to Hsg	R685	86600	ADVERTISING INCOME	-£14,200.00	-£3,554.26	£0.00	-£14,200.00	£0.00	
Homelessness Hsg Advice & Access to Hsg	R685	89140	RECHARGE TO WFCH	-£5,600.00	-£1,401.68	-£2,316.00	-£5,600.00	£0.00	
Regeneration/Economic Development Activities	R704	84220	S.106/COMMUTED SUM FUNDING REVENUE CONTRIBUTION	-£10,270.00	-£2,503.00	£0.00	-£10,270.00	£0.00	
Regeneration/Economic Development Activities	R704	84300	SHARED SERVICES INCOME	-£30,000.00	-£7,509.00	£0.00	-£30,000.00	£0.00	
NE Econ Dev & Regeneration Shared Service	R705	84500	CONTRIBUTION FROM WCC	-£279,010.00	-£69,836.21	-£44,779.84	-£30,000.00	£0.00	
Greenlands Business Centre	R712	84500	SHARED SERVICES INCOME	-£56,700.00	-£14,192.01	-£19,276.66	-£279,010.00	£0.00	
Rubicon Business Centre	R713	84500	SHARED SERVICES INCOME	-£50,350.00	-£12,602.61	£0.00	-£50,350.00	£0.00	
Hemming Road Business Centre	R714	84500	SHARED SERVICES INCOME	-£7,800.00	-£1,952.34	£0.00	-£7,800.00	£0.00	
TOTAL ECONOMIC PROSPERITY AND PLACE				-1,643,160.00	-474,535.91	-350,957.23	-1,553,310.00	89,850.00	

OVERALL TOTAL	-£5,086,810.00	-£1,369,590.84	-£1,047,657.37	-£4,834,530.00	£252,280.00
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NOTE:

This report only includes budgets that are £5,000 or above. It supplements Appendix 2 and should not be looked at in isolation.

BUDGET MONITORING
FINAL CAPITAL EXPENDITURE 2011/12

CAPITAL PROGRAMME DESCRIPTION	Revised Capital Programme 2011/12 £	Expenditure 2011/12 £	Year End Scheme Balance £	Comments
<u>COMMITTED EXPENDITURE</u>				
1. COMMUNITY AND PARTNERSHIP SERVICES				
Bewdley Museum Improvement Works	3,250	0	3,250	Scheme complete.
Haberley Playing Fields Changing Rooms	1,110	753	357	Scheme complete.
Improvements to Paddling Pools	1,250	0	1,250	Slip into 2012/13 Likely to be linked in with Splash Parks.
Brownwesthead Park Changing Rooms Refurbishment	2,470	2,468	2	Scheme complete.
St Georges Park Multi Activity Play Area	2,790	2,771	19	Scheme complete.
Play Equipment: Replacement/Repairs Programme	2,640	2,600	40	Scheme complete.
Municipal Cemetery	1,253,320	1,255,017	(1,697)	Slight overspend in year. This will be carried forward into 2012/13.
St Mary's Churchyard Boundary Wall	2,840	0	2,840	Slip into 2012/13. Estimated to be spent in Q4.
Liveability Scheme: Brinton Park	7,810	5,570	2,240	Slip into 2012/13. Estimated to be spent in Q3.
Stourvale - Stackpool	230	0	230	Scheme complete.
Wyre Hill Play Area	1,000	698	302	Slip into 2012/13. Estimated to be spent in Q2.
Public Art in the Horsefair	12,000	11,992	8	Scheme complete.
Franchise Street S106 - Arts Development	9,330	0	9,330	To slip into 2013/14.
Franchise Street S106 - Countryside / Rangers	7,260	0	7,260	Slip into 2012/13. Estimated to be spent in Q2.
Clensmore Street Play Area	1,350	1,251	99	Scheme complete.
Improvements to Coronation Gardens	28,890	28,347	543	Slip into 2012/13. Estimated completion Q3.
Community Safety	15,000	0	15,000	Budget no longer required. Will fall into balances.
CCTV - Stourport-on-Severn & Bewdley	5,600	0	5,600	Scheme complete.
Load Street Public Conveniences Refurbishment	20,530	0	20,530	Scheme to slip into 2012/13.
Parking Facilities: Payment under Contractual Agreement	159,280	0	159,280	Scheme to slip into 2012/13.
Parking Facilities: Improvements to Car Parks	19,860	0	19,860	Scheme to slip into 2012/13.
Waste Strategy - Green Waste Containers	13,090	10,135	2,955	Scheme to slip into 2012/13.

BUDGET MONITORING
FINAL CAPITAL EXPENDITURE 2011/12

CAPITAL PROGRAMME DESCRIPTION	Revised Capital Programme 2011/12 £	Expenditure 2011/12 £	Year End Scheme Balance £	Comments
2. LEGAL AND CORPORATE SERVICES				
New Headquarters - Office Accommodation	5,046,910	4,418,228	628,682	New HQ progressing towards completion within budget. Balance to slip into 2012/13.
Contribution towards replacement of Civic Facilities in Stourport-on-Severn	10,000	10,000	0	Scheme progressing.
Boundary Wall at 49 Worcester Street	10,000	0	10,000	Still subject to an ongoing insurance dispute. Scheme to slip into 2012/13.
3. PLANNING AND REGULATORY SERVICES				
Housing Strategy: Disabled Facilities Grants	850,000	670,004	179,996	Underspend caused by delays to grants being processed. This was due to restructuring in HIA and changes to the way CHG agreed landlord consent for DFG in social housing tenancies. Balance slipped into 2012/13.
Affordable Housing Grants to Registered Social Landlords	320,000	194,000	126,000	Delays in land acquisition meant an agreed grant to West Mercia couldn't be paid in this financial year. Balance slipped into 2012/13.
Housing Assistance (including Decent Homes Grant)	291,600	114,965	176,635	Some slippage due to delays on schemes and requirement to roll forward insulation scheme money to year two.
Community Alarm Equipment Grant	70,380	70,000	380	Balance to slip into 2012/13.
Stourport Development - STC4 (CPO 8 & 8a Bridge Street)	10,100	0	10,100	Site acquisition complete. Will fall into balances.
Planning Delivery Grant Capital Projects	37,140	10,900	26,240	Scheme to slip into 2012/13.
Partnership Scheme in Conservation Areas (Stourport on Severn)	10,000	0	10,000	This scheme was under spent as the take up of the English Heritage grant in the final year of the scheme (2011/12) was less than anticipated.
Flood Relief	53,390	13,880	39,510	Schemes are to be delivered with other partners and funding bids leading to delays in commissioning works. Slipped into 2012/13.
WETT Programme - Regulatory Services	102,060	0	102,060	Scheme to slip into 2012/13. Anticipated to spend on new IT System in collaboration with Bromsgrove District Council.

BUDGET MONITORING
FINAL CAPITAL EXPENDITURE 2011/12

CAPITAL PROGRAMME DESCRIPTION	Revised Capital Programme 2011/12 £	Expenditure 2011/12 £	Year End Scheme Balance £	Comments
4. RESOURCES				
ICT Strategy	1,425,890	415,865	1,010,025	Balance to slip into 2012/13 for further work towards the new HQ.
ICT Investment: ICT Consultants	15,000	0	15,000	Balance to slip into 2012/13.
5. VEHICLE, EQUIPMENT & SYSTEMS RENEWAL SCHEDULE				
Vehicles & Equipment	610,420	502,320	108,100	Some procurement savings on vehicle renewals. Garage equipment and small van (electrical) to slip into 2012/13.
Financial Management System Replacement	77,470	0	77,470	Balance to slip into 2012/13 for potential further development.
Total Operational Management System	22,530	17,728	4,802	Balance to slip into 2012/13 to fund full roll-out.
	10,533,790	7,759,493	2,774,297	

**BUDGET MONITORING
FINAL VEHICLE, EQUIPMENT AND SYSTEMS RENEWAL SCHEDULE 2011/12**

Detail	Revised Capital Programme 2011/12 £	Expenditure 2011/12 £	Cost Centre	Assigned Fleet Number	Comments
<u>1. VEHICLES</u>					
Blitz Vehicle	34,000	25,950	R200	AV220	Complete.
Blitz Vehicle	34,000	25,950	R200	AV221	Complete.
Blitz Vehicle	34,000	25,950	R200	AV222	Complete.
Blitz Vehicle	34,000	25,950	R200	AV223	Complete.
Garage Equipment - Replacement (slippage)	23,420		R229	GARAGE2	To slip into 2012/13.
Mechanical Sweeper (Small)	15,000	19,080	R200	AV229	} Complete (replaced by one sweeper) remainder of budget not required.
Mechanical Sweeper (Small)	15,000		R200	AV230	
Refuse Freighter	136,000	133,295	R002	AV245	Complete.
Refuse Freighter	136,000	133,295	R002	AV246	Complete.
Mowing Machine	33,000	26,974	R236	R370	Complete.
Transit Tipper	30,000	1,707	R229	AV215	Complete. Replaced by AV063 - conversion works have been undertaken. Remainder of budget not required.
Small Van - Low range electrical	25,000		R260	AV227	Currently looking at various options. This will slip into 2012/13.
Small Van	18,000	10,759	R200	AV229	Complete.
Small Van	18,000	10,759	R200	AV230	Complete.
Ransome Gang Mower	25,000	22,650	R236	AV240	Complete.
Bromsgrove Vehicle (Capital Receipt to offset)	0	3,200	R031	AV267	Complete.
Sweeper (AV206 Fire Damage Replacement)	0	40,000		AV206	Complete.
<u>2. OTHER</u>					
(a) Financial Management System replacement	77,470	0	R430	FMS001	Post implementation work for system improvements continues. This work complements other system thinking reviews to streamline processes and achieve further efficiencies. This will slip into 2012/13.
(b) Total Operational Management System	22,530	17,728	-	-	Balance to slip into 2012/13.
	710,420	523,249			

BUDGET MONITORING 2012/13 Q1 (TO JUNE 2012)
CAPITAL PROGRAMME 2012/13 (INCLUDING SLIPPAGE FROM 2011/12)

CAPITAL PROGRAMME DESCRIPTION	Amended Capital Programme 2012/13 £	Month 3 Expenditure 2012/13 £	Current Year Scheme Balance £	Comments
<u>COMMITTED EXPENDITURE</u>				
1. COMMUNITY WELL-BEING AND ENVIRONMENT				
Future Leisure Provision	1,494,000	6	1,493,994	Site acquisition is ongoing. Anticipated to spend in Q3/Q4. Target date for new centre is March 2015.
Improvements to Paddling Pools	1,250	0	1,250	Likely to be linked in with Splash Parks
Paddling Pools - Strategic Review	300,000	0	300,000	Anticipated to spend in Q4.
Municipal Cemetery (Partnership Contribution)	48,310	0	48,310	Budget no longer required - Scheme complete.
St Mary's Churchyard Boundary Wall	2,840	0	2,840	Anticipated to spend in Q4.
Liveability Scheme: Brinton Park	2,240	0	2,240	Anticipated to spend in Q3.
Wyre Hill Play Area	310	0	310	Anticipated to spend in Q2.
Stourport Sports Village	529,860	0	529,860	First claim from Stourport Sports Club is expected in September. Anticipated to complete by Q4. Includes external funding of £150k for hockey pitch and £50k for cycle track lighting.
Franchise Street S106 - Brinton Park	53,370	0	53,370	To slip into 2013/14.
Franchise Street S106 - Arts Development	9,330	0	9,330	To slip into 2013/14.
Franchise Street S106 - Countryside / Rangers	7,260	0	7,260	Anticipated to be spent on fencing in Q3.
Improvements to Coronation Gardens	550	0	550	Anticipated to be spent in Q3.
Load Street Public Conveniences Refurbishment	20,530	0	20,530	Scheme under CMT review.
Parking Facilities: Payment under Contractual Agreement	159,280	0	159,280	Scheme under CMT review.
Parking Facilities: Improvements to Car Parks	19,860	0	19,860	Anticipate to be spent on changes to meters, potentially Q2.
Waste Strategy - Garden Waste Containers	22,960	0	22,960	These are the Brown Wheeled Bins for the Garden Waste Scheme. Anticipated that £10,000 of this will not be required and will fall back into balances, the remainder will slip into 2013/14.

BUDGET MONITORING 2012/13 Q1 (TO JUNE 2012)
CAPITAL PROGRAMME 2012/13 (INCLUDING SLIPPAGE FROM 2011/12)

CAPITAL PROGRAMME DESCRIPTION	Amended Capital Programme 2012/13 £	Month 3 Expenditure 2012/13 £	Current Year Scheme Balance £	Comments
2. COMMUNITY ASSETS AND LOCALISM				
New Headquarters - Office Accommodation	3,854,760	1,657,360	2,197,400	New HQ progressing towards completion within budget.
Contribution towards replacement of Civic Facilities in Stourport-on-Severn	450,000	0	450,000	Current indications are the community asset transfer may be completed early in 2013.
Boundary Wall at 49 Worcester Street	10,000	0	10,000	Still subject to an ongoing insurance dispute.
3. ECONOMIC PROSPERITY AND PLACE				
Housing Strategy: Disabled Facilities Grants	980,000	51,321	928,680	To slip £180,000 into 2013/14. Remaining budget expected to be spent in 2012/13.
Affordable Housing Grants to Registered Social Landlords	334,000	0	334,000	Have agreed funding for West Mercia (approved by Cabinet member) and provisionally for CHG for Chaddesley Corbett. £259,000 expected to be spent in Q2/Q3, balance is likely to slip into 2013/14.
Housing Assistance (including Decent Homes Grant)	667,760	10,655	657,105	WFDC schemes have had to be adjusted and reprofiled in response to national changes. £300,000 expected to be spent Q2-Q4, balance is likely to slip into 2013/14.
Community Alarm Equipment Grant	10,380	0	10,380	Anticipated to spend in Q2.
Planning Delivery Grant Capital Projects	26,240	0	26,240	Anticipated to spend in Q4.
Flood Relief	39,510	0	39,510	Committed to existing and potential schemes during this financial year. One scheme may get delayed and slip into next year.
WETT Programme - Regulatory Services	126,690	0	126,690	Anticipated to be spent by Q4 on new IT system - dependent on Bromsgrove District Council.
Regeneration of Economic Development	800,000	0	800,000	£300,000 committed for Public Realm Kidderminster re 17th April Cabinet. State of Area Debate Panel to consider the allocation of the balance remaining.
Carbon Management Plan	111,520	0	111,520	Likely to be some slippage into next year due to delays in getting prices and practicality of disconnecting boilers during winter months.

**BUDGET MONITORING 2012/13 Q1 (TO JUNE 2012)
CAPITAL PROGRAMME 2012/13 (INCLUDING SLIPPAGE FROM 2011/12)**

CAPITAL PROGRAMME DESCRIPTION	Amended Capital Programme 2012/13 £	Month 3 Expenditure 2012/13 £	Current Year Scheme Balance £	Comments
4. RESOURCES				
ICT Strategy	1,168,030	89,002	1,079,028	A further £270,000 is expected to be spent in Q2. Most of the expenditure is due to set up and consultancy for the new HQ including the following: Moving and reconfiguration of SAN / Virtual Server, New LAN Switches & Wireless network, Configuration & Consultancy to set up network at new HQ, On-going work for EDRM and EDM.
Local Authority Mortgage Scheme (LAMS)	1,000,000	0	1,000,000	Anticipated to spend in second half of financial year. Reports being taken to September 2012 Treasury Management Review Panel, Overview and Scrutiny Committee and Cabinet.
5. VEHICLE, EQUIPMENT & SYSTEMS RENEWAL SCHEDULE				
Vehicles & Equipment	753,420	0	753,420	See separate Vehicle, Equipment and Systems Renewal Schedule. No expenditure to date but vehicles in various stages of the specification and tendering process.
Financial Management System Replacement	77,470	0	77,470	Consultancy work for system improvements continues. This work complements other system thinking reviews to streamline processes and achieve further efficiencies.
Total Operational Management System	4,810	2,600	2,210	Remaining balance expected to be spent in Q2 / Q3.
	13,086,540	1,810,943	8,601,443	

APPENDIX 5

BUDGET MONITORING 2012/13 Q1 (TO JUNE 2012)
VEHICLE, EQUIPMENT AND SYSTEMS RENEWAL SCHEDULE 2012/13

Detail	Amended Capital Programme 2012/13 £	Month 3 Expenditure 2012/13 £	Cost Centre	Assigned Fleet Number	Comments
1. VEHICLES					
Blitz Vehicle	33,000		R200	AV255	Specification has been written. Waiting for the tendering process to commence.
Blitz Vehicle	33,000		R200	AV256	Specification has been written. Waiting for the tendering process to commence.
Mechanical Sweeper (Medium)	100,000		R200	AV257	Specification is currently being written.
Mechanical Sweeper (Schmit)	75,000		R200	AV258	Specification is currently being written.
Refuse Freighter	140,000		R002	AV267	Very early stages of specification.
Refuse Freighter	140,000		R002	AV268	Very early stages of specification.
Refuse Freighter	70,000		R002	AV261	Specification has been written. Waiting for the tendering process to commence.
Tractor	32,000		R236	AV225	Initial stage of information gathering.
Tractor	22,000		R236	AV263	Initial stage of information gathering.
Transit Tipper - Iveco Daily	30,000		R236	AV265	To slip into 2015/16.
Transit Tipper - Iveco Daily	30,000		R236	AV266	Initial stage of information gathering.
Garage Equipment - Replacement (slippage)	23,420		R229	GARAGE2	Some expenditure expected in Q2 2012/13.
Small Van - Low range electrical	25,000		R260	AV227	Currently investigating options.
2. OTHER					
(a) Financial Management System replacement	77,470		R430	FMS001	Post implementation consultancy work for system improvements continues. This work complements other system thinking reviews to streamline processes and achieve further efficiencies.
(b) Total Operational Management System	4,810	2,600	-	-	Remaining balance expected to be spent in Q2 / Q3.
	835,700	2,600			

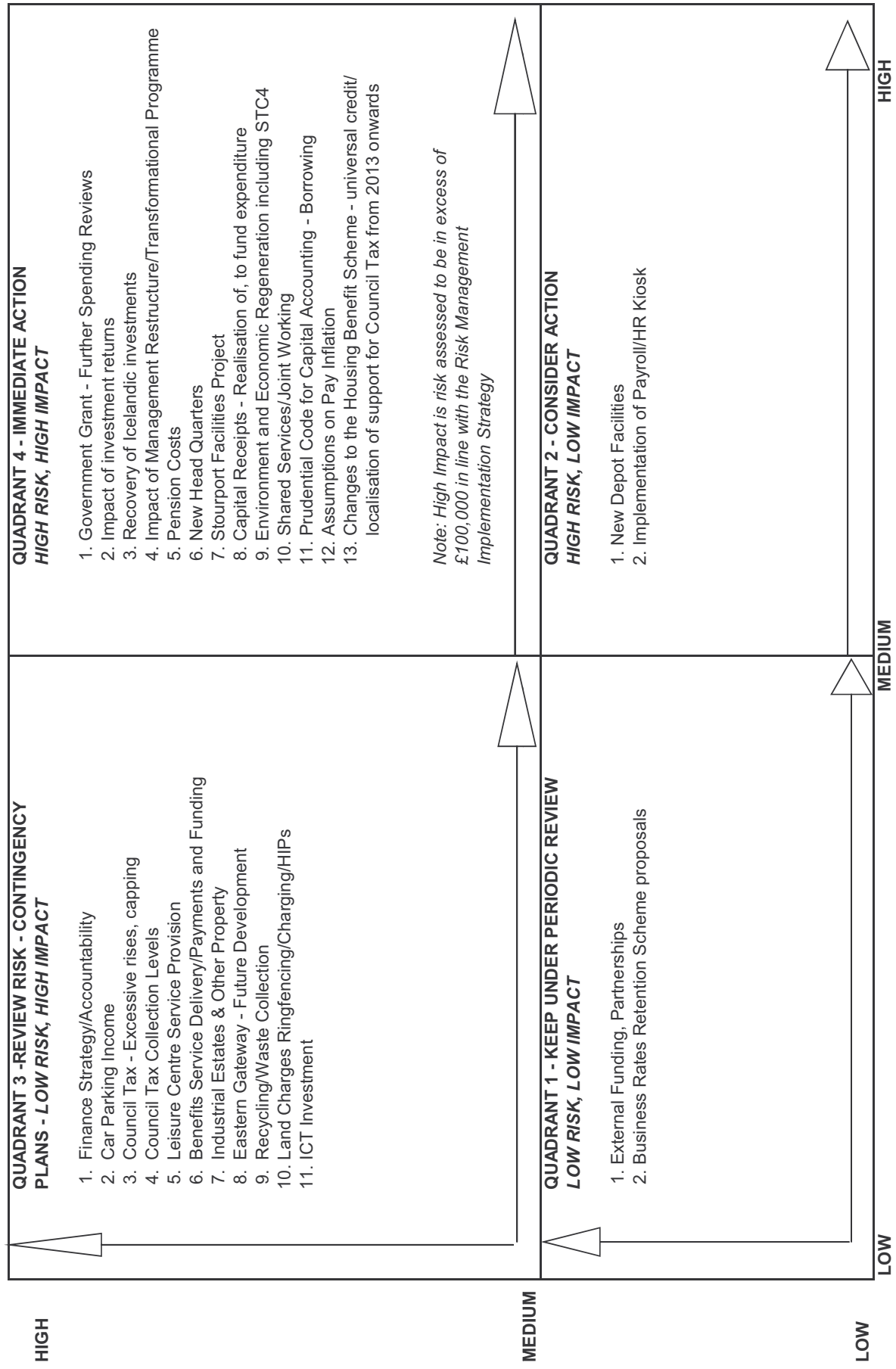
**WYRE FOREST DISTRICT COUNCIL
CABINET PROPOSALS 2012/2013 ONWARDS**

Cost Centre	ACTIVITY AND DESCRIPTION OF SERVICE OPTION	KEY	CHANGES IN RESOURCES					Q1 2012/13 Budget Monitoring Forecast Achievement	Comments re Achievement
			2012/13 £	2013/14 £	2014/15 £	2015/16 £	After 31/03/2016 £		
SECURING THE ECONOMIC PROSPERITY OF THE DISTRICT									
R705	Regeneration of Economic Development Establishment of a generic fund to support economic investment and regeneration initiatives to deliver the Corporate Plan priority 'To Secure The Economic Prosperity of the District' through ReWyre led initiatives. To include consideration of Enterprise Units from the Capital Funding.	C R S	800,000 234,800 -	- 169,600 -	- 169,600 -	- 169,600 -	- 169,600 -	234,800	£300,000 committed for Public Realm Kidderminster (April Cabinet). State of Area Debate Panel to consider the allocation of the balance remaining. Growth
R705	Regeneration of Economic Development Match Funding to support the work of the Worcestershire and Greater Birmingham & Solihull Local Enterprise Partnership and the West Midlands' Councils European Service.	C R S	- 15,000 -	- 15,000 -	- 15,000 -	- 15,000 -	- 15,000 -	15,000	Full spend will be achieved
DELIVERING TOGETHER, WITH LESS									
R505	Reduction in Council Members Reduction in Council Members in line with the Boundary Commission review.	C R S	- - -	- - -	- - -	- 50,000 CR -	- 60,000 CR -	-	Anticipated Review in 2014
	Community Transfer of Assets and Services High level target for savings to be achieved through a series of strategic initiatives to transfer assets and services to local community groups and parish councils.	C R S	- 10,000 CR -	- 30,000 CR -	- 50,000 CR -	- 50,000 CR -	- 50,000 CR -	-	Savings in 2012-13 unlikely to be achieved.
R335	Systems Thinking Savings from the introduction from Systems Thinking methodology across the Council.	C R S	- 100,000 CR 4 CR	- 250,000 CR 10 CR	- 500,000 CR 20 CR	- 500,000 CR 20 CR	- 500,000 CR 20 CR	-	Systems Thinking Interventions are progressing well across all Directorates but savings may not be achieved in 2012-13
R335	Grant Aid to Parish Council's Support provided for Parish Councils at the level of 10% of the parish/town precept.	C R S	- 40,000 -	- - -	- - -	- - -	- - -	40,000	Full spend will be achieved
IMPROVING COMMUNITY WELL-BEING									
R080	Sports and Leisure Centres New leisure centre to meet the future needs of the District including a swimming pool, fitness suite and 5 aside football provision.	C R S	1,494,000 - -	130,000 50,000 -	8,511,000 300,000 -	- 38,000 CR -	- 38,000 CR -	-	Project continues to progress with potential site acquisition work ongoing.
R160	Padding Pools To undertake a strategic review of the current facilities and consider options in relation to splash parks.	C R S	300,000 26,000 -	- 26,000 -	- 26,000 -	- 26,000 -	- 26,000 -	-	Anticipated to spend in Q4.
R705	Carbon Management Plan Participation in the Carbon Trust Public Sector Carbon Management initiative in 2011 with the aim of producing a 5 year Carbon Management Plan for 2012 onwards.	C R S	111,520 26,450 -	154,250 21,800 -	8,640 47,680 CR -	21,950 73,520 CR -	1,010 74,860 CR -	-	Likely to be some slippage into next year due to delays in getting prices and not wanting to disconnect boilers during winter months.
R720	Reinstate Community Leadership Fund Reinstate a fund of £1,000 per Member for 2012/13.	C R S	- 42,000 -	- - -	- - -	- - -	- - -	42,000	Full spend will be achieved
R800	Local Authority Mortgage Scheme (LAMS) Introduction of Local Authority Mortgage Scheme in line with recent report considered by Cabinet, exact detail to be determined. Costs of Borrowing to be funded by Commercial deposit rate plus premium rate received (early indications are that potential defaults should also be covered by premium rate)	C R S	1,000,000 - -	- - -	- - -	- - -	- - -	-	Anticipated to spend in second half of financial year. Reports being taken to September 2012 Treasury Management Review Panel, Overview and Scrutiny Committee, Cabinet and Council.
	TOTALS	C R S	3,705,520 274,250 4.00 CR	284,250 2,400 10.00 CR	8,519,640 87,080 CR 20.00 CR	21,950 500,920 CR 20.00 CR	1,010 512,260 CR 20.00 CR	- 331,800 -	

KEY - Changes in Resources

- C Capital
- R Revenue
- S Staffing - Stated in FTEs

BUDGET RISK MATRIX QTR3 - 2012/2015



RISK

BUDGETARY RESPONSE TO EACH RISK MANAGEMENT ISSUE
QTR1 2012/13

BUDGETARY RESPONSE TO EACH RISK MANAGEMENT ISSUE IN ORDER OF QUADRANT	
ISSUE	BUDGETARY RESPONSE
<p>Quadrant 1 - Low Risk, Low Impact</p> <p>1. External Funding, Partnerships 2. Business Rates Retention Scheme Proposals</p>	<p>Keep under periodic review</p> <p>Continue to evaluate sustainability of each scheme as part of project appraisal. Continue to monitor and report as appropriate on proposals - work commencing with LEP and Treasurers Group.</p>
<p>Quadrant 2 - High Risk, Low Impact</p> <p>1. New Depot Facilities 2. Implementation of Payroll/HR Kiosk</p>	<p>Consider Action</p> <p>To be considered as part of future asset management plans. Delay in implementation to be monitored closely.</p>
<p>Quadrant 3 - Low Risk, High Impact</p> <p>1. Finance Strategy/Accountability 2. Car Parking Income 3. Council Tax - Excessive rises, referendum 4. Council Tax Collection Levels 5. Leisure Centre Service Provision 6. Benefits Service Delivery/Payments and Funding 7. Industrial Estates and Other Property 8. Eastern Gateway - Future Development 9. Recycling/Waste Collection 10. Land Charges Ring fencing /Charging/HIPs 11. ICT Investment</p>	<p>Review Risk - Contingency Plans</p> <p>Council are required to adopt a three year Balanced Budget Strategy. Usages/Income level closely monitored, have not been significantly affected during the economic downturn. Low risk due to political prudence/Key Commitments. Low risk - closely monitored through P.I. Extension to current contracts agreed, approval by Council Feb 2012 on Future Leisure provision. Significant increase in Case Load, however performance has been maintained. Systems Thinking Review work ongoing as part of Service Rationalisation; achievement of savings as per base budget by staff reductions in March 2012. Managed through Property Rationalisation Strategy. Development opportunities consider to be explored. Review of Waste to achieve further savings from rationalisation implemented from May 2012 but underachievement of savings overall by £70k. Reduced income allowed within Base Budget reduces the scale of any challenge. ICT Strategy and funding approved in July 2008, implementation and costing closely allied to New HQ monitored by the Preparing for the New HQ Group.</p>
<p>Quadrant 4 - High Risk, High Impact</p> <p>1. Government Grant – Further Spending Reviews 2. Impact of Investment Returns 3. Return of Icelandic Investments 4. Impact of Management Restructure/Transformational Programme 5. Pension Costs 6. New Head Quarters 7. Stourport Facilities Project 8. Capital Receipts - Realisation to fund expenditure 9. Environment and Economic Regeneration including STC4 10. Shared Service Joint Working 11. Prudential Code for Capital Accounting - Borrowing 12. Assumptions on pay inflation 13. Changes to Housing Benefit Scheme – universal credit/localisation of support for Council Tax from 2013</p>	<p>Immediate Action</p> <p>Significant issue given the scale of the Spending deficit, Wyre Forest Forward coordinating Councils future Plans. The Council has had reduced returns from investments with the UK Base Rate remaining at 0.50%. Balances available for investment are reducing over the MTFP and this together with the lower returns has been taken into account in the base budget. We continue to work with Sector in this area. The confirmation of the Council's preferential status in late Oct 2011 means the majority of the investments should now be recovered. Two Landsbanki dividends now received. Wyre Forest Forward is managing the Transformation Process to align with the Budget process. Impact of the proposed changes will be considered when advised by the County – the position is closely monitored on a ongoing basis by the Director of Resources. Construction contract well underway with final completion and occupation in September 2012. Progress monitored monthly by Transformation Board and New HQ Steering Group. In Principle decision on transfer of the Civic Centre Oct 2011. Capital Programme funding reflects realistic timescale for the realisation of asset disposal receipts. Temporary borrowing will be used if necessary. The Council continues to be proactive in this area and this is closely monitored by Cabinet/CMT. The Council needs to monitor the best opportunity to realise the value for the STC4 site CPO'd in 2009; this will be subject to a tender process at an appropriate time in the future. Significant progress continues to be made in this area with monitoring by Cabinet/CMT as part of Wyre Forest Forward and also the Budgetary Control Process. Costs of External Borrowing included within the base budget, Treasury Management consultants will advise on timing and borrowing options. Pay freeze assumed for 2011/12 and 2012/13 then 1% thereafter. This will be kept under review. More information on changes emerging, kept under review and reports made as appropriate. Cross boundary working on localisation of support for Council Tax and consultation on our proposals launched July 2012.</p>

Housing Benefit Overpayment Debt Performance

Summary of Debtor Performance	Description	As at 31st March 2011 £	As at 31st March 2012 £	Increase/ (Decrease) £	Percentage £
Total Housing Benefit Expenditure		28,600,000	29,800,000		
Percentage of total Housing Benefit Overpayment debts to Housing Benefit Expenditure		3.40%	3.20%		
Value of Debtor invoices outstanding as at 31st March					
Debt recovery by Debtor Account		475,459	549,402	73,943	15.55%
Deb recovery - on-going Benefit		495,904	404,399	(91,505)	-22.63%
TOTAL DEBTS		971,363	953,801	(17,562)	-1.84%
Debtors Outstanding for less than 3 months as at 31st March					
Debtor recovery by Debtor Account		65,430	106,356	40,926	62.55%
Debtor recovery - on-going benefit		106,311	74,105	(32,206)	-43.46%
TOTAL DEBTS OUTSTANDING FOR LESS THAN 3 MONTHS		171,741	180,461	8,720	5.08%
Debtors Outstanding for more than 3 months as at 31st March					
Debtor recovery by Debtor Account		410,029	443,046	33,017	8.05%
Debtor recovery - on-going benefit		389,593	330,293	(59,300)	-17.95%
TOTAL DEBTS OUTSTANDING FOR MORE THAN 3 MONTHS		799,622	773,339	(26,283)	-3.29%
Detailed Breakdown of debts more than 3 months old as at 31st March					
Agreement to Pay		587,721	546,123		
Number of Accounts		938	827		
With Debt Collection Agency		37,162	32,191		
Number of Accounts		57	76		
With Legal Services		47,908	34,089		
Number of Accounts		22	18		
With Benefits Services		126,831	160,937		
Number of Accounts		240	320		
Total Debts more than 3 months old as at 31st March		799,622	773,339		
		1257	1241		

SUNDRY/PROPERTY DEBTOR PERFORMANCE

Summary of Debtors Performance	As at 31st March 2011	As at 31st March 2012	Increase/(Decrease)	Percentage
	£		£	
Value of Debtor invoices (including credit notes) raised as at 31st March				
Sundry Debts	2,059,915	2,790,541	730,626	35.47%
Property Debts	517,392	560,566	43,174	8.34%
	2,577,307	3,351,107	773,800	30.02%

The major increase in the value of Debtor invoices raised is due to the new shared services for North Worcestershire Economic Development, Land Drainage and the Recharges to Bromsgrove and Redditch Councils. for the Regulatory Services and Building Control

Total Value of Debts written off between 1st April and 31st March				
Sundry Debts	4,682	27,247	22,565	
Number of Sundry Debtor Invoices	5	50	45	
Property Debts	1,816	717	-1,099	
Number of Property Debtor Invoices	2	3	1	

30 debts for Commercial Waste totalling - £12,669, 5 debts for Licencing totalling £790, 3 Property Debts totalling £717, 13 debts for Sports Pitch Bookings totalling £1,065, 2 debts for Oldington and Foley Park Community Network totalling £12,723 were written off by Cabinet on 31 January

Value of Debtor invoices outstanding as at 31st March				
Sundry Debts	835,777	1,007,507	171,730	20.55%
Property Debts	144,936	152,986	8,050	5.55%
	980,713	1,160,493	179,780	18.33%

Increase in debts outstanding is attributable to invoices totalling £182,992 for rechargable works raised in March 2012 for drainage works in Stourport - The majority of this debt has now been paid.

SUNDRY/PROPERTY DEBTOR PERFORMANCE

Summary of Debtors Performance	As at 31st March 2011	As at 31st March 2012	Increase/(Decrease)	Percentage
	£	£	£	
Debtors Outstanding for less than 6 months as at 31st March				
Sundry Debts	637,003	839,992	202,989	31.87%
% of Total Sundry Debts Outstanding	76.22%	83.37%		
Property Debts	86,421	96,470	10,049	11.63%
% of Total Debts outstanding	59.63%	63.06%		
Debtors Outstanding for more than 6 months as at 31st March				
Sundry Debts	198,773	167,515	(31,258)	-18.66%
% of Total Sundry Debts Outstanding	23.78%	16.63%		
Property Debts	58,515	56,516	(1,999)	-3.54%
% of Total Debts outstanding	40.37%	36.94%		

Payment methods for debtor amounts

Transaction method	As at 31st March 2011				As at 31st March 2012			
	Transaction Number	Percentage	Transaction Amount	Percentage	Transaction Number	Percentage	Transaction Amount	Percentage
Cash	303	5.55%	40,827	1.66%	193	3.02%	33,194	1.07%
Cheque	1687	30.89%	983,311	40.01%	1392	21.78%	1,028,433	33.11%
Debit Card	93	1.70%	18,294	0.74%	57	0.89%	12,857	0.41%
Credit Card	7	0.13%	2,608	0.11%	13	0.20%	3563	0.11%
ATP Debit Card	88	1.61%	16,799	0.68%	113	1.77%	19,023	0.61%
ATP Credit Card	10	0.18%	1,502	0.06%	8	0.13%	1330	0.04%
Multi Transaction	26	0.48%	37,051	1.51%	7	0.11%	8,808	0.28%
Direct Debit	2,547	46.63%	265,784	10.82%	3,672	57.47%	304,598	9.81%
Direct to Bank	701	12.83%	1,091,212	44.41%	935	14.63%	1,694,494	54.56%
TOTAL	5,462	100.00%	2,457,388	100.00%	6,390	100.00%	3,106,300	100.00%

WYRE FOREST DISTRICT COUNCIL**CABINET**
18th SEPTEMBER 2012**Annual Report on Treasury Management Service, Actual Prudential Indicators 2011/12 and Revision to the Investment Policy and Strategy Statement 2012/13**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources
CONTACT OFFICER:	Joanne Wagstaffe Ext. 2100 Joanne.wagstaffe@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 – Treasury Activity 2011/12 Appendix 2 – Investment Policy and Strategy Statement 2012/13 (Current) Appendix 3 – Revised Criteria for Specified and Non-Specified Investments 2012/13 (Proposed)

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide a review of the treasury management activities for 2011/12, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 To seek approval for a revision to the Council's Investment Policy and Strategy Statement for the period 1st April 2012 to 31st March 2013 that sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

2. RECOMMENDATIONS

In accordance with the recommendation from Overview and Scrutiny Committee that Cabinet recommends to Council to:

- 2.1 **Approve the actual 2011/12 prudential and treasury indicators in this report**
- 2.2 **Note the annual treasury management report for 2011/12**
- 2.3 **Approve the revision to the Investment Policy and Strategy Statement 2012/13, set out in Appendix 3, to have immediate effect following Council approval**

3. BACKGROUND

- 3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2011/12. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2 During 2011/12 the minimum reporting requirements were that the full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 01/12/2010, reaffirmed 23/02/11).
 - a mid year treasury update report (Council 29/02/2012).
 - an annual review following the end of the year describing the activity compared to the strategy (this report).
- 3.3 Recent changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 3.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Treasury Management Review Panel and Overview and Scrutiny Committee, reporting to Cabinet before they were reported to the full Council. Member training on treasury management issues was undertaken during the year on 8th September 2011 in order to support Members' scrutiny role.

4. KEY ISSUES

- 4.1 During 2011/12, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2010/11 Actual £'000	2011/12 Original £'000	2011/12 Actual £'000
Actual capital expenditure	4,735	14,515	7,763
Capital Financing Requirement	2,959	7,926	4,570
Net borrowing	(17,744)	(2,300)	(11,238)
External debt	31	3,700	27
Investments:			
• Longer than 1 year*	2,748	4,885	1,790
• Under 1 year	15,027	1,115	9,475
• Total	17,775	6,000	11,265

*Investments at 31st March 2011 & 2012 include Icelandic investments at impaired values.

Actual capital expenditure in 2011/12 was lower than originally anticipated mainly due to slippage in the New Headquarters and Housing Assistance Schemes.

- 4.2 Other prudential and treasury indicators are to be found in Appendix 1. The Director of Resources also confirms that internal prudential borrowing was only undertaken for a capital purpose and the statutory borrowings limit (the authorised limit), was not breached.
- 4.3 The financial year 2011/12 continued the challenging environment of previous years; low investment returns and continuing counterparty risk.
- 4.4 The full annual review can be found at Appendix 1. This provides greater detail on the treasury activity for 2011/12 along with other relevant information.

5. PROPOSED REVISION TO THE INVESTMENT POLICY AND STRATEGY STATEMENT 2012/13

- 5.1 Council approved the current Investment Policy and Strategy Statement 2012/13 on 29th February 2012. This includes the counterparty criteria and investment limits for the financial year 2012/13. The individual counterparty/group limit approved by Council is 25% of total investments (excluding Icelandic investments). However, due to the current banking sector, problems within the Eurozone and depleted fund balances it is becoming increasingly difficult to place effective investments using this criteria, resulting in the increased use of the Debt Management Office to remain within policy.
- 5.2 Approval is therefore being sought to increase the counterparty/group limit to 50% with a maximum limit of £5m (whichever is the lower) for the UK part-nationalised banks, by exception only. Where an investment is above 25% this will need prior approval by the Director of Resources. This will allow the Council to secure effective rates of return whilst ensuring that the funds are placed with those counterparties that are considered to be a low risk, demonstrating security and liquidity over yield. Details can be found in Appendix 3. Subject to Council approval it is recommended that this revision has immediate effect.

6. FINANCIAL IMPLICATIONS

- 6.1 The Financial Implications are contained within paragraphs 4.1, and Appendix 1.

7. LEGAL AND POLICY IMPLICATIONS

- 7.1 Legal and Policy Implications are contained within paragraph 13.1 of Appendix 1.

8. RISK MANAGEMENT

- 8.1 Risk Management is contained within paragraphs 13.2, 13.3, 13.4 and 13.5 of Appendix 1. As demonstrated within this report the current economic position is very erratic; as a result, the risk is managed by more frequent and detailed reviews supported by the Treasury Management Panel. The Council will continue to invest

with only those institutions which have the necessary credit ratings in order to preserve the Council's Capital.

- 8.2 There will be a small increase in risk by placing up to 50% of the total investments with the part-nationalised banks. However, such investments will only be placed by exception, with the express approval of the Director of Resources. The Council will continue to aim to achieve the optimum return on its investments commensurate with its investment priorities of security and liquidity. The Council has been advised that any withdrawal of Government support for the part-nationalised banks could take 12 months.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 This is a financial report and there is no requirement to consider an Equality Impact Assessment.

10. CONCLUSION

- 10.1 The Cabinet is asked to approve the Recommendations contained within Paragraph 2.

11. CONSULTEES

- 11.1 Corporate Management Team
Sector, Treasury Management Consultants
Treasury Management Review Panel
Overview & Scrutiny Committee

12. BACKGROUND PAPERS

- 12.1 Treasury Management Strategy 2011/12 approved by Council on 23rd February 2011
12.2 Treasury Management Strategy 2012/13 approved by Council on 29th February 2012

TREASURY ACTIVITY 2011/12**1. Introduction**

1.1 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying how the Council has utilised prudential borrowing, and the impact on investment balances;
- Summary of interest rate movements in the year; and
- Detailed investment activity.

2. The Council's Capital Expenditure and Financing 2011/12

2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

2.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£'000	2010/11 Actual	2011/12 Estimate	2011/12 Actual
Capital Expenditure	4,735	14,515	7,763
Resourced by:			
• Capital receipts	2,128	8,039	4,756
• Capital grants	766	1,406	664
• Revenue	12	37	570
Unfinanced capital expenditure	1,829	5,033	1,773

3. The Council's Overall Borrowing Requirement

3.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2011/12 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council. The internal borrowing option has been used for 2011/12.

3.3 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

3.4 The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

3.5 The Council's 2011/12 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2011/12 on 23rd February 2011.

3.6 The Council's CFR for the year is shown below, and represents a key prudential indicator.

CFR £'000	31st March 2011 Actual	31st March 2012 Original Indicator	31st March 2012 Actual
Opening balance	1,697	3,101	2,959
Add unfinanced capital expenditure (as above)	1,829	5,033	1,773
Less MRP	(567)	(208)	(162)
Closing balance	2,959	7,926	4,570

3.7 The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

3.8 **Net borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2011/12 plus the expected changes to the CFR over 2012/13 and 2013/14. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2011/12.

The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

£'000	31st March 2011 Actual	31st March 2012 Original	31st March 2012 Actual
Net borrowing position	(17,744)	(2,300)	(11,238)
CFR	2,959	7,926	4,570

- 3.9 The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2011/12 the Council has maintained gross borrowing within its authorised limit.
- 3.10 The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.
- 3.11 Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2011/12
Authorised limit	£15.000m
Maximum gross borrowing position	£0.273m
Operational boundary	£7.000m
Average gross borrowing position	(£0.017m)
Financing costs as a proportion of net revenue stream	0.08%

4. Treasury Position as at 31st March 2012

- 4.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2011/12 the Council's treasury position was as follows:

Treasury position	31 st March 2011		31 st March 2012	
	Principal £'000	Average Rate	Principal £'000	Average Rate
Total Debt*	31	6.17%	27	6.21%
Fixed Interest Investments	(17,775)**	0.85%**	(11,265)**	0.87%**
Net investment position	(17,744)		(11,238)	

*Liverpool Victoria Mortgage Bonds

**Principal at 31st March 2011 & 2012 includes Icelandic investments at impaired values. The average rate achieved excludes Icelandic investments.

The maturity structure of the investment portfolio was as follows:

	2010/11 Actual £'000	2011/12 Original £'000	2011/12 Actual £'000
Investments:			
• Longer than 1 year*	2,748	4,885	1,790
• Under 1 year	15,027	1,115	9,475
• Total	17,775	6,000	11,265

* The only investments held for more than 1 year relate to impaired Icelandic deposits.

The exposure to fixed and variable rates was as follows:

	31 st March 2011 Actual	2011/12 Original Limits	31 st March 2012 Actual
Fixed rate (principal or interest)	100%	100%	100%

5. The Strategy for 2011/12

5.1 The expectation for interest rates within the strategy for 2011/12 anticipated a low but rising Bank Base Rate (starting in quarter 4 of 2011) with similar gradual rises in medium and longer term fixed interest rates over 2011/12. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

5.2 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

5.3 The actual movement in gilt yields meant that PWLB rates fell sharply during the year and to historically very low levels. This was caused by a flight to quality into

UK gilts from EU sovereign debt and from shares as investors became concerned about the potential for a Lehman's type crisis of financial markets if the Greek debt crisis were to develop into a precipitous default and exit from the Euro.

6. The Economy and Interest Rates

- 6.1 **Sovereign debt crisis.** 2011/12 was the year when financial markets were apprehensive, fearful of the potential of another Lehman's type financial crisis, prompted by a precipitous Greek Government debt default. At almost the last hour, the European Central Bank (ECB) calmed market concerns of a liquidity crisis among European Union (EU) banks by making available two huge three year credit lines, totalling close to €1 trillion at 1%. This also provided a major incentive for those same banks to then use this new liquidity to buy EU sovereign debt yielding considerably more than 1%.

A secondary benefit of this initiative was the bringing down of sovereign debt yields, for the likes of Italy and Spain, below unsustainable levels. The final aspects in the calming of the EU sovereign debt crisis were two eleventh hour agreements: one by the Greek Government of another major austerity package and the second, by private creditors, of a "haircut" (discount) on the value of Greek debt that they held, resulting in a major reduction in the total outstanding level of Greek debt. These agreements were a prerequisite for a second EU / IMF bailout package for Greece which was signed off in March.

Despite this second bailout, major concerns remain that these measures were merely a postponement of the debt crisis, rather than a solution, as they did not address the problem of low growth and loss of competitiveness in not only Greece, but also in other EU countries with major debt imbalances. These problems will, in turn, also affect the financial strength of many already weakened EU banks during the expected economic downturn in the EU. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population. In addition, an impending general election in May 2012 will deliver a democratic verdict on the way that Greece is being governed under intense austerity pressure from the northern EU states

- 6.2 **The UK coalition Government** maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. The USA and France lost their AAA ratings from one rating agency during the year.
- 6.3 **UK growth** proved mixed over the year. In quarter 2, GDP growth was zero, but then quarter 3 surprised with a return to robust growth of 0.6% q/q before moving back into negative territory (-0.3%) in quarter 4. The year finished with prospects for the UK economy being decidedly downbeat due to a return to negative growth in the EU in quarter 4, our largest trading partner, and a sharp increase in world oil prices caused by Middle East concerns. However, there was also a return of some economic optimism for growth outside the EU and dovish comments from the major western central banks: the Fed in America may even be considering a third dose of quantitative easing to boost growth.

6.4 **UK CPI inflation** started the year at 4.5% and peaked at 5.2% in September. The fall out of the January 2011 VAT increase from the annual CPI figure in January 2012 helped to bring inflation down to 3.6%, finishing at 3.5% in March. Inflation is forecast to be on a downward trend to below 2% over the next year.

The Monetary Policy Committee agreed an increase in quantitative easing (QE) of £75bn in October on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. The MPC then agreed another round of £50bn of QE in February 2012 to counter the negative impact of the EU debt and growth crisis on the UK.

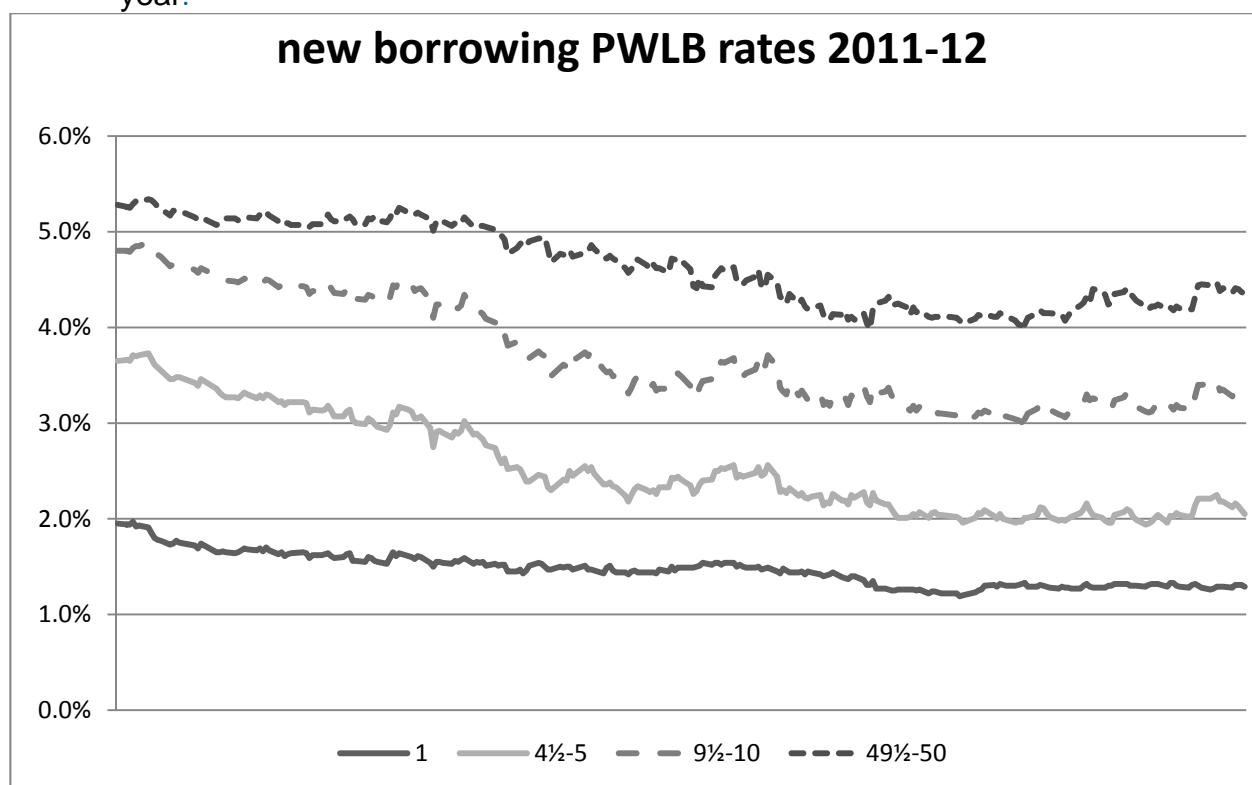
6.5 **Gilt yields** fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of QE during the year, combined to depress PWLB rates to historically low levels.

6.6 **Bank Base Rate** was unchanged at 0.5% throughout the year while expectations of when the first increase would occur were steadily pushed back until the second half of 2013 at the earliest. **Deposit rates** picked up in the second half of the year as competition for cash increased among banks.

6.5 **Risk premiums** were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the credit ratings of many banks and sovereigns, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

7. Borrowing Rates in 2011/12

7.1 **PWLB borrowing rates** - the graphs and table for PWLB maturity rates below show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



8. Borrowing Outturn for 2011/12

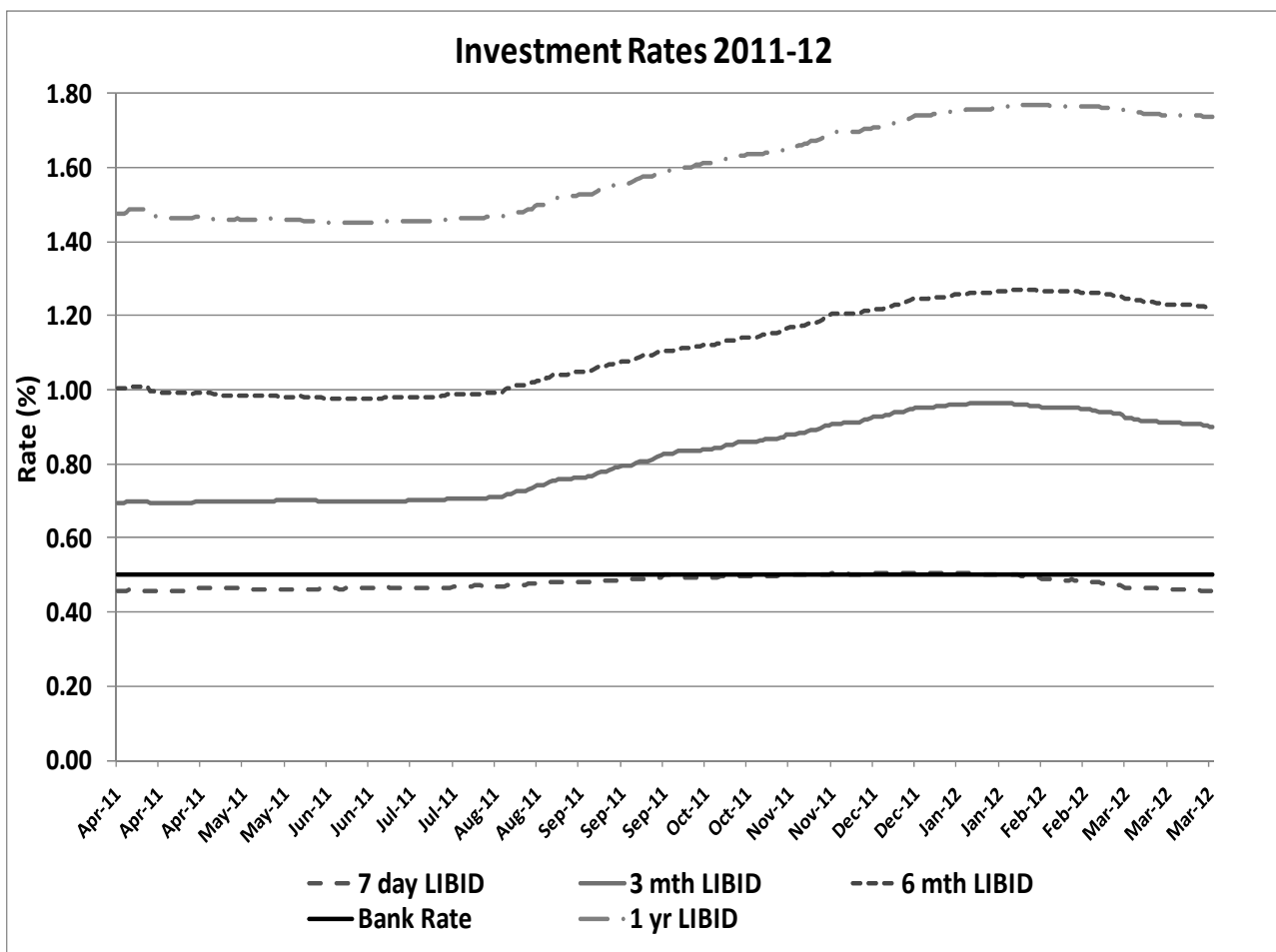
8.1 Treasury Borrowing

During 2011/12 the Director of Resources managed the debt by the use of temporary cash flow funds and did not utilise external borrowing.

9. Investment Rates in 2011/12

9.1 The tight monetary conditions following the 2008 financial crisis continued through 2011/12 with little material movement in the shorter term deposit rates. However, one month and longer rates rose significantly in the second half of the year as the Eurozone crisis grew. The ECB's actions to provide nearly €1 trn of 1% 3 year finance to EU banks eased liquidity pressures in the EU and investment rates eased back somewhat in quarter 1 of 2012. This action has also given EU banks time to strengthen their balance sheets and liquidity positions on a more permanent basis. Bank Rate remained at its historic low of 0.5% throughout the year while market expectations of the imminence of the start of monetary tightening was gradually pushed further and further back during the year to the second half of 2013 at the earliest.

9.2 Overlaying the relatively poor investment returns were the continued counterparty concerns, most evident in the Euro zone sovereign debt crisis which resulted in a second rescue package for Greece in quarter 1 2012. Concerns extended to the potential fallout on the European banking industry if the crisis could have ended with Greece leaving the Euro and defaulting.



10. Investment Outturn for 2011/12

- 10.1 Investment Policy – the Council’s investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 23rd February 2011. This policy sets out the approach for choosing investment counterparties, based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The Sector Credit Worthiness Policy adds further layers of check.
- 10.2 The investment activity during the year conformed to the approved strategy, with the exception of a minor technical breach, and the Council had no liquidity difficulties. The single technical breach of the Policy occurred on 14th February 2012, where Lloyds Bank incorrectly repaid an investment of £1.5m, without notice, to the Council causing a breach of the £1m investment limit with the Co Operative Bank (the Council’s own bankers). The repayment was made very late in the day and the Council was unable to return the funds on 14th February. The funds were returned to Lloyds Bank on 15th February. The bank issued a full apology and appropriate financial recompense.
- 10.3 Resources – the Council’s longer term cash balances comprise, primarily, revenue and capital resources, although these will be influenced by cash flow considerations. The Council’s core cash resources comprised as follows, and met the expectations of the budget:

Balance Sheet Resources (£'000)	31st March 2011	31st March 2012
Balances	3,398	3,069
Earmarked reserves	2,688	4,003
Provisions	206	49
Usable capital receipts	10,104	5,484
Total	16,396	12,605

- 10.4 **Investments held by the Council** - the Council maintained an average balance of £17.064m of internally managed funds. The internally managed funds earned an average rate of return of 0.87%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.47%. External Interest received totalled £148,127 compared to the revised budget of £106,000.

11. Performance Measurement

- 11.1 One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide. The Council’s performance indicators were set out in the Annual Treasury Strategy.

- 11.2 This service has set the following performance indicator:

- Investments – Internal returns (0.87%) above the 7 day London Interbank Bid (LIBID) rate (0.47%)

- 11.3 Sector established a regional benchmarking group in April 2011. The group comprises seven Local Authorities; 2 County Councils and 5 District Councils, and the group meets twice a year. Quarterly performance reports are prepared by Sector. The purpose of the benchmarking group is to compare Security of Capital, Liquidity and Yield (SLY - risk and return), aiming to maximise return in line with each authority's individual risk appetite.
- 11.4 Sector reported that the results of the benchmarking group at 31st March 2012 were that the Weighted Average Maturity (WAM) was 9 days and the Risk Factor was 3.7 (1 being the lowest, 7 being the highest). By comparison, the Council's yield was the 5th highest in the group. The risk factor was the 3rd highest, although it should be noted that some members of the group invest in the DMO (AAA) only, with a risk factor of 1 and a return of 0.25%.

12. Icelandic Bank Defaults

- 12.1 As has been widely reported, this Council had £9m invested in Icelandic banks at the time of their collapse in October 2008.
- 12.2 The position on recovery of the £9m of Icelandic investments that were frozen in October 2008 is that, at 31st March 2012, a total of £4.706m had already been received (52%).

Financial Institution	Principal Invested £	Principal Repaid at 31/03/12 £	Recovery at 31/03/12 %	Estimated Total Recovery %
Landsbanki	3,000,000	876,720	29.22	Close to 100%
Kaupthing Singer & Freidlander	5,000,000	3,150,000	63.00	83.50
Heritable Bank	1,000,000	678,960	67.90	88.00
Total	9,000,000	4,705,680	52.29	89.50

The Council has received further distributions after 31st March 2012 bringing total principal repayments to £5.611m as at 30th June 2012.

- 12.3 The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership. The UK Government is working with the Icelandic Government to help bring this about. At the current time, the process of recovering assets is still ongoing with the administrators. The Local Government Association is co-ordinating the efforts of all UK authorities with Icelandic investments. Members will be periodically updated on the latest developments on these efforts.
- 12.4 In the cases of Heritable Bank plc and Kaupthing, Singer and Friedlander Ltd, the administrators have made a number of dividend payments to date, with further payments and updates anticipated during 2012/13. Investments outstanding with the two Iceland –domiciled banks (Glitnir Bank hf and Landsbanki Islands hf) have been subject to decisions of the Icelandic Courts. Following the successful outcome of legal test cases in the Icelandic Supreme Court in late-2011, the Administrators have now commenced the process of dividend payments in respect

of both of these banks. Members will be periodically updated on the latest developments on these efforts.

13. Regulatory Framework, Risk and Performance

- 13.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:
- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
 - The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
 - Statutory Instrument (SI) 3146 2003, as amended, developed the controls and powers within the Act;
 - The SI requires the Council to undertake any borrowing activity with regard to the CIPFA) Prudential Code for Capital Finance in Local Authorities;
 - The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
 - Under the Act the CLG has issued Investment Guidance to structure and regulate the Council's investment activities.
 - Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.
- 13.2 The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 13.3 The Council has fully co-operated with a number of internal and external reviews into the Icelandic investments, including a member Treasury Management Review Panel that showed full compliance with all approved policies and procedures.
- 13.4 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of Sector, the Council's advisers, has proactively managed its treasury position.
- 13.5 Shorter-term rates and likely future movements in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.

APPENDIX 2

**BACKGROUND TO CURRENT ANNUAL INVESTMENT STRATEGY
(FROM TREASURY MANAGEMENT STRATEGY STATEMENT 2012/13,
APPROVED BY COUNCIL ON 29th FEBRUARY 2012)**

1.1 Investment Policy

The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -

- (a) the security of capital and
- (b) the liquidity of its investments.

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

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

Investment instruments identified for use in the financial year are listed in Appendix 3 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

1.2 Creditworthiness Policy

The Council continues to use the Sector Creditworthiness Policy.

Sector advise that their service has been progressively enhanced and uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Director of Resources is satisfied that this service will continue to provide a high level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

The Sector credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one Agency's ratings. The financial institutions, on the resultant Counterparty list, are detailed in Appendix 9 of the Treasury Management Strategy Statement 2012/13.

All credit ratings will be monitored on a weekly basis as a minimum requirement. The Council is immediately alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support; Sector will supply this information to the Treasury team as part of their comprehensive service.

1.3 Non UK Country Limits

The Council has determined that it will only use approved counterparties from countries outside the UK with a minimum sovereign credit rating of AAA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 6 of the Treasury Management Strategy Statement 2012/13. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

In addition to the minimum sovereign credit rating, no more than 30% would be placed with any individual non-UK country at any time should they meet the creditworthiness criteria.

1.4 Investment Strategy

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

Interest rate outlook: Bank Rate has been unchanged at 0.50% since March 2009. It is forecast to commence rising in quarter 3 of 2013 and then to rise steadily from thereon. Sector forecast the Bank Rate for financial year ends (March) as follows:

- 2011/ 2012 0.50%
- 2012/ 2013 0.50%
- 2013/ 2014 1.25%
- 2014/ 2015 2.50%

These forecasts differ slightly to the assumptions included in the Base Budget which are 0.75% for 2012/2013, 1.00% for 2013/2014 and 1.25% for 2014/15. The 0.75% for 2012/2013 should be achievable by use of part-nationalised banks and preferential call-accounts that offer slightly improved returns compared to 1 and 2 month fixed investments.

There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected.

The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Council.

For its cash flow generated balances, the Council will seek to utilise its instant access/call accounts, business reserve accounts, 15 and 30 day accounts, money market funds, money market instruments (such as gilts and Treasury Bills) and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

1.5 End of Year Investment Report

At the end of each financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

1.6 External Fund Managers

The use of specialist investment managers be considered by the Director of Resources on an ongoing basis, to manage a proportion of the Council's investments (minimum market requirement is usually £10 million) where market conditions are considered favourable to achieve higher overall investment returns. Specialist investment managers will be appointed by the Director of Resources under delegated powers and subject to the Council's Standing Orders Relating to Contracts, if applicable.

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The Council's external fund manager(s) will comply with the Annual Investment Strategy. The agreement(s) between the Council and the fund manager(s) additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The minimum credit criteria to be used by the cash fund manager(s) are as follows:

	Fitch	Moody's	Standard and Poors
Long Term	A	A2	A
Short Term	F1	P-1	A-1
Viability/Financial Strength	BBB	C	N/A
Support	2	N/A	N/A

(The combination of Fitch ratings above is either B2 or C2)

APPENDIX 3

PROPOSED REVISION TO THE CRITERIA FOR SPECIFIED AND NON-SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

The Council has determined to authorise Specified Investments as follows:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ rating criteria where applicable)

	Minimum ‘High’ Credit Criteria	Use
Debt Management Agency Deposit Facility	-	In-house
The Councils Own Bank	End of day balance £1m	In-house
Term deposits – local authorities	-	In-house
Term deposits – banks and building societies *	Green	In-house
Money Market Funds and Financial Instruments	Green	In-house

	Minimum Credit Criteria	Use	Max % of total investments*	Max maturity period
UK nationalised banks*– currently Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in the Table above.	Blue	In-house	50% (subject to a maximum value of £5m, whichever is the lower) Requires Director of Resources approval if greater than 25%	As per colour
Banks nationalised by high credit rated (AAA sovereign rating) countries – non UK*. For UK revert to Sector Creditworthiness Methodology	Green	In-house and Fund Managers	25%	As per colour
Government guarantee (explicit) on ALL deposits by high credit rated (non UK AAA sovereign rating) countries**. For UK revert to Sector Creditworthiness Methodology	Green	In-house and Fund Managers	25%	As per colour

- * Where a bank is part of a group then the total exposure to the group will be the same as the individual exposure assigned to the parent organisation
- ** e.g. Singapore (AAA); specified list of countries approved for investing with their banks detailed in Appendix 6 of the Treasury Management Strategy Statement 2012/13

Additional Information on Specified Investments as Detailed Above

Nationalised banks in the UK have credit ratings which do not conform to the credit criteria usually used by local authorities to identify banks which are of high creditworthiness. In particular, as they are no longer separate institutions in their own right, it is impossible for Fitch to assign them a viability individual rating for their stand alone financial strength. Accordingly, Fitch assigned a BBB rating which means that at a historical point of time, this bank failed and is now owned by the Government. However, these institutions are now recipients of an F1+ short term rating as they effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. They also have a support rating of 1; in other words, on both counts, they have the highest ratings possible. Current examples include Lloyds Banking Group and Royal Bank of Scotland Group.

Other countries. The US, countries within the EU and Switzerland (and other countries) are currently providing major support packages to their banking systems. The Council will only consider investments with non UK countries that are AAA rated (for UK revert to Sector Creditworthiness Methodology).

Councils Own Bank. Where the Council's own bankers fail to meet the basic credit criteria, balances will be minimised as far as possible with an upper limit of £1m. This allows for reasonable flexibility needed for day to day cash flow management.

NON-SPECIFIED INVESTMENTS (NO CHANGE REQUIRED TO CURRENT APPROVED POLICY):

The Council has determined to authorise Non-Specified Investments as follows:

1. Maturities of ANY period

	Minimum Credit Criteria	Use	Max % of total investments	Max maturity period
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green	In-house	25%	As per colour
Treasury Bills	UK sovereign rating	In-house and Fund Managers	25%	6 months
Bonds issued by multi-lateral development banks	AAA	In-house and Fund Managers	25%	As per colour
CDs or Corporate Bonds with banks and building societies	Green	In-house and Fund Managers	25%	As per colour

2. Maturities in excess of 1 year

	* Minimum Credit Criteria/Colour Band	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	-	In-house	25%	As per colour
Term deposits – banks and building societies	Green	In-house	25%	As per colour
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee)	Green	In-house	25%	As per colour
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	Green	In-house	25%	As per colour
Certificates of deposit issued by banks and building societies NOT covered by UK Government support package (implicit guarantee)	Green	In-house	25%	As per colour
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	25%	As per colour

For both Specified and Non Specified Investments, due to the uncertainty in the financial markets, it is recommended that the Investment Strategy is approved on a similar approach to previous years which will provide officers with the flexibility to deal with any unexpected occurrences. Officers will restrict the pool of available counterparties from this criteria to ensure that security of capital remains the paramount consideration. Currently this involves the use of the Debt Management Account Deposit Facility (DMADF), AAA rated Money Market Funds and institutions (as deemed appropriate) with higher credit ratings than those outlined in the investment strategy or which are provided support from the Government. Investments are being maintained short term to also improve the security of investments. This is also applicable to the approved countries detailed in Appendix 6 of the Treasury Management Strategy Statement 2012/13.

WYRE FOREST DISTRICT COUNCIL

**Cabinet
18th September 2012**

**Recommendations from the Overview and Scrutiny Committee
6th September 2012**

Annual Report on Treasury Management Service, Actual Prudential Indicators 2011/12 and Revision to the Investment Policy and Strategy Statement 2012/13

The Committee considered the recommendations from the Treasury Management Review Panel which considered a review of the Treasury Management activities for 2011/12, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Recommend to Cabinet that it recommends to Council:

- 1. The Actual 2011/12 Prudential and Treasury Indicators in the report to the Treasury Management Review Panel of 5th September 2012 be approved.**
- 2. The Annual Treasury Management report for 2011/12 be noted.**
- 3. Approve the revision to the Investment Policy and Strategy Statement 2012/13, set out in Appendix 3 to the report to the Treasury Management Review Panel of 5th September 2012, to have immediate effect following Council approval.**

WYRE FOREST DISTRICT COUNCIL

CABINET
18TH SEPTEMBER 2012

Business Rates - pooling

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources
CONTACT OFFICER:	Joanne Wagstaffe Ext. 2100 joanne.wagstaffe@wyreforestdc.gov.uk
APPENDICES:	None

1. PURPOSE OF REPORT

- 1.1 To enable progress towards the decision on whether or not to join the Worcestershire business rates pool.

2. RECOMMENDATIONS

- 2.1 **The Cabinet is asked to ENDORSE the principle of joining the Worcestershire business rates pool.**
- 2.2 **The Cabinet is asked to DECIDE that delegated authority be given to the Cabinet Member for Resources and Transformation, in consultation with the Director of Resources and Chief Executive, to confirm the decision on joining the Worcestershire business rates pool before 19 October.**

3. KEY ISSUES

- 3.1 The Local Government Finance Bill, which has not yet achieved Royal Assent, introduces new arrangements for business rates with effect from 1 April 2013. In essence, councils will be incentivised to achieve economic growth by being allowed to retain a small proportion of the growth in business rates. The system that has been devised is inordinately complex and provides only a marginal incentive (for example, 50% of any growth would be retained by the Government and redistributed to councils via other grants). Conversely, where business rates income falls in an area, the impact of this will be felt by the councils concerned.
- 3.2 One of the key issues is whether councils wish to operate the new system on a stand-alone basis i.e. they enjoy the maximum benefit of growth but are also exposed to a greater adverse financial impact if business rates income falls. The alternative is to join a pool with one or more other authorities – while this could mitigate the risk of dealing with any losses across a pool, it would also mean that at least some of the financial benefits of any gains would have to be shared. The details of the operation of a pool are for the authorities involved in it to agree and this is the subject of

ongoing work by treasurers. However the formation of a pool requires the Secretary of State’s agreement as he designates pools.

- 3.3 Based on information available earlier in the year, the way that the Government has designed the new system means that there is a very strong incentive to join a pool in order to maximise retention of business rate growth. If district councils do not join a pool, there would be a levy on each pound of “retained” Business Rate growth i.e. the element left after 50% has been returned to the Government:

District Council	Forecast Levy
Bromsgrove	81.9p
Malvern	67.5p
Redditch	84.7p
Worcester City	82.3p
Wychavon	79.9p
Wyre Forest	73.0p
County Council	0p

Source: Extract from report for Worcestershire Leaders’ Board, 9 July; analysis by Worcestershire County Council

- 3.4 Based on this analysis, it will be seen that the financial interest of Wyre Forest is best served by joining a pool as we would avoid the levy at least for some of any growth that is achieved. An expression of interest in joining a pool for Worcestershire was therefore submitted towards the end of July, in line with the Government’s deadline. This did not commit us to joining the Worcestershire pool. The Cabinet is now asked to endorse the principle of joining this pool.
- 3.5 The Council has to reach a final decision and notify the Department for Communities and Local Government by 19 October, which is before the next Cabinet meeting. Therefore it is proposed to deal with this by delegating the decision to the lead Cabinet member.
- 3.6 Further information about the operation of the new system is expected from the Government before then, and will need to be considered in reaching a final decision. We also need to reach a satisfactory agreement with other authorities to ensure that at least some of any growth generated in Wyre Forest as a result of the Council’s planning policies and investment in economic regeneration is retained in Wyre Forest. However the purpose of the pool will involve collectively funding some economic development activity, and therefore we would have to accept that some of the growth would have to be surrendered to the pot for redistribution in response to priorities/bids across Worcestershire. Wyre Forest is well-placed in this regard because of our advanced work on the local development framework and the clear priorities for major economic development sites that are set out within it.

4. FINANCIAL IMPLICATIONS

- 4.1 The new arrangements for business rates affect how the Council is funded. However it is impossible accurately to predict what impact they will have on the Council’s finances as, ultimately, this depends on a range of factors such as whether business rates grow (or contract) in Wyre Forest; the final design of the new system including decisions yet to be taken and notified by the Government; and any local agreement about how a pool would operate.

- 4.2 Based on the information to hand to date, the Council's financial position will be best protected by joining a pool. However this conclusion will need to be reviewed in light of any further information before a final decision is taken on whether to join the Worcestershire pool.

5. LEGAL AND POLICY IMPLICATIONS

- 5.1 The new arrangements for business rates are set out in the Local Government Finance Bill, currently before Parliament. Part 9 of the new Schedule 7B to the Local Government Finance Act 1988 (which would be inserted by Schedule 1 to the Bill) deals with pooling of authorities. Under paragraph 32, the Secretary of State may designate a pool only if each authority concerned has given its agreement. The Bill makes no provision for agreement to designation for pooling to be given by full Council and, in the absence of such explicit statutory provision, it is therefore an executive responsibility.

6. RISK MANAGEMENT

- 6.1 The risks of the different options are mentioned earlier in this report. Any revised information about the risks will need to be taken into account in the final decision.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 The new arrangements for business rates do not affect services or facilities for individual members of the public, and therefore there is no requirement to undertake an Equality Impact Assessment.

8. CONCLUSIONS/ACTION

- 8.1 A decision on whether or not to join the Worcestershire pool needs to be finalised before the Cabinet's meeting in October. The proposed delegation allows this decision to be progressed.

9. CONSULTEES

- 9.1 Corporate Management Team.
9.2 Cabinet.

10. BACKGROUND PAPERS

Local Government Finance Bill – current draft may be seen at
http://www.publications.parliament.uk/pa/bills/lbill/2012-2013/0039/lbill_2012-20130039_en_1.htm
Business rates pooling prospectus (DCLG)
<http://www.communities.gov.uk/publications/localgovernment/businessratespooling>
Further information about the local government resources review including changes to business rates:
<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/lgresourcereview/>

WYRE FOREST DISTRICT COUNCIL

**CABINET
18th September 2012**

**Recommendations from the Overview and Scrutiny Committee
5th July 2012**

Wyre Forest Affordable Warmth Action Plan

The Committee considered a report from the Principal Health and Sustainability Officer which provided a progress update on the Wyre Forest Affordable Warmth Action Plan 2011/12, and sought endorsement of the Wyre Forest Affordable Warmth Action Plan 2012/13.

The Health and Sustainability Team within the Housing Services led the co-ordination and delivery of work to tackle fuel poverty and affordable warmth issues in Wyre Forest. To deliver an annual Affordable Warmth Action Plan, the Team work with partners on the Wyre Forest Affordable Warmth Steering Group, including Act on Energy, Public Health, the Fire Service and Disability Action Wyre Forest.

The Wyre Forest Climate Change Strategy aims to reduce carbon emissions within the District, including the domestic sector. Delivery of the Affordable Warmth Action Plan will contribute towards this and demonstrate the Council's leadership in this area.

Recommend to Cabinet:

The Affordable Warmth Action Plan 2012/13, as attached at Appendix 2 to the report of the Overview and Scrutiny Committee on 5th July 2012, be approved.

WYRE FOREST DISTRICT COUNCIL

**CABINET
18th September 2012**

**Recommendations from the Overview and Scrutiny Committee
5th July 2012**

Wyre Forest Climate Change Action Plan

The Committee considered a report from the Principal Health and Sustainability Officer which provided a progress update on the Wyre Forest Climate Change Action Plan 2011/12 and sought endorsement of the Wyre Forest Climate Change Action Plan 2012/13.

The Health and Sustainability Team within Housing Services led the co-ordination and delivery of work to tackle climate change issues within Wyre Forest. The Wyre Forest Climate Change Strategy 2008-2011 aimed to raise awareness about climate change, reduce climate change gas emissions in the District and enabled adaption to the impacts of climate change. It was written in alignment with the Worcestershire Partnership's Climate Change Strategy, which is currently being reviewed. The Wyre Forest 2012/13 action plan has been written to ensure that this important area of work continues whilst the review is underway.

Recommend to Cabinet:

The Climate Change Action Plan 2012/13, as attached at Appendix 2 to the report of the Overview and Scrutiny Committee on 5th July 2012, be approved.

WYRE FOREST DISTRICT COUNCIL

**CABINET
18th September 2012**

**Recommendations from the Overview and Scrutiny Committee
8th August 2012**

Housing Review Panel

The Panel worked with the Community Housing Group and representatives from the Tenants Federation and Tenants Consultative Committees on the Membership of the proposed Tenant Services Committee.

Recommend to Cabinet:

- 1. The five existing Tenant Board Members act in an interim capacity between September 2012 and September 2013 to represent the tenants on the Tenant Services Committee in the new governance structure, during which time a democratically held election be held for the nine positions to ultimately form the Tenant Services Committee from September 2013, where all Community Housing Group Tenants would be given the opportunity to stand and vote at the election. Such election in the first instance to require all tenants to be canvassed for proposed nominations for election, to be followed by an election that gives every tenant the opportunity to cast a vote(s) for their preferred candidate(s).**
- 2. Those persons nominated to stand for election will be subject to normal background checks to ascertain their eligibility to stand for election; the background checks will cover areas such as rent arrears, criminal records and bankruptcy.**
- 3. Community Housing Group to make available a Job Description and Person Specification together with eligibility criteria (as set out at 2 above) to any tenant wishing to consider nomination for election to the Tenant Services Committee.**
- 4. Community Housing group be requested to ensure that there is a uniformed geographic representation of tenants on the Tenant Services Committee from across the Wyre Forest District.**
- 5. A representative from both the Tenants Federation and Central Tenant Forum be involved to oversee the election and appointment process and to act as a scrutiny role throughout the proceedings.**
- 6. Prior to the elections taking place, the Community Housing Group to run 'taster' sessions for any Tenants considering nomination to enable them to gain an understanding of the role and what would be expected of them on the Tenant Services Committee. The sessions could also involve shadowing existing Tenant Board Members if appropriate.**

- 7. Following the election the successful appointees to the Tenant Services Committee to receive training from the Community Housing Group prior to them first taking up their Board role, to enable them to effectively take up their role from September 2013.**