

Open

## Cabinet

### Additional Papers:

**Agenda Item 7.1: Electric Vehicle Charging Points -  
recommendations from the Overview and Scrutiny  
Committee from its meeting on 4 November 2021**

**Agenda Item 8.2: Revised Report -  
Financial and Strategic Policy Context for the Medium  
Term Financial Strategy**

6pm  
Tuesday, 9 November 2021  
Council Chamber  
Wyre Forest House  
Finepoint Way  
Kidderminster



**WYRE FOREST DISTRICT COUNCIL**

**Cabinet  
Tuesday 9 November 2021**

**Recommendations from the Overview and Scrutiny Committee  
Thursday 4 November 2021**

**Business case for the use of Electric Vehicle Chargepoints on Council owned car parks**

The Committee considered a draft of a Cabinet report from the Head of Strategic Growth which outlined the final business case for Electric Vehicle Chargepoints (EVC) on Council owned car parks including detailed financial modelling undertaken by the Financial Services Manager.

The Committee discussed the report and confidential business case. The Committee acknowledged the work of the Green Advisory Panel and the selection criteria used for identifying the car parks. Members agreed that before a final decision on the ownership model is made, the Lease option be explored as a potential delivery model.

**Recommend to Cabinet to agree the recommendations set out in paragraphs 2.1 to 2.5 of the report, subject to Cabinet giving consideration to the Lease ownership model before a final decision on the ownership model is made.**

**Background papers:**

See the report on page 83 of the pdf at this link:

[http://www.wyreforest.gov.uk/council/docs/doc57056\\_20211104\\_o\\_and\\_s\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc57056_20211104_o_and_s_agenda.pdf)

**WYRE FOREST DISTRICT COUNCIL****CABINET**  
**9<sup>TH</sup> NOVEMBER 2021****FINANCIAL AND STRATEGIC POLICY CONTEXT FOR THE MEDIUM TERM  
FINANCIAL STRATEGY**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor Helen Dyke, Leader of the Council and Councillor Mary Rayner, Cabinet Member for Finance
<b>RESPONSIBLE OFFICER:</b>	Ian Miller, Chief Executive
<b>APPENDICES:</b>	None

**1. PURPOSE OF REPORT**

To consider the financial and policy context that will shape the medium term financial strategy for 2022-2025.

**2. RECOMMENDATIONS**

**2.1 The Cabinet is asked to AGREE the suggested approach to the medium term financial strategy set out in section 4 below, and that this should now be the subject of consultation prior to the Cabinet taking final decisions on its proposals for the strategy at its meeting in December.**

**2.2 The Cabinet is asked to RECOMMEND TO COUNCIL that it amends the capital programme to include the Levelling Up Fund projects, funded by Government grant of £17.9m.**

**3. BACKGROUND**

**3.1 The medium term financial strategy for 2022-25 will be prepared against a backdrop that remains challenging following 18 months of the COVID pandemic; inflationary and other supply chain issues, at least some of which are related to Brexit; and continued uncertainty about future Government funding for district councils. The backdrop includes:**

- (a) adverse financial impact for the Council as a result of the COVID pandemic. This principally comprises lost income, as Government support covered only 71.25% of eligible losses and came to an end on 30 June 2021. Examples of income streams that remain below pre-pandemic levels include car parking and the management fee from the leisure centre operator;
- (b) the full impact of the COVID pandemic on the local economy is still not clear, although there have been a number of business closures or retrenchments in the last 12 months, principally chains in the retail sector such as Debenhams. The number of claimants of job seekers allowance has increased from 1,470 in

September 2019 to 2,580 in September 2021 (+76%); of those, younger claimants aged 18 to 24 have increased more modestly from 430 to 455 (+6%). The position has improved since the peaks in autumn 2020 but there is a risk that it will worsen following the end of the furlough scheme on 30 September. The number of working age households claiming council tax reduction support (CTRS) remains higher than before the pandemic having increased by 10%, from 4408 in early February 2020 to 4886 at the start of October 2021. In early September 2021 there were c.9,000 households on universal credit at Kidderminster Job Centre Plus although not all of these claimants reside in Wyre Forest. The Government's decision not to continue the £20/week uplift for Universal Credit (UC) from early October means that each household's income could reduce by £1,000 a year, removing an estimate of up to about £8m from the local economy (as UC recipients are highly likely to spend most of their income locally) and will see an increase in expenditure on CTRS for some households as a result of the reduction in UC income. However the impact for the Council will be mitigated by the decision to reduce the UC taper for earned income from 63p to 55p no later than 1 December 2021;

- (c) the full effect of the UK's trade deal with the European Union has been masked by the COVID pandemic to a degree but has begun to emerge more clearly in recent months. Supply chain issues for goods do not generally affect the Council although the construction sector in particular is reporting difficulties with availability of materials and labour. There is growing evidence of labour shortages in a number of key sectors, such as HGV drivers, social care staff and agricultural and abattoir workers. The Government's strategy - that there should be a shift to a higher wage economy with jobs filled by those with a right to work in the UK – seems likely to translate into faster inflation for goods and services. Ultimately wage growth and higher inflation will affect the Council e.g. in competition to recruit staff, in prices paid for goods and services and in higher interest rates (which will translate into higher borrowing costs that might outweigh any increased interest received). Continuing tension over the deal that the UK Government agreed with the EU in respect of Northern Ireland might yet result in wider negative impacts on the trading relationship with Europe. And the position has been exacerbated by global factors affecting demand for goods, notably gas where there has been a surge in prices during 2021;
- (d) the comprehensive spending review involves an increase of £1.6bn a year in Government grant for councils but the distribution of this and the impact on the MTFs is not yet known. The summary highlights the main issues for Wyre Forest District Council and the many areas of uncertainty that remain:

**Comprehensive spending review, 27 October 2021**

**£1.6bn a year new grant funding** for English councils in addition to social care funding – no information on what this is for, or how it will be distributed. No information on how much of it will come to district councils. There is no increase in 2<sup>nd</sup> and 3<sup>rd</sup> years, leaving councils to fund any spending pressures, inflation etc. from increases in council tax, fees and charges. It seems that the Government expects councils to meet the cost of the 1.25% increase in employer's national insurance in 2022-23 from this additional grant.

**Increase of 3% a year in core spending power** – no separate figure has been given for district councils.

No mention of **local government funding reform**. No confirmation that business rates reset would be delayed beyond 1 April 2022. Funding for business rates retention is shown in each of the three years, growing: this is relevant to WFDC as it has confirmed its membership of the business rates retention pool for Worcestershire for 2022-23.

“The **referendum threshold for increases in council tax is expected to remain at 2% per year**. In addition, local authorities with social care responsibilities are expected to be able to increase the adult social care precept by up to 1% per year”. In contrast, police and crime commissioners are proposed to have a £10 threshold, which represents over 4% in West Mercia. The usual “or £5, whichever is the greater” flexibility for district councils was not announced as part of the Chancellor’s speech but DLUHC Officials say their working assumption is that it will feature as part of the provisional settlement. Note that the 2% policy proposal applies across three years, so no hint of letting councils have genuine freedom on council tax, and the county council will have much tighter criterion for the social care precept than in the past.

Noticeably absent from the Budget was any mention of the **New Homes Bonus**. Officials have told the District Councils’ Network that funding from the New Homes Bonus is included within their baseline figures but cannot say if this will be reallocated or will remain in a housing incentive scheme.

**Business Rates** multiplier frozen for 2022-23. The government has also announced a range of other measures, including a new, one year 50% Retail, Hospitality and Leisure relief up to a cap of £110k per business, and support for investment in property improvements and green technology. “Local authorities will be fully compensated for all measures announced in the review” but WFDC’s revenues team face more work over the coming months to implement and administer these changes. There will be 3-yearly revaluations from 2023.

More than £300 million is provided to implement **free, separate food waste collections** in every local authority in England from 2025. There is concern that it will not be enough to cover the full costs of implementation and it is not clear how ongoing additional costs are to be covered. There was no mention of funding for free garden waste collections – so it is unclear as to whether or not this policy is still being pursued. The hope is that it has been withdrawn.

The **public sector pay** freeze, which applies to all parts of the public sector apart from local government, will not continue: there will be ‘fair and affordable’ pay rises over the whole Spending Review period. Local government makes its own decisions on pay and was not bound by the pay freeze in 2021. However the near 7% increase in the minimum wage in April 2022 and projected CPI of 4% over the coming year will fuel pressure on local government pay in 2022.

**UK Shared Prosperity Fund** worth over £2.6 billion over the next three years. Successor to the EU Structural Funds. Will rise to £1.5 billion a year by 2024-25. This seems to fall short of the promise to at least match the level of EU funding in line with its withdrawal. There are still no details of how it will operate/be administered – the suspicion is it will be centrally administered.

- (e) it is not known when the provisional local government settlement for 2022-23 will be published although it is expected to be in December. In many respects, it is expected that the Government will have little choice but to “roll over” the arrangements from 2021-22 (just as they have been rolled over in the previous two years). It is still possible that a new funding formula and business rates reset could be implemented in subsequent years;
- (f) a wide-ranging programme of Government policy initiatives that affect the Council. They include significant potential adverse changes to the Council’s role in respect of planning arising from the proposals in the planning white paper. The Planning Bill has been delayed and its content is still not certain. At the time of writing, the Environment Bill is about to complete its progress through Parliament and will demand major changes to the waste collection service, with a requirement for separate, weekly food waste collections by 2025. The Net Zero Strategy has outlined the Government’s plans for decarbonising all sectors of the economy to achieve net zero by 2050 but the Budget did not announce any specific additional funding for councils for this purpose;
- (g) the picture on devolution remains unclear although the levelling up white paper is expected before the end of the year. This will provide more information about the idea of “county deals” that was unveiled by the Prime Minister in July and on the UK Shared Prosperity Fund. Reorganisations in North Yorkshire, Cumbria and Somerset are planned for 2023. The process in any other areas would take even longer, and there remains no indication that Worcestershire councils are likely to pursue such a course. Thus the medium term financial strategy cannot assume that local government reorganisation will intervene in the period before 2025 and obviate the need for the Council to take major steps to address its financial position.

3.2 The financial situation facing the Council remains stark. The tables below set out the present estimates of the Council’s income and expenditure and the financial gap that needs to be closed. These take account of latest information on spending pressures and funding and will be further updated before the report to Cabinet in December. They demonstrate that, if the Council did nothing to address its financial situation beyond existing plans, its reserves would continue to reduce across the period of the MTFS and would be less than £3m by March 2025. However to achieve this position the Council would have to close a funding gap estimated at over £1m in 2022-23 and rising to over £2m in 2023-24 and subsequent years. In other words, the Council would have to reduce spending and/or increase income by these amounts. For reasons set out later in this report, there is confidence that such significant changes can be achieved in the time frame of the MTFS but this will almost certainly require services to be ended/cut, as it is considered highly unlikely that the funding gap can be closed by efficiency measures and additional income.

**Medium term financial strategy: updated summary of funding gap and reserves (as at October 2021)**

**Table 2.1 Revised Estimated Funding Gap**

	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Revised Funding Gap early October 2021	1,355,220	1,109,240	2,127,080	2,306,170
Previous Funding Gap	1,884,510	2,316,900	2,736,180	2,921,690
Increase/(decrease) in Funding Gap - increase in take from reserves	(529,290)	(1,207,660)	(609,100)	(615,520)

**Table 2.2 – Revised Estimated Reserves Position**

Revised Projection of Reserves - Revised for 2020-21 Final Accounts Position				
Reserves Statement	2021-22 £'000	2022-23 £'000	2023/24 £'000	2024/25 £
Reserves as at 1st April	4,400	4,277	4,239	3,578
Contribution (from)/to Reserves	- 123	- 38	- 661	- 688
Reserves as at 31st March	4,277	4,239	3,578	2,890

**Table 2.3 Revised Estimated Funding Gap Analysis**

Revised Funding Gap Table Early October 2021	2021-22 £	2022-23 £	2023/24 £'000	2024/25 £
Localism Savings not achieved	14,530	228,350	385,770	558,940
Wyre Forest Forward savings not yet achieved	1,123,510	747,940	985,780	964,660
Efficiency Savings in approved Business cases	18,000	18,000	18,000	18,000
Efficiency Savings 2%, 1%, 1% !5	76,570	76,570	76,570	76,570
Sub-total	1,232,610	1,070,860	1,466,120	1,618,170
Revised Use of reserves	122,610	38,380	660,960	688,000
<b>Balance of savings to be identified and implemented = Funding Gap</b>	<b>1,355,220</b>	<b>1,109,240</b>	<b>2,127,080</b>	<b>2,306,170</b>

3.3 Despite the lack of clarity being provided by central Government at present, a detailed medium term financial strategy for 2022-2025 will be produced for the Cabinet's consideration at its December meeting. This will benefit from input from, and scrutiny by, all political groups through the Strategic Review Panel. The strategy will be shaped by the public consultation on the issues raised below.

#### 4. KEY ISSUES

4.1 The Council has done exceptionally well in generating additional income and implementing efficiency savings that have put back the date at which it has to bring its expenditure into line with income. However, income has been adversely affected by the COVID-19 pandemic and, in some areas, is not expected to recover to previous levels: an example would be car parking income in Kidderminster which has not recovered as well as the position in the other two towns and still rests below pre-pandemic levels. If the Council delivers the changes necessary to reduce expenditure and increase income in order to close the funding gap, the latest projections envisage that the Council will have some reserves left at the end of 2025.

- 4.2 While the position is in that respect a little more positive than was reported a year ago, there is still a large mountain to climb. In effect the Council needs to remove the equivalent of about 19% of its net revenue expenditure or 7% of its gross expenditure (ignoring expenditure on housing benefit). The Council will not be able to grow its way out of a financial gap of this scale by increasing commercial income. While opportunities are being exploited in some areas such as trade waste, many other areas of income have been impacted by COVID and are not expected to recover, let alone allow provide scope for significant growth. In summary, the position in fact remains unchanged from 12 months ago. **The Council is going to have to become a much smaller organisation, that seeks to deliver fewer services itself or even at all.**

### **Priorities in the corporate plan**

- 4.3 Following consultation in 2020, Council agreed that the priorities for the period to 2023 should be reduced to:

- A safe, clean and green living environment
- Supporting a successful local economy

Any proposals for investment that come forward in the MTFS will be directly linked to these priorities.

### **Council tax**

- 4.4 The corporate plan's value of "be honest" requires the Council to be candid and direct in explaining its position and the choices it faces. The Council is going to become a smaller organisation but council tax will increase, probably faster than inflation. People will pay more and receive the same or less. This is a direct consequence of a decade during which the Government has chosen not to make local government a priority. In recent years, the Council's share of council tax has grown much less in absolute and percentage terms than other bodies. The District Council is not responsible for their decisions although local residents see "Wyre Forest District Council" at the top of their council tax bills. Because the District Council collects council tax for the county council, police, fire and parish councils, the public is often misled into thinking that the total average bill at Band D of £1939 in 2021 is the responsibility of Wyre Forest District Council, when its element is only £224 or 12% of the total bill, the equivalent of £4.31 a week.
- 4.5 Total council tax bills have increased ahead of the rate of inflation in recent years. One of the main reasons has been the introduction of the adult social care precept to help fund social services provided by Worcestershire County Council. It was first payable in 2017 at £21.60 for a Band D property and has since grown to £129.15 in 2021. The county council's element of council tax, including the adult social care precept, increased by £32.78 in 2021. There was a further substantial increase in the precept issued by the Police and Crime Commissioner for West Mercia in 2020, which added £14.99 at Band D: the police element of council tax exceeded the District Council element for the first time in 2019. It will be seen that the county council and police increases in 2021 were both significantly higher in cash terms than the District Council's increase of £5 – the maximum increase allowed by the Government's criteria.



- 4.6 For five of the eleven years between 2011 and 2021, the District Council's element of council tax was frozen. At Band D, the District Council's element of council tax increased from £197.62 in 2010-11 to £224.34 in 2021-22, an increase of £26.72 or 14%, significantly lower than inflation across that period. As can be seen, **the District Council's increase over 11 years is lower than the cash increase decided by the county council for 2021-22 alone.**
- 4.7 While the Government has broken its 2019 manifesto commitment about taxation to introduce the health and social care levy by increasing national insurance in 2022, It is disappointing that it has not accepted that it also needs to move away from its manifesto commitment about constraining council tax. The Government seems not to realise that councils' financial position, including the impact of COVID on their finances, and its apparent commitment to devolution should be reflected in a relaxation of limits on the council tax increases that councils decide. The administration's approach will be to propose increasing the district element of council tax at the highest rate permissible without triggering a referendum on an "excessive" council tax increase. At present, the MTFs assumes that the Council will be able to continue to increase council tax by £5 a year at Band D although the value of this in percentage terms will fall from 2.23% in 2022-23 to 2.13% in 2024-25. Annual £5 increases would represent less than 10p a week at Band D for households that pay their full council tax bill – most households in the district would pay less than that as the average property is at Band B.
- 4.8 While the Cabinet's proposal is that all residents should be asked to pay a little more than now for the District Council's services, and council tax overall is expected to rise as a result of other bodies' decisions, it does not consider it appropriate at present to add further to the burden of the poorest working age residents. They have to pay a minimum contribution of 20% of council tax. The Cabinet does not intend to propose changing the minimum contribution for 2022-23 although there will need to be a formal decision not to undertake a review of the scheme for 2022, in accordance with the legislation. However, council tax reduction support for working age households costs the Council £3.88m a year. As with other areas of the Council's discretionary expenditure, this has to be kept under review. The administration feels that, if significant additional Government funding for the Council's services has not been forthcoming by 2024, the CTRS scheme should be reviewed during 2023 with a view to making a modest increase in the minimum contribution, for example to 25%. Such a change is estimated to increase income for WFDC by about £20-25k because it will receive only about 12% of the total: the main beneficiary would be the county council which would receive a six figure sum, about 70% of the total. Given that there is still no clarity about how much of the £1.6bn grant increase in the Comprehensive Spending Review will come to the District Council, the administration wishes to seek the public's views about the principle of such a change being planned for within the MTFs for 2022-25. This would not replace the formal review that would be required in 2023 under council tax legislation if the Council was proposing to proceed with that change.

### **A smaller council, protecting front line services**

- 4.9 The thrust of the Cabinet's proposals for the medium term financial strategy remains centred on making the Council a smaller organisation while protecting essential front line services. Progress with the programme of reviews set out in the

MTFS for 2021-22 is mixed: some have been completed or have progressed well, while others are still in progress or have been unable to move forward because of no interest from neighbouring or nearby authorities in further shared services. The table gives a very brief summary of progress on reviews that have been completed or are under way

**Table 3 – progress with reviews in MTFS, 2021-2024**

The table lists those reviews that were expected to have commenced by the end of 2021 and services which have brought forward proposals in 2021.

<b>Service area</b>	<b>Commentary</b>	<b>Timeline</b>
Management review	Savings from 1 January 2022. £57k in 2021-22 rising to £235k from April 2022.	Agreed by Council, May 2021
Revenues, benefits & customer services	Estimated £260k savings from April 2022	Report earlier on this Cabinet agenda
Legal services	Internal restructure. £6k savings from April 2022.	Agreed by CLT, October 2021
Waste management, garage, civil and environmental enforcement	Review in progress with Redditch & Bromsgrove councils	Outline business case expected by end January 2022
Development management and forward planning	Unable to secure any interest in joint local plan or shared services  Internal review in progress	Proposals expected November 2021
Private Sector Housing	No progress made with any potential partner councils so fallback will be internal review.	Proposals expected early 2022
Support services	Tranche 1 of internal review proposals for ICT and finance in development  Shared service implemented, 1 June 2021: 12-month trial for specialist support on procurement with West Mercia Police  Internal audit: early discussions have taken place and a joint trial is being undertaken for work in quarter 4 2021-22.	Proposals expected November 2021  Business case expected April 2022.

	Tranche 2 (shared services) ICT and finance to be reviewed in 2022, although no potential partners identified from early dialogue on finance	
Elections & committee support	No potential partners identified from dialogue so far	
Nature reserves & ranger service	Review not yet commenced	

4.10 The intention is still to implement most or all the changes under the review programme before the next elections in 2023. The Cabinet's position remains that services will be examined for shared services with another council or councils in Worcestershire or other organisations, as well as in some cases transfer to another council or relevant voluntary sector body. This process could involve the transfer of relevant assets to other organisations or their placing in joint venture vehicles. If such options are not possible, internal savings will be sought. Outsourcing to the private sector will be considered only if all other options have been considered and discounted. The Council will operate its usual approaches when implementing change: consultation with affected staff and unions when there are clear proposals, applying the Council's policy on redeployment in order to avoid redundancies if possible, and compliance with the TUPE regulations where relevant in terms of transferring staff on their existing terms and conditions to other organisations. While every effort will be made to avoid compulsory redundancies, it is unrealistic to expect that there will be no job losses across the period of the MTFs. However the detailed impact in terms of what it will mean for staff and other aspects of service delivery cannot be predicted as this will emerge only when detailed proposals for implementation are brought for decision. Given the potential for significant job losses over the period of the medium term financial strategy, this will require use of reserves to fund exit costs which could extend to about £2 million across the period. Other incremental and modest changes to services and structures will continue to be brought forward and implemented as they are in every year: where it becomes apparent that cost reductions can be sought by reshaping existing teams or management structures, that will be done, such as the minor changes within the legal services team. Likewise the Council will continue to roll out ever wider use of digital or other technological solutions to reduce costs.

**Localism**

4.11 Good progress has been made in localism discussions with Bewdley Town Council and Stourport-on-Severn Town Council. A number of asset transfers have taken place, including some parcels of open space, the most significant of which is the Riverside North Park in Bewdley; and the transfer of toilets in both towns is expected to be finalised soon. Further discussions are to take place with both towns about other asset transfers relating to public open space but priority at present is being given to concluding an agreement with Kidderminster Town Council about the

transfer of four of the main parks in Kidderminster. In addition, discussions are under way with parish councils about taking on full responsibility for local environmental services, such as bin emptying and litter picking, and the transfer of the few assets that the District Council owns in rural areas. This overall programme of transfers is expected to lead to significant revenue savings for the District Council, either immediately or over time.

- 4.12 Prospective trustees were announced in June for the new trust that will be responsible for running Bewdley Museum, the Guildhall and QEII Jubilee Gardens. A considerable amount of work has been done to support the smooth transfer of these services to the trust, including the preparation of a business plan. A long-term grant offer has been made and involves £50k of savings for WFDC in the first full year rising to £100k by the third year. It is hoped to complete discussions on the funding package in good time for the conclusion of the budget-setting process in February. While the possibility of establishing the new trust by January 2022 had been envisaged, it has become apparent that this will not be achievable, principally because the Council has no control over how long the Charity Commission will take to approve the documentation when submitted. The revised planning assumption is for the new trust to become operational by April 2022 at the latest and therefore the Council to begin to enjoy savings from the first year of the next MTFs.

### **Discretionary services**

- 4.13 The work on localism and other changes implemented in recent years have focussed on reducing the scale and cost of the Council's discretionary services – things that it does not have to do. This will continue. However, in some significant aspects of discretionary activity, the Council is constrained in what it can change. For example, the contract for the Wyre Forest Leisure Centre has over 15 years to run; and the Council needs to retain sufficient capacity to deliver major regeneration schemes including the Future High Streets Fund projects and the £17.9m of Levelling Up Fund projects which were announced in the Comprehensive Spending Review.
- 4.14 The administration has reviewed some more peripheral elements of discretionary services and is minded in the MTFs to take steps to reduce expenditure or phase them out. In some cases, this will present further opportunities for potential transfer of assets and services to town councils that will be pursued through the localism agenda. The particular areas of expenditure that have been identified following the review are:
- (a) Small business grants. North Worcestershire Economic Development and Regeneration administers start up and booster grants for small businesses, generally costing about £35k a year. It is intended to close this fund after March 2022;
  - (b) Sport and leisure facilities. The administration intends to focus future WFDC provision and funding on the Wyre Forest Leisure Centre and therefore phase out involvement in Bewdley Leisure Centre which involves gross costs for WFDC (net of depreciation) of £34k a year and net revenue expenditure of £24k a year and the Council's involvement in the Stourport Sports Club Ltd which costs £14k a year;
  - (c) Highways verges. The County Council provides less than 50% of the cost that WFDC incurs on undertaking this work, which is a County Council

responsibility. The administration can no longer support this level of subsidy and therefore notice is being given to the County Council that WFDC will no longer undertake verge cutting in the areas outside the three towns – this will leave the County Council free to make arrangements directly with parish councils if it so wishes. The County Council is reviewing agreements with district councils for highway verge cutting during 2022. In light of the outcome of that review and whether the County Council’s funding for 2023 onwards would better align with WFDC’s costs, the administration will consider whether WFDC would be prepared to continue maintaining the verges in the three towns.

### **Fees and charges**

- 4.15 The Cabinet will take decisions at its December meeting about fees and charges that are executive functions, including car parking. Income needs to continue to grow from fees and charges in order to help deliver a sustainable budget. It is expected that car parking charges and season ticket prices will increase to deliver the extra income that is already assumed in the approved Medium Term Financial Strategy for 2021-2024 (+£50k in 2022-23 rising to +£150k in 2023-24). If the additional Government funding announced in the Comprehensive Spending Review is not sufficient, the administration believes that during the life of the next MTFs the Council will have to consider introducing car parking charges for blue badge holders and, if it still retains them, at parks. In order to provide an income stream to support the possible transfer of nature reserves to a trust, work will be done on introducing parking charges at the most heavily used sites. Proposals will be developed in due course but are expected to focus on a low cost daily rate coupled with a modestly-priced annual “friends” ticket, similar to the arrangement that the Forestry Commission operates at Wyre Forest. The administration will also work with members of the Licensing Committee to examine proposals for the implementation of a late night licensing levy in Wyre Forest, which would apply to venues that are licensed routinely to serve alcohol after midnight. Such late night opening gives rise to costs for the police and the District Council in particular and it is reasonable that the venues concerned should contribute a little more in recognition of that.

### **Climate change and net zero**

- 4.16 The eyes of the world are on the UK for 26th UN Climate Change Conference of the Parties (COP26). The Council declared a climate emergency in May 2019, and the Cabinet’s Green Advisory Panel has done valuable work on examining the case for implementing specific measures by the Council. A report earlier on tonight’s agenda sets out a costed plan for investment in electric vehicle charging points in many of the Council’s car parks. In order to support the take up of zero emission vehicles, the Council would have to invest up front in order to produce a return over many years. Locally, the administration believes that the Council’s leadership role in addressing climate change and the move to net zero should be backed with investment in the next MTFs. It is therefore proposed to:
- (a) Purchase the first electric vehicles within the current capital programme, with a review to be undertaken during 2022 to establish whether funding for future years is adequate to move to a fleet that is not dependent on fossil fuels by 2030. This will also need to factor in potentially major changes to waste collection requirements as a result of the Environment Bill;

- (b) Moving to green only tariffs for electricity and gas when current contracts expire in 2023 and 2025 respectively. This is expected to add an estimated 5% or less to fuel costs – a relatively small additional price to pay compared to the increase in gas costs that is expected following the surge in global demand in 2021.

The Government has announced its decisions on the Community Renewal Fund. Unfortunately, the Council's bid for funding for a business case for a solar farm was not successful and at present there is no alternative funding available to progress the project.

- 4.17 During 2021, the administration has reviewed options for Wyre Forest House, which has been too big for the Council's needs ever since it was first occupied in October 2012. The carbon sunk in the construction of the building only a decade ago makes it inappropriate to consider regeneration of the site through demolition or major adjustments to the building – and such steps could be considered in any case only if there was a suitable alternative building where the Council might locate its office-based activities and formal meetings of Councillors. There is no such alternative building available on the market or likely to come to market within the district. Sale of the building has therefore been discounted for now because of market conditions. The review also examined the range of possible alternative uses for WFH, including opportunities presented by change in use class orders. But there was no rationale for making such a change at present, as the Council is achieving higher rentals for office-type uses than other possible uses; and conversion e.g. to residential use or retail would undermine the Council's planning policy position in respect of employment land on the Stourport Road corridor. The review has concluded that there are severe practical obstacles to dividing the building so that the Council would retain and occupy only part of it and dispose of the remainder. Use of space within Wyre Forest House following the COVID pandemic will change, to accommodate hybrid working by the Council's staff and to reflect that the café operator does not wish to continue its operations at the building. The result is that the Council's needs can be met through using a smaller footprint for its own purposes in future. This will allow expansion of the strategy of letting out even more of the building to a range of private and public sector tenants. It is welcome that Brinton have recently taken up a significant proportion of the vacant space, and efforts will continue to let all remaining vacant areas. It is premature for the MTFs to assume when more or all areas will be let: it is better to take additional income that is achieved as windfall gains within the budget when progress is made.

#### **Development loans fund, capital portfolio fund and capital programme**

- 4.18 The Development Loans Fund was launched with up to £10m of borrowing in 2017. Interest from businesses and development partners has been limited and only one loan has been approved. The administration has reviewed the performance of the fund and concluded that, with the expiry of the contract with Frontier Development Capital (previously known as Finance Birmingham) at the end of October 2021, it should now be discontinued. This will not affect the terms of the one approved loan, which has recently been repaid.
- 4.19 The Capital Portfolio Fund, in contrast, has enabled the Council to assemble a portfolio of properties, both within the district and elsewhere within the agreed geography, that support economic regeneration within the functioning economic

geography of which Wyre Forest is part. Inevitably performance of the fund has been impacted by the COVID pandemic. In broad terms rental income is covering all associated costs including funding and repaying borrowing: it “washes its face”. Business cases for physical changes at two sites have been proposed by the Council’s external property managers and have been supported in principle, as they are projected to lead to growth in capital values and/or rental income. Detailed proposals are being finalised.

- 4.20 The Capital Portfolio Fund exists alongside an historic property portfolio of industrial estates in the Council’s ownership, and other development properties and sites that have been acquired by the Council at various times and are being brought into positive economic use through the Future High Streets Fund projects. Further acquisitions may proceed with the Levelling Up Fund and in future through the UK Shared Prosperity Fund.
- 4.21 Long-term assets on the Council’s balance sheet were valued at £70.141m at 31 March 2021. Total external borrowing stood at £37.28m at the same date although, if extant borrowing approvals within the capital programme were exploited in full, the Council’s debt could rise to about £62m. This represents about the same multiple of its net revenue income (5x) as individuals can borrow for a mortgage, which is often up to five times a household’s salaries. However CIPFA has issued recent guidance about proportionality in borrowing and the Council will need to be mindful of this and consider the risks in deciding how to use the headroom in borrowing freed up by the closure of the Development Loans Fund (approximately £8m).
- 4.22 The administration will seek views through consultation on whether this should be reallocated for generic capital expenditure proposals. This could support capital projects in a wide range of areas such as projects to deliver net zero as part of the green agenda (so long as it is capital expenditure, this could comprise such things as vehicles that do not use fossil fuels and a solar farm); housing; or further interventions to support regeneration. Approval of expenditure would be subject to affordability and follow the same business case requirements as for the Capital Portfolio Fund.
- 4.23 The administration also wishes to seek views on whether the footprint for the Capital Portfolio Fund should be aligned with Wyre Forest’s functional economic geography which comprises Worcestershire, Birmingham, Solihull and the Dudley and Wolverhampton areas in the Black Country. The footprint was originally set in line with the Local Enterprise Partnership areas of which the Council is a member of i.e. Worcestershire plus the area of the Greater Birmingham and Solihull LEP, stretching across the areas of four districts in Staffordshire as far as Burton-on-Trent. With the uncertainty of the pandemic and the review of the CIPFA code, the boundary was temporarily restricted to Wyre Forest district only. However, limiting the search to within the boundaries of the district only has severely limited the opportunities coming forward. Wyre Forest does not have a strong industrial sector in quality buildings on key highway networks, nor does it have an office sector of significance. The Capital Portfolio Fund Strategy advises that, to mitigate risk to the portfolio, it should comprise acquisitions across a balance of sectors and locations in order to build in resilience to market changes. Without this spread the portfolio is at greater risk of impact on value, both rental and capital, from market changes.

- 4.24 CIPFA has recently issued further consultation proposals for changes to its prudential code guidance. The consultation ends on 16<sup>th</sup> November 2021. Notwithstanding this further consultation, it is clear that borrowing for out of area acquisitions is only permitted if the acquisitions are for economic regeneration or other statutory purposes (and because it is not simply borrowing for the primary purpose of financial return). Our acquisitions so far have been for economic regeneration. Subject to CIPFA's final proposals following the close of the ongoing consultation, it would be appropriate to consider whether the footprint should be aligned with Wyre Forest's functional economic geography. Members will also be aware of the ongoing review of LEP memberships which may result in the Council no longer being able to be a member of two LEP areas concurrently. While the administration recognises concerns about acquiring assets outside Wyre Forest, the Council has been proportionate in its acquisitions and in each case has been able to demonstrate a robust business case revolving around supporting the local economy for the benefit of Wyre Forest residents and businesses. It would continue to be prudent in the choice of assets that could be justified on that basis. By adding the local authority areas of Wolverhampton and Dudley and removing Cannock Chase, Tamworth, Lichfield and East Staffordshire, the Council would better reflect the functional economic geography over which local businesses and residents conduct their business, receive and supply goods and services and travel to and from work. This would open up options that would allow potentially greater reinvestment of recycled Capital Portfolio Fund moneys in Wyre Forest, and benefit the local economy from the capital growth potential in some sectors which can be greater in other areas.
- 4.25 Following the consultation, the administration will formulate proposals for inclusion in the medium term financial strategy and for recommendation to Council as part of the capital programme for 2022-2025. There is one matter to address now. Following the successful major grant award of £17.9m in respect of the Levelling Up Fund, which was announced on 27 October, the Council's capital programme requires amendment to reflect the proposed capital expenditure. It is not possible to rely on the Council resolution of 12 May 2021, which delegated authority to the Cabinet to make amendments to the Capital Programme in instances where the Council receives external capital grants and the full amount of the grants to be distributed is met from the external funding source. Some of the Levelling Up Fund projects involve "in and out" expenditure of this nature but not all of them do. Therefore there is a recommendation in this report to Council, that it amends the capital programme to reflect the award of Levelling Up Fund grant.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 There are no direct implications arising from this report. Even though it outlines the administration's thinking on certain issues such as future increases in council tax or major changes to how services are organised and delivered, no decisions are sought at this point – they will follow in the medium term financial strategy in December and recommendations to Council in February about the budget and council tax for 2021-22 and in respect of the capital programme. The financial implications will be set out in full in the report about the MTFs, and will include updated forecasts of the overall position informed by further information that continues to emerge.



**6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 The Council's budget setting process is governed by the Local Government Finance Act 1992 and other local government finance legislation. While this does not oblige the Council to share the shape of emerging issues for the medium term financial strategy at this stage, it is recognised as good practice to do so. Decisions will be taken in due course as necessary in accordance with legislative requirements and will identify any changes that might be required to the Council's policy framework. No further changes are expected to the corporate plan, following the review in 2020.

**7. EQUALITY IMPACT NEEDS ASSESSMENT**

- 7.1 An Equality Impact Assessment (EIA) is not required at this point as no decisions are sought that would have an impact on groups with protected characteristics. As proposals move forward to decision, such impact assessments may be required for particular proposals and these will be addressed in subsequent reports as appropriate.

**8. RISK MANAGEMENT**

- 8.1 The most significant risk facing the Council remains its funding gap. The suggestions outlined for the medium term financial strategy, which will be the subject of consultation, would help to address this gap. There are risks associated with implementing alternative delivery models as outlined in this report, and these will be addressed in detail in specific proposals as they are brought forward for decision.

**9. CONCLUSION**

- 9.1 The Cabinet is invited to agree the suggested approach outlined in respect of the medium term financial strategy. This will now be the subject of consultation and a final decision by the Cabinet on proposals in the MTFs which will be presented in December.

**10. CONSULTEES**

- 10.1 CLT  
10.2 Cabinet

**11. BACKGROUND PAPERS**

- 11.1 Presentations to the Strategic Review Panel, November 2021