N0N-CONFIDENTIAL

**BOROUGH OF TAMWORTH**

# CABINET

12 August 2020

**A meeting of the CABINET will be held on Thursday, 20th August, 2020, 6.00 pm in Online Meeting**

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**A G E N D A**

**NON CONFIDENTIAL**

1 **Apologies for Absence**

2 **Minutes of Previous Meeting** (Pages 3 - 8)

3 **Declarations of Interest**

*To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.*

*When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.*

4 **Question Time:**

To answer questions from members of the public pursuant to Executive Procedure Rule No. 13

5 **Matters Referred to the Cabinet in Accordance with the Overview and Scrutiny Procedure Rules**

6 **Budget and Medium Term Financial Planning Process 2021/22** (Pages 9 - 26)

*(Report of the Leader of the Council)*

7 **Annual Report on the Treasury Management Service and Actual Prudential Indicators 2019/20** (Pages 27 - 48)

*(Report of the Portfolio Holder for Assets and Finance)*

**8 Write Offs - 1st April 2020 - 30th June 2020** (Pages 49 - 58)
*(Report of the Portfolio Holder for Assets and Finance)*

Yours faithfully

**Chief Executive**

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***Access arrangements***

*If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.*

***Filming of Meetings***

*The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found here for further information.*

*The Protocol requires that no members of the public are to be deliberately filmed. Where possible, an area in the meeting room will be set aside for videoing, this is normally from the front of the public gallery. This aims to allow filming to be carried out whilst minimising the risk of the public being accidentally filmed.*

*If a member of the public is particularly concerned about accidental filming, please consider the location of any cameras when selecting a seat.*

***FAQs***

*For further information about the Council's Committee arrangements please see the FAQ page here*

To Councillors: D Cook, R Pritchard, J Chesworth, M Cook, S Doyle and J Oates.

# MINUTES OF A MEETING OF THE
# CABINET
# HELD ON 30th JULY 2020

PRESENT: Councillor D Cook (Chair), Councillors R Pritchard (Vice-Chair), J Chesworth, M Cook and J Oates

The following officers were present: Andrew Barratt (Chief Executive), Anica Goodwin (Executive Director Organisation), Stefan Garner (Executive Director Finance), Tracey Pointon (Legal Admin & Democratic Services Manager), Jodie Small (Legal, Democratic and Corporate Support Assistant), Sarah McGrandle (Assistant Director Operations and Leisure), Paul Weston (Assistant Director Assets) and Gareth Youlden (Head of Technology and Information Services)

Guest Councilors:
Cllr Dr. S Peaple
Cllr R Ford
Cllr D Goodall
Cllr T Jay

Apologies received from: Councillor S Doyle

**13 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor S Doyle

**14 MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 16th July 2020 were approved and signed as a correct record.

*(Moved by Councillor J Chesworth and seconded by Councillor M Cook)*

**15 DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

**16 QUESTION TIME:**

None

## 17 MATTERS REFERRED TO THE EXECUTIVE (OVERVIEW AND SCRUTINY COMMITTEE OR BY THE COUNCIL)

The Chairs of Corporate Scrutiny, Health & Wellbeing and Infrastructure, Safety & Growth Scrutiny Committees updated Cabinet and made recommendations following consideration of matters by the Scrutiny Committees

The following Committees have made recommendations to Cabinet in relation to the following matters:

| Scrutiny Committee | Title of Matter referred | Date of Scrutiny meeting |
|---|---|---|
| Infrastructure Safety & Growth Scrutiny Committee | Electric Vehicle Charging Project Update | 08.07.2020 |
| Infrastructure Safety & Growth Scrutiny Committee | Community Safety Plan 2020-2023 and the Tamworth Police Update | 08.07.2020 |
| Health & Wellbeing Scrutiny Committee | Council Response to COVID-19 – Vulnerable People | 14.07.2020 |
| Corporate Scrutiny Committee | Capital Outturn Report | 15.07.2020 |
| Corporate Scrutiny Committee | Member Training Update | 15.07.2020 |

**Electric Vehicle Charging Project Update**

**RESOLVED** That Cabinet;

**1** Chose operating Model 2

**2** Agreed a further marketing exercise to secure a supplier / operator is carried out with Council Officers given delegated authority to offer financial incentives in the form of low rental value and / or a financial contribution towards the capital cost

**3** Agreed to a private sector location on the Ventura retail parks is investigated

**4** Agreed an Action Plan is developed that focuses on new on-street fast charging sites and on-street residential charging sites

**5** Agreed that Electric vehicle charging infrastructure is installed in the borough by the end of the municipal year 2020/21 as a target date.

**Community Safety Plan 2020-2023 and the Tamworth Police Update**

**RESOLVED** That Cabinet;

Endorsed the Tamworth Community Safety Plan 2020-2023 for publication (Appendix 1).

**Council Response to COVID-19 – Vulnerable People**

**RESOLVED** That Cabinet,

Agreed that a joint letter from all the Leaders of each political group and the Chief Executive be issued to thank all anchor organisations involved in the response to COVID-19 in the Borough

And that the list of all recipients be reported back to Cabinet or Council so it can be included in the minutes.

**Capital Outturn Report**

**RESOLVED** That Cabinet
Agreed that a review of property funds is undertaken and such review be scrutinised by the Audit & Governance Committee, before any further investments under existing delegations are made and the review be taken to Council in December

**Member Training Update**

**RESOLVED** That, Cabinet and officers go through the recommendations in the report and feedback to Corporate Scrutiny at the first opportunity.

*All recommendations were moved on block*
*(Moved by Councillor D Cook and seconded by Councillor M Cook)*

## 18 APPROVAL OF UPDATED ASBESTOS & LEGIONELLA POLICIES

The report of the Portfolio Holder for Assets and Finance to seek approval for updates to the Council's Asbestos & Legionella policy documents. These policies have been amended to reflect changes in legislation and also to reflect changes to the organisation

**RESOLVED** That Cabinet;

Noted and approved the updated

- Asbestos Policy
- Legionella Policy

*(Moved by Councillor R Pritchard and seconded by Councillor D Cook)*

## 19 WRITE OFFS

The Report of the Portfolio Holder for Assets and Finance was presented to provide Cabinet with details of the amount of debt written off for the period 01 April 2019 to 31 March 2020

**RESOLVED** That Cabinet;

Endorsed the amount of debt written off for the period 01 April 2019 to 31 March 2020.

*(Moved by Councillor R Pritchard and seconded by Councillor D Cook)*

## 20 EXCLUSION OF THE PRESS AND PUBLIC

**RESOLVED:** That members of the press and public be now excluded from the meeting during consideration of the following item on the grounds that the business involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

*(Moved by Councillor J Oates and seconded by Councillor R Pritchard)*

## 21 PROGRESS REPORT ON TAMWORTH ASSEMBLY ROOMS

The Portfolio Holder for Heritage and Growth provided members with a comprehensive update in respect of the Assembly Rooms project in terms of build and financial position.

**RESOLVED:**

That Cabinet

1. Endorse the detailed update

2. Endorse the financial position

3. Notes the financing of the projected £1.20 million overspend and the increase required in the capital programme and recommend this to Council for approval within the Treasury management Outturn report for 2019/20

   Cabinet also approved the following recommendations from Corporate Scrutiny

4. that Cabinet agrees that Corporate Scrutiny (or the equivalent committee if there are name changes) have a formal role in the management process for all projects worth over 1 million pounds and any other projects deemed to be of importance to the reputation of the council:

5. Cabinet create a minimum governance structure and create project guidelines for any future projects and;

6. Cabinet thank officers for the efforts to deliver the Assembly rooms project through to completion which was a difficult project and for providing a thorough report to the committee

*(Moved by Councillor J Oates and seconded by Councillor R Pritchard)*

Leader

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**CABINET**

**20th August 2020**

**REPORT OF THE LEADER OF THE COUNCIL**

# BUDGET AND MEDIUM TERM FINANCIAL PLANNING PROCESS 2021/22

## EXEMPT INFORMATION

None

## PURPOSE

To seek agreement to the Proposed Budget and Medium Term Financial Planning Process for General Fund and the Housing Revenue Account for 2021/22.

## RECOMMENDATION

**That the proposed process for the General Fund and Housing Revenue Account Budget and Medium Term Financial Planning Process for 2021/22 be adopted.**

## EXECUTIVE SUMMARY

Council, on 25th February 2020, approved a 3 year Medium Term Financial Strategy for the General Fund with a Council Tax increase of £5 for the year – in order to continue to deliver those services essential to the Local Community.

With regard to the Housing Revenue Account, a 5 year MTFS was approved by Council including significant investment in Regeneration projects to meet future housing needs and sustain the HRA in the longer term.

When the budget and MTFS were approved, future levels of funding for the Council were uncertain pending the most significant changes in Local Government funding for a generation. The reforms were planned to be in place by 2020/21 but were deferred until 2021/22. The Government has confirmed that the longer-term reforms for the local government finance system (including the move to 75% Business Rates Retention and Fairer Funding Review of Relative Needs and Resources) will be deferred again as a result of the COVID-19 Pandemic, although no timescales have been released. In addition, the next planned national Business Rates Revaluation, planned for 2021 will take effect from 2023.

On 21st July 2020, the Chancellor launched the 2020 Comprehensive Spending Review (CSR). The Review, which will be published in the autumn, will set out the government's spending plans for the parliament. It will set UK Government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 until 2024/25, and devolved administrations' block grants for the same period.

Due to unprecedented uncertainty, the Chancellor did not fix a set spending envelope, but confirmed that departmental spending (both capital and resource) will grow in real terms across the CSR period and that the government will deliver on the commitments made at Budget to level up and invest in the priorities of the British people. Given the impact COVID-19 has had on the economy, the Chancellor was clear there will need to be tough choices in other areas of spending at the review. As part of their preparations for the CSR departments have been asked to identify opportunities to reprioritise and deliver savings. Departments will also be required to fulfil a series of conditions in their returns, including providing evidence they are delivering the government's priorities and focussing on delivery.

The Government has said it will keep an open dialogue with the local authorities about the best approach to the next financial year, including how to treat accumulated business rates growth of £2m p.a. (pending the planned business rates baseline reset) and the approach to the 2021/22 local government finance settlement. It is also the Government's intention to look again at the New Homes Bonus for 2021/22 and explore the most effective way to incentivise housing growth. They planned to consult widely on proposals prior to implementation. In the longer-term, the Government remains committed to reform and wants to take time to work with local authorities to make sure that the approach is right.

As a nation we are likely to feel the consequences of the COVID-19 pandemic, and the measures to contain and mitigate its effects, for years, and possibly decades, to come.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on the Council's finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and income budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension.

In light of the projected impact of COVID-19 on the Council's Medium Term Financial Strategy, an immediate suspension of all non-essential spending was approved by Cabinet on 9th July and that Managers review their budgets and identify all non-essential spending for 2020/21 as part of the quarter 1 projections at 30 June 2020 - and approval sought for the budget to be revised to remove these.

No one can know what the effect of the COVID-19 crisis will have on the economy and ultimately the impact for the Council's finances. It will be many months before we have a clearer idea on how the economy has responded to the recovery process – including any lasting effects for individual businesses and their employees. Social distancing measures will remain in place for the foreseeable future – impacting mainly on the Council's ongoing income receipts.

Measures taken to control COVID-19 are leading to heavy economic losses and this has and will continue to affect collection rates, as some individuals and businesses experience financial effects of the pandemic. The uncertainties created by the pandemic have also significantly increased volatility and uncertainty in markets. This applies not only to non-current operational and non-operational property assets held by authorities, but also to investment properties, financial assets and many assets held by pension funds.

Financial resilience is and has been the key requirement for local authorities at any time, but in the current crisis it has assumed unprecedented importance. Perhaps the biggest difficulty with the pandemic is that there is no certainty about time scales; it is impossible to draw any conclusions about how long the effects will last.

During the crisis the Council has lost income which will significantly impact on the potential sustainability of the organisation, as will be the case across many Local Government organisations. Whilst the full extent of this cannot be known at present it will be necessary for the Council to take an accelerated approach towards the development and implementation of an effective sustainability strategy. This must be linked to an overall vision for the organisation.

The Council remains committed to promoting and stimulating economic growth and regeneration; meeting our housing needs; creating a vibrant town centre economy and protecting those most vulnerable in our communities. The Council is responding to these challenges by considering the opportunities to make further savings and /or grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

We continue to invest in our teams, transform our processes and ensure our technology infrastructure is fit for purpose. We have identified a number of opportunities to improve customer access to information and services as well as our engagement with our citizens and the way in which we manage our data and information.

Linked with this, the ‘Delivering Quality Services’ project continues to review processes and demand, with the aim of re-designing processes to meet changing customer expectations and making the best use of technology to deliver efficient and effective services to the customer, including self-service and digital functionality.

This approach will change the organisation and how it works; will require Members to put evidence and insight at the heart of our decision making to ensure that we are transparent about the rationale for our decisions and plans; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

Corporate Management Team (CMT) and Cabinet review the most up-to-date budget forecasts on a quarterly basis, and discuss the delivery of the planned savings to support our Medium Term Financial Strategy (MTFS).

As part of the budget process, Policy Changes are required in order to amend base budget provision. As grant and other income levels are reducing, where increased costs are unavoidable then managers should identify compensatory savings. Where savings are identified they must be accompanied by a robust implementation plan. Robust business case templates will have to be submitted to Cabinet and CMT for all Policy Change submissions (Revenue and Capital).

The attached Project Plan at Appendix A lists the stages, deadlines and the responsible officers for the production of the budget and medium term financial plan. Appendix B contains an outline of the process whilst Appendix C shows the flow of key stages over the process period.

**Budget Consultation**

Consultation has been planned to gauge residents', businesses' and other core stakeholders' views on areas of spending or where targeted savings could potentially be made.

The consultation, detailed at **Appendix D,** will be carried out through 3 online surveys. A survey that is tailored for businesses, a full survey aimed at residents and a survey that is tailored for the voluntary and community sector.

The online residents survey will be promoted using social networking/media sites and through email contact databases. The business survey will be promoted through business social networking sites and business email contact databases. The voluntary and community sector survey will be promoted through email contact databases.

**Timetable**

Significant milestones in the process, detailed at **Appendix A**, are planned as:

a) Consultation process - results to Cabinet 12th November;

b) Base budget and technical adjustments to Cabinet 3rd December;

c) Cabinet to consider Council Taxbase calculation on 3rd December and Business Rates Forecast on 21st January;

d) Cabinet proposals to a Leaders Budget Workshop 2nd December;

e) Provisional RSG settlement assessment to Corporate Management Team and EMT in December;

f) Joint Scrutiny Committee (Budget) to be held on 27th January 2021;

g) Final Budget and Medium Term Plan reports to Cabinet 18th February 2021;

h) Budgets set at Council 23rd February 2021.

It should be noted that the complexity of some of the issues and the reliance on the Government for Business Rates Retention and RSG data to report might mean that some reports have to be treated as urgent items and/or are considered at a later meeting.

Members are asked to endorse the process to be followed.

**OPTIONS CONSIDERED**

None

**RESOURCE IMPLICATIONS**

There are no financial or resource implications arising from the implementation of the Budget and Medium Term Planning Process.

**LEGAL/RISK IMPLICATIONS**

It is considered that a Medium Risk to the achievement of the planned timetable exists due to the potential for a delay in the:

- Provision of information from managers; and

- Publication of the Local Government Finance Settlement information for each individual authority by the Ministry of Housing, Communities & Local Government (MHCLG).

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation - arising from the Fair Funding Review, review of the Business Rates Retention (BRR) scheme, reset of the Business Rates baseline, Spending Review 2020 and the ongoing uncertainty over the funding for the New Homes Bonus scheme - as well as other changes arising from the Government's Welfare Reform Agenda.

While we are aware of these forthcoming change, little to no information is available on the potential impact for individual Councils' finances.

The Key Risks are:

- The effect the COVID-19 crisis will have on the economy and ultimately the impact for the Council's finances. It will be many months before we have a clearer idea on how the economy has responded to the recovery process – including any lasting effects for individual businesses and their employees.

- Impact of uncertain economic conditions, following the decision to leave the EU & the COVID-19 Pandemic – it is suggested that, given the uncertainty, we should focus on a clear plan to balance the next 3 years' budget position for the General Fund (5 years for the HRA);

- Delivery of the planned Commercial Investment Strategy actions and associated improved investment returns of 4% p.a. arising from the investment of £24m from the capital receipt received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFS in the long term);

- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of further austerity, economic conditions and uncertainty.

There also remains a high degree of uncertainty for 2021/22 arising from:

- The Government's ***Fair Funding Review (FFR)*** of the distribution methodology including:

    - changes to the needs assessment (which will determine each Council's share of the national funding for Local Government – it is likely that this will reflect the impact of Social Care demands and that funding will be redistributed to Unitary and County Councils to the detriment of District Councils);

- treatment of relative resources (to determine how much each Council can fund locally through income from fees and charges and council tax);

- any transitional arrangements to protect Councils from significant reductions in funding – and the impact from their unwinding.

- ***Spending Review 2020 (SR20)*** – where the total spending allocation for Government Departments will be set – including national control totals for Local Government spending. It will set UK Government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 until 2024/25, and devolved administrations' block grants for the same period.

- The ongoing ***review of the Business Rates Retention (BRR) scheme*** – the Government announced that Councils will be able to retain 75% of business rates collected rather than 100% as previously planned with work progressing on the design of the new system including the impact of 'rolling in' grants such as Housing Benefit administration and New Homes Bonus;

- The planned ***reset of the Business Rates baseline*** for each Council and redistribution of the growth achieved since 2013 (of over £1m p.a.);

- Uncertainty over the ongoing funding for the ***New Homes Bonus scheme***, local growth in housing numbers and share of the national pool (including potential increases to the 'deadweight' for which Councils no longer receive grant).

In addition, the next national ***Business Rates Revaluation***– with latest indications that the Government will also aim to introduce a ***centralised system for business rate appeals*** at the same time to cover future changes arising from the next valuation list.

While we are aware of these forthcoming changes, little to no information is available on the potential impact for individual Councils' finances. **There is a high risk that this will have a significant effect on the Council's funding level in future years.**

***We will therefore need to consider the approach to forecasting and planning for these uncertainties balancing the risk to the MTFS against the need for savings and potential service reductions***.

**REPORT AUTHOR**

Stefan Garner, Executive Director Finance, Telephone: 01827 709242
Lynne Pugh, Assistant Director Finance, Telephone: 01827 709272

**LIST OF BACKGROUND PAPERS**

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2020/21, Council 25th February 2020.

## APPENDICES

### Appendix A

Project Plan for the Budget and Medium Term Financial Planning Process for the year 2021/22

### Appendix B

Outline of the Budget and Medium Term Financial Planning Process

### Appendix C

Flowchart of the Budget & Medium Term Financial Planning Process

### Appendix D

2021/22 Budget Consultation

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| | **Budget and Medium Term Financial Planning Process for 2021/22** | | |
|---|---|---|---|
| | **Project Plan** | **Deadline** | **Responsible Officer/s** |
| 1 | Review of the 2020/21 process, formulation of 2021/22 process and report, to Cabinet 20th August, including: | 31/07/2020 | Executive Director Finance (EDF) |
| | • Review of potential budget issues; | 31/07/2020 | EDF / Assistant Director Finance (ADF) |
| | • The Budget Consultation process. | 31/07/2020 | EDF / Knowledge & Performance Manager |
| 2 | Policy Changes | | |
| | • Circulation to Directors of provisionally approved policy changes for 2020/21 onwards - for confirmation or otherwise; | 31/08/2020 | Accountants |
| | • Any unavoidable cost increases arising from, for example, legislative or demand led changes (e.g. reduced income), be identified and included together with completion of 2019/20 outturn review; | 30/09/2020 | CMT/Accountants |
| | • Return of responses with Business Cases completed for new proposals, to Corporate Accountancy for collation; | 30/09/2020 | CMT/Accountants |
| | • Meeting of CMT to review all Revenue Policy Changes proposals on 15th October; | 15/10/2020 | EDF / Accountants |
| | • Responses to be presented to Executive Management Team 2nd November for initial consideration. | 15/10/2020 | EDF / Accountants |
| 3 | Corporate Capital Strategy and Capital Programme | | |
| | • Directors to review & confirm the provisionally approved capital schemes already contained within the 5 year capital programme (including a ‘block allocation’ for Cabinet approval of new schemes during the year); | 30/09/2020 | CMT/Accountants |
| | • Impact of any updated Stock Condition data assessed | 30/09/2020 | Assistant Director Assets |
| | • Formulation of new 5 year programme including appraisal forms to be submitted to the Asset Strategy Steering Group (ASSG) prior to submission to Executive Management Team; | 30/09/2020 | CMT/Accountants |
| | • Capital Programme report to CMT 15th October, Executive Management Team 2nd November. | 15/10/2020 | CMT/Accountants |

| | Project Plan | Deadline | Responsible Officer/s |
|---|---|---|---|
| 4 | Charges for Services – Updated recharges basis adjusted for any structural issues, proposals to be discussed at CMT 15th October, base recharges to be completed by 15th October to allow consultation period (to December 2020). | 15/10/2020 | CMT/Accountants |
| 5 | Consideration of responses – including an analysis of the impact of such on the overall financial position of the Council at CMT 15th October, Executive Management Team 2nd November and Cabinet 3rd December, to formulate/consider budget proposals in detail prior to Leaders Budget Workshop review 2nd December. | 15/10/2020 | CMT/Accountants |
| 6 | Consideration of the adjusted base budget, at CMT 15th October / Executive Management Team 2nd November / Cabinet 3rd December. | 15/10/2020 | EDF/ADF/Accountants |
| 7 | Budget Consultation – Cabinet receive 12th November, the results of the consultation process. | 25/10/2020 | Knowledge, Performance & Insight Manager |
| 8 | Approval of the Council Tax Base Calculation for 2021/22 - to Cabinet 3rd December. | 15/11/2020 | Head of Revenues |
| 9 | A meeting of Cabinet on 3rd December to receive/confirm budget proposals for Budget Workshop consideration. | 03/12/2020 | EDF/ADF |
| 10 | Leaders Budget Workshop 2nd December. | 02/12/2020 | Leader |
| 11 | Local Government Finance Settlement (LGFS) implications - to CMT / Executive Management Team 17th December. | 17/12/2020 | EDF/Accountants |
| 12 | Draft Budget & MTFS Report to Executive Management Team 11th January / Cabinet 21st January and Joint Scrutiny Committee (Budget) 27th January. | 08/01/2021 | EDF/ADF |
| 13 | Final Business Rates forecast for 2021/22 - to Cabinet 21st January. | 13/01/2021 | EDF/ADF/ Head of Revenues |
| 14 | Implications of the final Business Rates forecast & LGFS information to be considered/built into the budget proposals (as soon as available). | January 2021 | EDF/ADF/Accountants |
| 15 | Final Budget & MTFS Report to CMT on 4th February / Executive Management Team 8th February. | 31/01/2021 | EDCS/DOF |
| 16 | Final budget reports considered by Cabinet on 18th February who would recommend a budget to the Council meeting on 23rd February. | 11/02/2021 | EDCS/DOF |

## Outline of the Budget and Medium Term Financial Planning Process

### Reasons for Producing Budgets

Budgets are required to plan for forthcoming activities in meeting the objectives of the Council as a whole. Legally, the Council is required by legislation to set its budget (balanced funding/spend) and the associated Council Tax by 11th March each year.

The budget represents the Council's plans in financial terms and acts as a method of measuring performance against the achievement of these objectives. Variances from the budget are highlighted to Senior Management on a monthly basis and Members Quarterly.

Budgets assist in bringing together views, opinions and decisions of all stakeholders such as Members, Local Residents, Focus Groups and the Business Community.

### The Budget Process

The budgets for the next financial year are compiled in the 'budget process' that runs mainly from September to March each year (some preparatory work / forecasts are prepared from July).

Day to day responsibility for setting budgets and financial performance monitoring may be delegated to appropriate line managers/senior officers, as appropriate.

A brief summary of the stages involved in the budget process are as follows:

- **Review / Formulation of Budget Process**

  Following a review of the previous year's process, the outline process to be followed is formulated / agreed by the Corporate Management Team and Cabinet.

- **Consideration of Policy Changes**

  Planned changes to services (provisionally approved during the previous budget process) are issued for confirmation. Budget Managers are also required to consider any unavoidable increased costs (arising from, for example, legislative or demand led changes e.g. reduced income) and targets for budget savings. They will be aware of the objectives of the Council as a whole within the Corporate Plan and should therefore be looking to incorporate changes or additions into their future plans.

  As grant and other income levels are reducing, where increased costs are unavoidable then managers should identify compensatory savings. Where savings are identified they must be accompanied by a robust implementation plan. Robust business case templates will have to be submitted to Cabinet and CMT for all Policy Change submissions (Revenue and Capital).

- **Capital Programme**

  Managers are asked to review provisionally approved schemes (within the medium term capital programme) and submit new / revised capital appraisal forms for consideration, and prioritisation within available resources, by CMT, the Asset Strategy Steering Group and Cabinet.

- **Budget Consultation**

  In addition to the activity planned for the Tamworth Listens process, consultation has been planned to gauge residents', business and other core stakeholders' views on the Council's priorities to achieve the 'Vision' considering areas of spending or where savings could potentially be made.

  The consultation will be carried out through three online surveys. A survey that is tailored for businesses, a full survey aimed at residents and a survey that is tailored for the voluntary and community sector. The online residents survey will be promoted using social networking/media sites and through email contact databases. The business survey will be promoted through business social networking sites and business email contact databases. The voluntary and community sector survey will be promoted through email contact databases.

- **Formulation of Budget Forecast & Base Budgets**

  Managers should consider their future activities and spending requirements before discussions with their Accountant. Managers should identify any minor changes in expenditure or income or highlight other areas of concern with their Accountant prior to the finalisation of the base budget working papers. Regular review / monitoring during the year assist in this process.

  It is important that managers assess budget figures carefully and do not merely increase the original budgets by the given inflation percentage. Managers should consider the previous year's level of expenditure when looking at budgets and decide if this is to be a normal level or an exception. A zero based budgeting approach to deliver service needs is required especially in a period of resource constraints.

  For 2021/22, the budget process will need to reflect the consequences of the COVID-19 pandemic, and the measures to contain and mitigate its effects - for years to come. Consideration of the impact on future income levels will be needed including Council Tax, Non domestic (business) rates, fees and charges, rents and investment returns which have, to a greater or lesser extent, been subject to reduction or suspension during 2020/21.

  In the main, the recalculation of the base budget involves changes that have already been approved or are outside the control of managers (e.g. inflation, pay award etc). Major alterations to budgets or proposals involving significant changes in service delivery need to be raised and submitted for approval through the policy changes process.

  It should be borne in mind that financial guidance requires Budget Managers to be consulted (by the relevant Accountant) in the preparation of the budgets for which they will be held responsible and that they are required to accept accountability for their budgets and the service to be delivered.

  As part of the Governance process, there is a responsibility for Budget Managers to ensure that they are consulted and confirm that their budgets are accurate, complete and acceptable.

- **Compilation of Overall Budget figures**

  Once all the budget working papers have been prepared, an overall net expenditure figure for the Council can be assessed in terms of affordability and whether funding for these levels of expenditure is available. It may be that Managers would be required to identify savings in their budgets, dependent on guidance from Senior Managers and Members.

- **Final Budget Approved by the Council in February**

  The final budgets are approved by Members at the Cabinet meeting, usually in February. No further amendments can be made after this point. The full Council approves the budget at its meeting in February.

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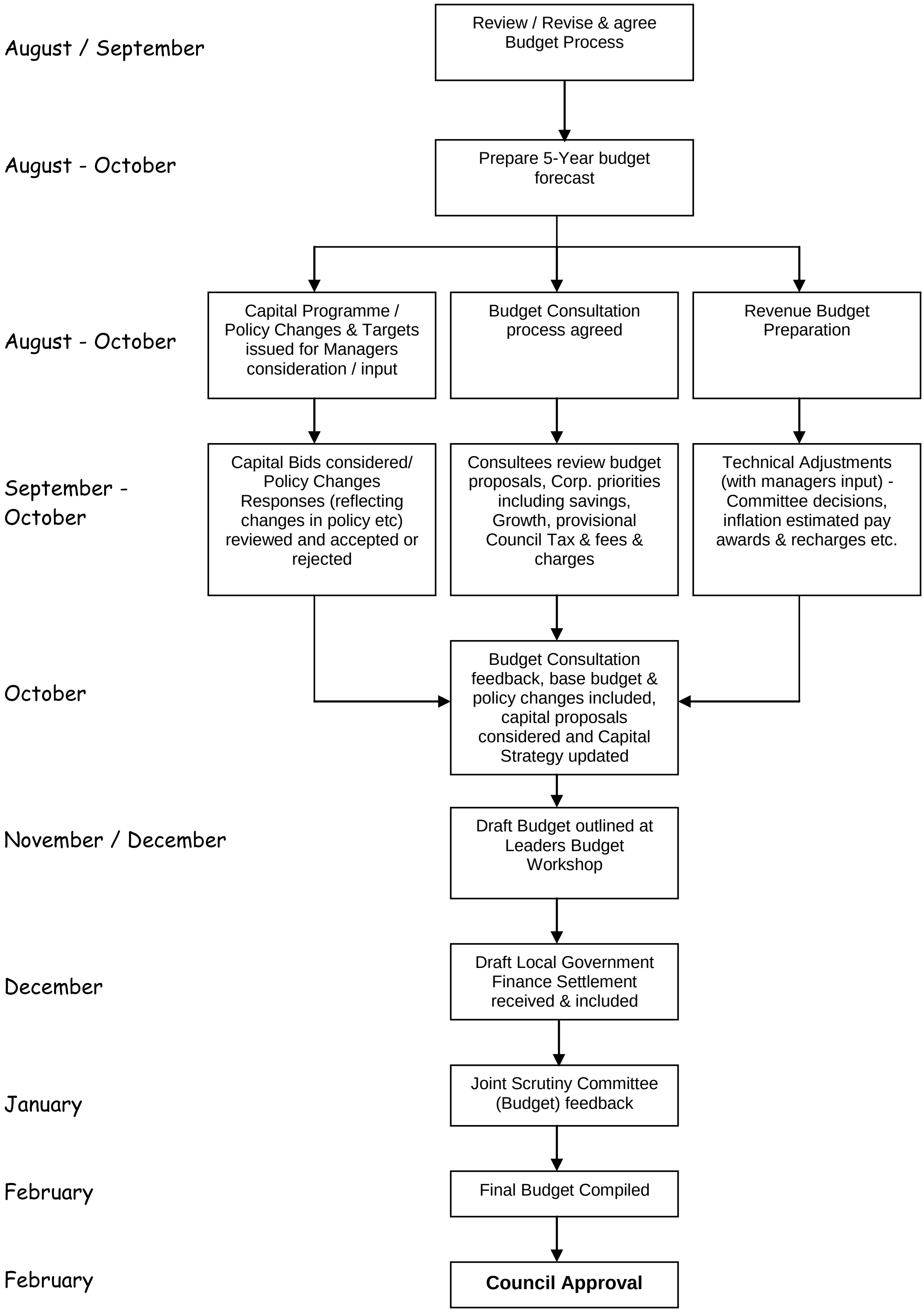
## The Budget & Medium Term Financial Planning Process 2021/26



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# Tamworth Borough Council 2020 Budget Consultation

**Background**

As part of a regular annual process Tamworth Borough Council reviews its Council Tax and Charges Strategy for the development of the budget. This process ensures that funding is put into areas of highest priority. An important element of this process is to understand the views of residents, tenants, businesses, and local voluntary groups on what these priorities are.

**Overview**

Consultation on the key issues affecting the 2021/22 budget consultation will be carried out through three surveys;

- A residents survey – on line and postal, promoted using social networking/media sites and through email contact databases,
- A business survey – on line, promoted through business social networking sites and business email contact databases,
- A voluntary and community sector survey – on line, promoted through email contact databases at the CVS.

**Timetable**

| | |
|---|---|
| Planning | from July 2020 |
| Postal survey posted (Residents) | launched August 2020 |
| Online survey (Residents) | launched August 2020 |
| Online survey (Businesses) | launched August 2020 |
| Online survey (V&CS) | launched August 2020 |
| Surveys closes and taken offline | September 2020 |
| Budget Consultation Report at Executive Leadership Team | 15th October 2020 |
| Budget Consultation report at Cabinet | 12th November 2020 |

**Objectives**

- Identify important priorities to target for savings,
- Advise on acceptable levels of fees, charges and council tax,
- Obtain views on the revised corporate priorities.

A small budget has been set aside within the Corporate Consultation budget to undertake this work.

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**CABINET**

**THURSDAY 20TH AUGUST 2020**

**COUNCIL**

**TUESDAY 15TH SEPTEMBER 2020**

**REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE**

# ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2019/20

## EXEMPT INFORMATION

None

## PURPOSE

The Annual Treasury report is a requirement of the Council's reporting procedures. It covers the Treasury activity for 2019/20, and the actual Prudential Indicators for 2019/20.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes in accordance with Regulations issued under the Local Government Act 2003. It also provides an opportunity to review the approved Treasury Management Strategy for the current year and enables Members to consider and approve any issues identified that require amendment.

## RECOMMENDATIONS

**That Cabinet ask Council to;**

1. **Approve the actual 2019/20 Prudential and Treasury Indicators within the report and shown at Appendix 1;**

2. **Accept the Annual Treasury Management Report for 2019/20; and**

3. **Further to the Assembly Rooms update report to Cabinet on 30th July, Council approve the financing of the projected £1.2m overspend and the increase required in the capital programme.**

## EXECUTIVE SUMMARY

This report covers Treasury operations for the year ended 31st March 2020 and summarises:

- the Council's Treasury position as at 31st March 2020; and
- Performance Measurement

The key points raised for 2019/20 are

1. The Council's Capital Expenditure and Financing 2019/20
2. The Council's Overall Borrowing Need
3. Treasury Position as at 31st March 2020
4. The Strategy for 2019/20
5. Borrowing Outturn for 2019/20
6. Investment Outturn for 2019/20
7. Performance Measurement
8. The Economy and Interest Rates
9. Other Issues

The Treasury Function has achieved the following favourable results:

- The Council has complied with the professional codes, statutes and guidance;
- There are no issues to report regarding non-compliance with the approved prudential indicators;
- The Council maintained an average investment balance externally invested of £67.6m and achieved an average return of 1.01% (budgeted at £41.7m and an average return of 1.0%).
- This result compares favourably with the Council's own Benchmarks of the average 7 day and the 3 month LIBID rates for 2019/20 of 0.53% and 0.63%;
- The closing weighted average internal rate on borrowing is 4.05% (4.05% for 2018/19);
- The Treasury Management Function has achieved an outturn investment income of £686k compared to an original budget of £418k. Investment balances were higher than budgeted throughout the year, however average interest rates started to fall.
- We also received £147k in dividends from our property fund investments (£108k in 2018/19), compared to a budget of £240k. However the net value of the investments had fallen by £130k as at 31st March 2020. Following recommendation by the Corporate Scrutiny Committee to Cabinet on 30th July it was agreed that a review of property funds is undertaken for scrutiny by the Audit and Governance Committee, before any further investments under existing delegations are made - to inform the Treasury Management Mid-Year Review report for consideration by Council in December 2020.

During 2019/20 the Council complied with its legislative and regulatory requirements.

The Executive Director Finance confirms that there was no overall increase in borrowing within the year and the Authorised Limit was not breached.

At 31st March 2020, the Council's external debt was £63.06m (£63.06m at 31st March 2019) and its external investments totalled £55.26m (£64.92m at 31st March 2019).

## RESOURCE IMPLICATIONS

There are no financial implications or staffing implications arising directly from the report.

## LEGAL/RISK IMPLICATIONS BACKGROUND

The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Link Asset Services, the Council's current Treasury advisers, has proactively managed its debt and investments during the year.

## EQUALITIES IMPLICATIONS

None

## SUSTAINABILITY IMPLICATIONS

None

## REPORT AUTHOR

If Members would like further information or clarification prior to the meeting please contact Stefan Garner, telephone 01827 709242 or email stefan-garner@tamworth.gov.uk

## LIST OF BACKGROUND PAPERS

- Local Government Act 2003;
- Statutory Instruments: 2003 No 3146 & 2007 No 573;
- CIPFA Code of Practice on Treasury Management in Public Services;
- Treasury Management Strategy 2019/20 (Council 26th February 2019);
- Treasury Management Mid-Year Review 2019/20 (Council 10th December 2019);
- Treasury Outturn Report 2018/19 (Council 10th September 2019);
- CIPFA Treasury Benchmarking Club Report 2019.

## APPENDICES

**Appendix 1 – Prudential and Treasury Indicators**

**Appendix 2 – Borrowing and Investment Rates**

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 2019/20. 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).

During 2019/20 the minimum reporting requirements were complied with:

- an annual treasury strategy in advance of the year (Council 26th February 2019)
- a mid-year (minimum) treasury update report (Council 10th December 2019)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, Cabinet has received quarterly Treasury management updates as part of the Financial Healthcheck Reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, 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.

This Council confirms that it has complied with the requirement under the Code to provide scrutiny of all of the above Treasury Management Reports to the Audit and Governance Committee. Member training on Treasury Management issues was provided in November 2019, and will be provided as and when required in order to support members' scrutiny role.

During 2019/20, 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.

| Prudential & Treasury Indicators | 2018/19 Actual £m | 2019/20 Estimate £m | 2019/20 Actual £m |
|---|---|---|---|
| Capital Expenditure | | | |
| Non HRA | 10.515 | 17.803 | **4.734** |
| HRA | 9.266 | 30.221 | **20.462** |
| **Total** | 19.781 | 48.024 | **25.196** |
| Capital Financing Requirement | | | |
| Non HRA | 0.828 | 2.235 | **3.523** |
| HRA | 68.041 | 75.255 | **68.532** |
| **Total** | 68.869 | 77.490 | **72.055** |
| Gross Borrowing | | | |
| External Debt | 63.060 | 63.060 | **63.060** |
| Investments | | | |
| Longer than 1 year | 3.820 | - | **3.720** |
| Less than 1 year | 64.941 | 26.369 | **55.261** |
| **Total** | 68.761 | 26.369 | **58.981** |
| **Net Borrowing** | (5.701) | 36.691 | **4.079** |

It should be noted that **£21.08m** of Capital scheme spend has been re-profiled into 2020/21 (also including re-profiling from previous years) which has increased investment balances.

The Executive Director Finance confirms that there was no overall increase in borrowing in year and the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2019/20 continued the challenging investment environment of previous years, namely low investment returns.

### 1. The Council's Capital Expenditure and Financing 2019/20

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 internal funds, the capital expenditure would give rise to a borrowing need.

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

| General Fund | 2018/19 Actual £m | 2019/20 Estimate £m | 2019/20 Actual £m |
|---|---|---|---|
| Capital Expenditure | 10.515 | 17.803 | **4.734** |
| Financed in year | 10.515 | 16.488 | **1.982** |
| **Unfinanced capital expenditure** | - | 1.315 | **2.752** |
| HRA | 2018/19 Actual £m | 2019/20 Estimate £m | 2019/20 Actual £m |
| Capital Expenditure | 9.266 | 30.221 | **20.462** |
| Financed in year | 9.266 | 23.007 | **19.970** |
| **Unfinanced capital expenditure** | - | 7.214 | **0.492** |

It should be noted that the outturn for the 2019/20 Capital Programme and associated unfinanced capital expenditure includes a projected overspend of £1.2m relating to the Assembly Rooms project (as detailed in the update report to Cabinet on 30th July). As such, Council are now formally requested to approve the financing of the projected £1.2m overspend and the increase required in the capital programme.

### 2. The Council's Overall Borrowing Need

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 indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2019/20 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.

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 that 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.

**Reducing the CFR** – the Council's (non HRA) 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 non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). 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.

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).

The Council's 2019/20 MRP Policy (as required by MHCLG Guidance) was approved as part of the Treasury Management Strategy Report for 2019/20 on 26th February 2019.

The Council's CFR for General Fund and the HRA for the year are shown below, and represent a key prudential indicator.

| CFR: General Fund | 31st March 2019 Actual £m | 31st March 2020 Budget £m | 31st March 2020 Actual £m |
|---|---|---|---|
| Opening balance | 0.885 | 1.037 | **0.828** |
| Add unfinanced capital expenditure (as above) | - | 1.315 | **2.752** |
| Less MRP/VRP | (0.057) | (0.117) | **(0.056)** |
| Less PFI & finance lease repayments | - | - | **-** |
| **Closing balance** | 0.828 | 2.235 | **3.524** |

| CFR: HRA | 31st March 2019 Actual £m | 31st March 2020 Budget £m | 31st March 2020 Actual £m |
|---|---|---|---|
| Opening balance | 68.041 | 68.041 | **68.041** |
| Add unfinanced capital expenditure (as above) | - | 7.214 | **0.492** |
| Less MRP/VRP | - | - | **-** |
| Less PFI & finance lease repayments | - | - | **-** |
| **Closing balance** | 68.041 | 75.255 | **68.533** |

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

**Gross borrowing and the CFR -** in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

| Gross borrowing and the CFR | 31st March 2019<br>Actual £m | 31st March 2020<br>Budget £m | 31st March 2020<br>Actual £m |
|---|---|---|---|
| Gross borrowing position | 63.060 | 63.060 | 63.060 |
| CFR | 68.869 | 77.490 | 72.055 |

The lower than estimated CFR reflects re-profiling of spend within the capital programme to 2020/21 and lower than forecast borrowing relating to the Tinkers Green and Kerria Regeneration scheme due to receipt of grant funding (which is expected to total £5.2m).

**The Authorised Limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.

**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 are acceptable subject to the authorised limit not being breached.

**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.

| Borrowing Limits | GF £m | HRA £m | Total £m |
|---|---|---|---|
| Authorised limit | 5.235 | 79.407 | 84.642 |
| Maximum gross borrowing position | - | 63.060 | 63.060 |
| Operational boundary | - | 63.060 | 63.060 |
| Average gross borrowing position | - | 63.060 | 63.060 |
| | | | |
| Budgeted financing costs as a proportion of net revenue stream % | (3.01) | 29.39 | 26.39 |
| Actual financing costs as a proportion of net revenue stream % | (9.39) | 27.44 | 18.05 |

## 3. Treasury Position as at 31st March 2020

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 2019/20 the Council's treasury (excluding borrowing by finance leases) position was as follows:

| General Fund | 31st March 2019 Principal £m | Rate/ Return % | Average Life yrs | 31st March 2020 Principal £m | Rate/ Return % | Average Life yrs |
|---|---|---|---|---|---|---|
| **Total debt** | **-** | **-** | **-** | **-** | **-** | **-** |
| **CFR** | ***0.828*** | **-** | **-** | ***3.523*** | **-** | **-** |
| **Over / (under) borrowing** | ***(0.828)*** | **-** | **-** | ***(3.523)*** | **-** | **-** |
| Investments: | | | | | | |
| - in house | 36.209 | 0.82 | - | 37.525 | 1.01 | - |
| **Total investments** | ***36.209*** | ***0.82*** | **-** | ***37.525*** | ***1.01*** | **-** |

| HRA | 31st March 2019 Principal £m | Rate/ Return % | Average Life yrs | 31st March 2020 Principal £m | Rate/ Return % | Average Life yrs |
|---|---|---|---|---|---|---|
| Fixed rate funding: | | | | | | |
| -PWLB | 63.060 | 4.05 | 35.735 | 63.060 | 4.05 | 34.73 |
| **Total debt** | ***63.060*** | ***4.05*** | ***35.74*** | ***63.060*** | ***4.05*** | ***34.73*** |
| **CFR** | ***68.041*** | **-** | **-** | ***68.532*** | **-** | **-** |
| **Over / (under) borrowing** | ***(4.981)*** | **-** | **-** | ***(5.472)*** | **-** | **-** |
| Investments: | - | - | - | | | |
| - in house | *28.732* | *0.82* | - | 17.736 | 1.01 | - |
| **Total investments** | ***28.732*** | ***0.82*** | **-** | ***17.736*** | ***1.01*** | **-** |

**Maturity Structures**

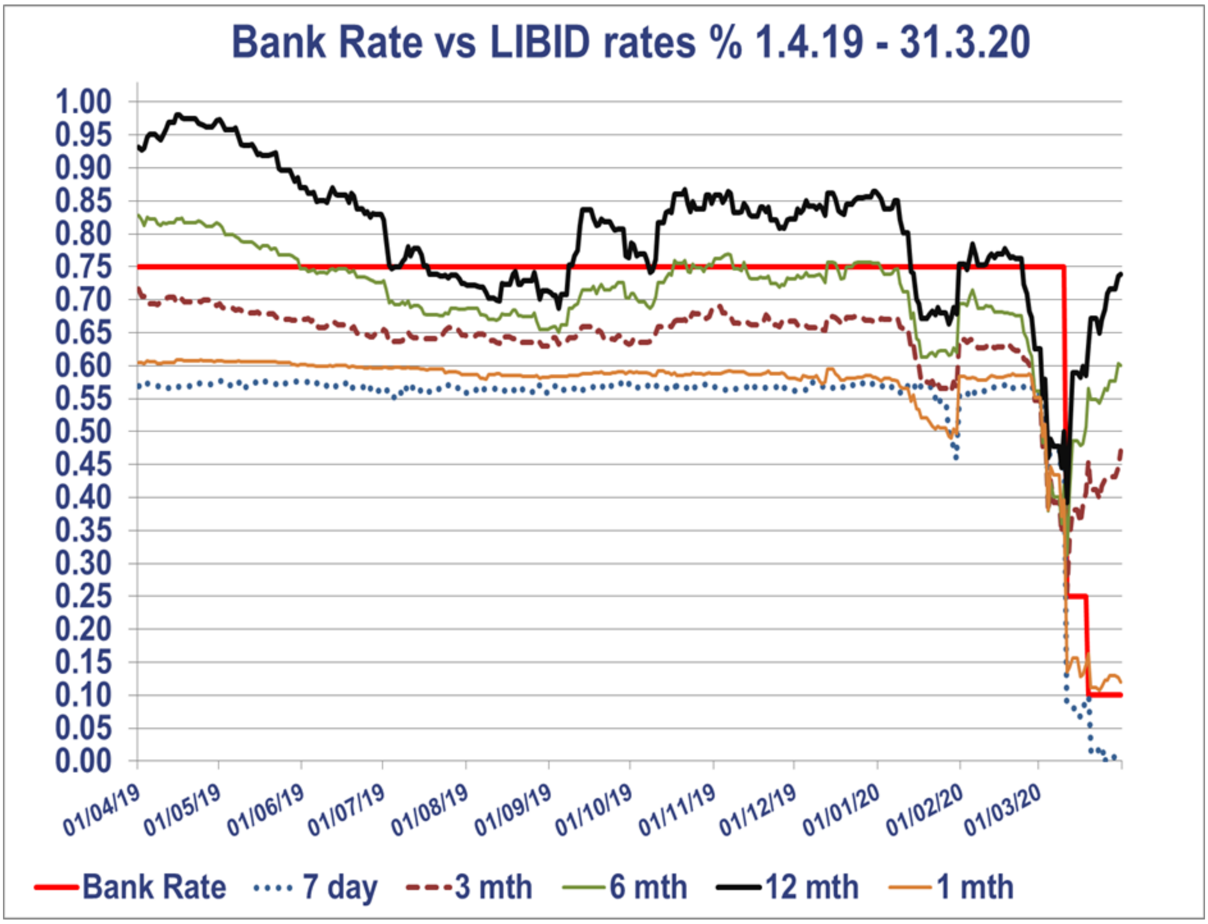
The maturity structure of the debt portfolio was as follows:

| Duration | 31st March 2019 Actual £m | 2019/20 original limits % | 31st March 2020 Actual £m |
|---|---|---|---|
| Under 12 months | - | 20 | **-** |
| 12 months and within 24 months | - | 20 | **-** |
| 24 months and within 5 years | - | 25 | **-** |
| 5 years and within 10 years | - | 75 | **-** |
| 10 years and within 15 years | 5 | 100 | **5** |
| 15 years and within 50 years | 58 | 100 | **58** |

All investments held by the Council were invested for up to one year, with the exception of £3.8m invested in property funds, which are held for the longer-term, 5 – 10 years.

## 4. The Strategy for 2018/19

### 4.1 Investment strategy and control of interest rate risk




| | Bank Rate | 7 day | 1 mth | 3 mth | 6 mth | 12 mth |
|---|---|---|---|---|---|---|
| High | 0.75 | 0.58 | 0.61 | 0.72 | 0.83 | 0.98 |
| High Date | 01/04/2019 | 09/05/2019 | 15/04/2019 | 01/04/2019 | 01/04/2019 | 15/04/2019 |
| Low | 0.10 | 0.00 | 0.11 | 0.26 | 0.31 | 0.39 |
| Low Date | 19/03/2020 | 25/03/2020 | 23/03/2020 | 11/03/2020 | 11/03/2020 | 11/03/2020 |
| Average | 0.72 | 0.53 | 0.56 | 0.63 | 0.70 | 0.80 |
| Spread | 0.65 | 0.58 | 0.50 | 0.46 | 0.52 | 0.59 |

Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.

Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

**4.2 Borrowing strategy and control of interest rate risk**

During 2019/20, the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances and incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Executive Director Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

**PWLB Borrowing Rates**

PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen, over the last year, many bond yields up to 10 years in the Eurozone turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 – 0.20% while even 25-year yields were at only 0.83%.

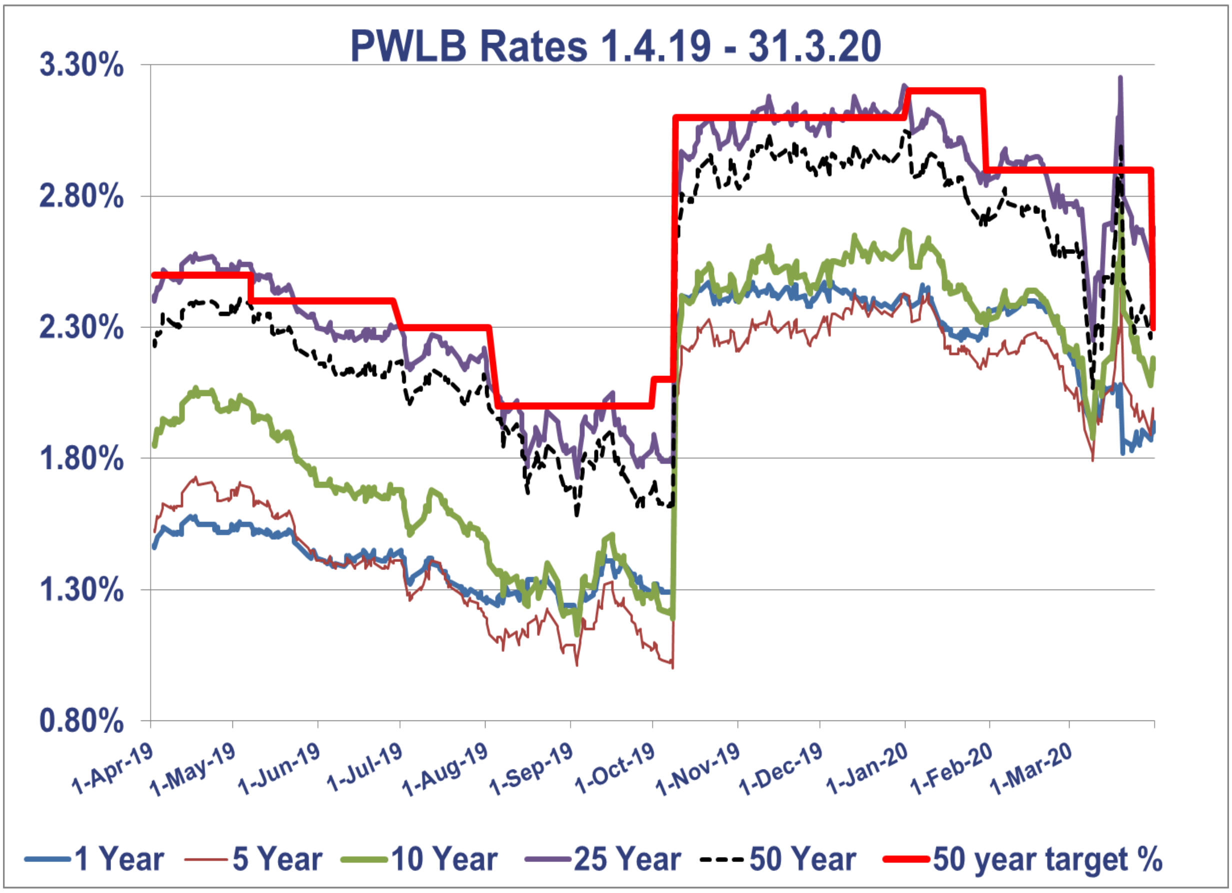
However, HM Treasury has imposed **two changes in the margins over gilt yields for PWLB rates** in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ends on 31st July. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.

Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

The graph and tables for PWLB rates below and in Appendix 2 show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.




## 5. Borrowing Outturn for 2019/20

**Treasury Borrowing**
Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

**Borrowing in Advance of Need**
The Council has not borrowed more than, or in advance of, its needs, purely in order to profit from the investment of the extra sums borrowed.

**Rescheduling**
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## 6. Investment Outturn for 2019/20

**Investment Policy** – the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 26th February 2019. This policy sets out the approach for choosing investment counterparties, and is 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 investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised the following:

| Balance Sheet Resources General Fund | 31st March 2019 £m | 31st March 2020 £m |
|---|---|---|
| Balances | 6.113 | **6.882** |
| Earmarked Reserves | 7.951 | **9.387** |
| Provisions | 1.815 | **2.032** |
| Usable Capital Receipts | 17.656 | **17.279** |
| Capital Grants Unapplied | 0.048 | **0.256** |
| Total GF | **33.583** | **35.836** |

| Balance Sheet Resources HRA | 31st March 2019 £m | 31st March 2020 £m |
|---|---|---|
| Balances | 4.485 | **6.252** |
| Earmarked Reserves | 16.460 | **7.789** |
| Provisions | - | **-** |
| Usable Capital Receipts | 5.704 | **2.896** |
| Total HRA | **26.649** | **16.937** |

| | | |
|---|---|---|
| Total Authority Resources | **60.232** | **52.773** |

**Investments held by the Council** – the Council maintained an average balance of £67.6m of internally managed funds. The internally managed funds earned an average rate of return of 1.01%. The comparable performance indicator is the average 7-day

LIBID rate which was 0.53%. This compared with a budget assumption of £41.7m investment balances earning an average rate of 1.0%.

## *7.* Performance Measurement

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 (as incorporated in the table in section 3)*.* The Council's performance indicators were set out in the Annual Treasury Management Strategy Statement.

This service has set the following local performance indicator:

- *Average external interest receivable in excess of 3 month LIBID rate;*

  Whilst the assumed benchmark for local authorities is the 7 day LIBID rate, a higher target is set for internal performance.

  The actual return of 1.01% compared to the average 3 month LIBID of 0.63% (0.38% above target).

## 8. The Economy and Interest Rates

**UK. Brexit.** The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.

**Economic growth** in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the **coronavirus outbreak**. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in **quantitative easing (QE),** essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

**Inflation** has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

**Employment** had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.

**USA.** Growth in quarter 1 of 2019 was strong at 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarters 3 and 4. The slowdown in economic growth resulted in the Fed cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once coronavirus started to impact the US in a big way, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a $2trn stimulus package (worth about 10% of GDP) and new lending facilities announced by the Fed which could channel up to $6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of $1,200 to individuals.

The loans for small businesses, which convert into grants if firms use them to maintain their payroll, will cost $367bn and 100% of the cost of lost wages for four months will also be covered. In addition there will be $500bn of funding from the

Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including $50bn for airlines.

However, all this will not stop the US falling into a sharp recession in quarter 2 of 2020; some estimates are that growth could fall by as much as 40%. The first two weeks in March of initial jobless claims have already hit a total of 10 million and look headed for a total of 15 million by the end of March.

**EUROZONE.** The annual rate of GDP growth has been steadily falling, from 1.8% in 2018 to only 0.9% y/y in quarter 4 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. At its March 2019 meeting it announced a third round of TLTROs; this provided banks with cheap two year maturity borrowing every three months from September 2019 until March 2021. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting in September 2019, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount, plus more TLTRO measures. Once coronavirus started having a major impact in Europe, the ECB took action in March 2020 to expand its QE operations and other measures to help promote expansion of credit and economic growth. What is currently missing is a coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure; action is therefore likely to be patchy.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lock down of the country and a major contraction of economic activity in February-March 2020. While it appears that China has put a lid on the virus by the end of March, these are still early days to be confident and it is clear that the economy is going to take some time to recover its previous rate of growth. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

**JAPAN** has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It appears to have missed much of the domestic impact from coronavirus in 2019-20 but the virus is at an early stage there.

**WORLD GROWTH.** The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020.

## 9. Other Issues

**International Financial Reporting Standard (IFRS) 9 – Financial Instruments.**

The 2018/19 Accounting Code of Practice introduced changes in way investments are valued and disclosed in the Council's Statement of Accounts. Key considerations are:-

- Expected credit loss model. Whilst not material for vanilla treasury investments such as bank deposits, this does impact our investment in property funds
- The valuation of investments previously valued under the available for sale category e.g. equity related to the "commercialism" agenda, property funds, equity funds and similar, will be changed to **Fair Value through the Profit and Loss (FVPL).**

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government, [MHCLG], on IFRS9 the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This is effective from 1st April 2018, and applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

**Investment in Property Funds**

Investment in property funds was included within the Commercial Investment Strategy, with the aim of generating improved returns of c.4-5% p.a. (plus asset growth) being long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs).

Utilising the capital receipt proceeds of the sale of the Golf Course, a budget of £12m was allocated to long-term investment in a number of property funds. To date, the Council has invested £1.85m with Schroders UK Real Estate Fund and £2m with Threadneedle Property Unit Trust, total investment £3.85m. The funds have achieved an estimated return of 3.8% during 2019/20, however, capital value has fallen by £99k.

We received £147k in dividends from our property fund investments (£108k in 2018/19), compared to a budget of £240k. However the net value of the investments had fallen by £130k as at 31st March 2020. Investments in property are subject to fluctuations in value over the economic cycle and should also yield capital growth in the longer term as the economy grows.

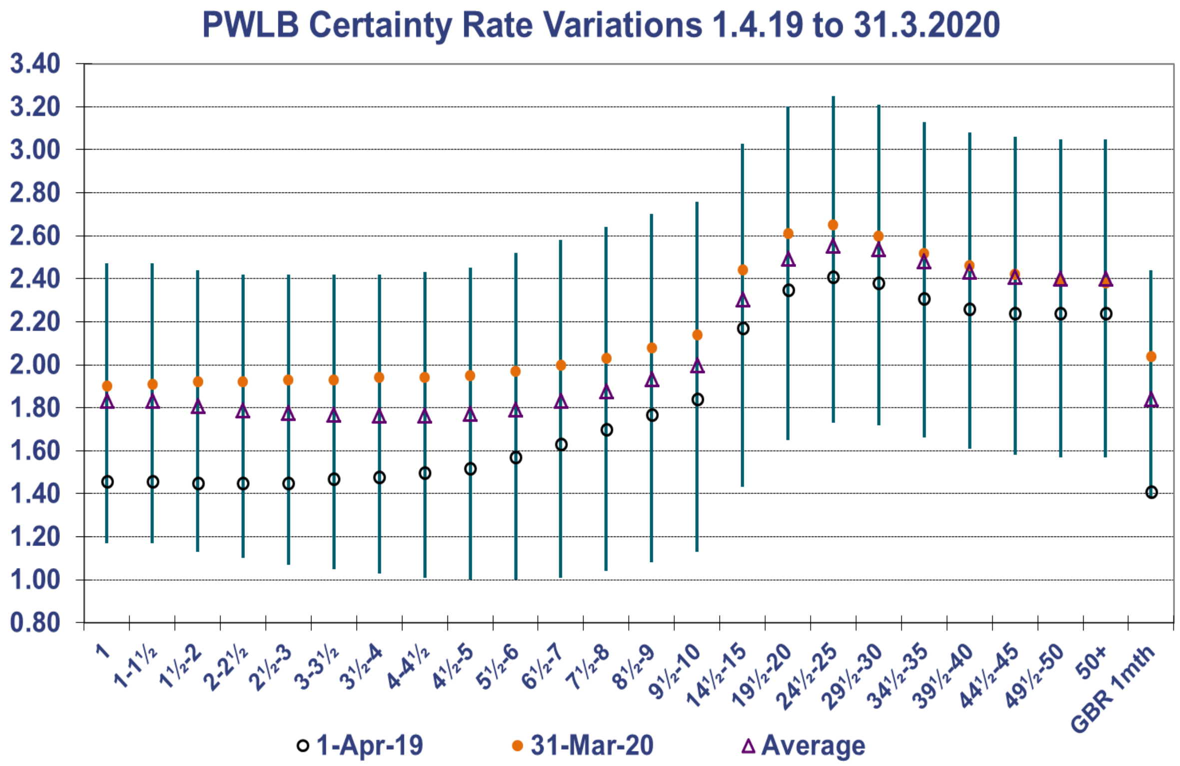
The MTFS includes budgeted income of £300k for 2020/21 (£480k pa from 2021/22) arising from investment of the full £12m budgeted, however, due to uncertainty around arrangements for Brexit and the associated impact on the economy, and then the further uncertainty and impact on property fund values as a result of the coronavirus, it has been decided to delay any further investment in property funds until there is more clarity.

Following recommendation by the Corporate Scrutiny Committee to Cabinet on 30th July it was agreed that a review of property funds is undertaken for scrutiny by the Audit and Governance Committee, before any further investments under existing delegations are made to inform the Treasury Management Mid-Year Review report for consideration by Council in December 2020. This will allow opportunity for the review to be informed by the trading experience of the property funds up to the half year, Quarter 2 of 2020/21 financial year - including the impact of the pandemic on rental income and therefore property fund returns.

**PRUDENTIAL AND TREASURY INDICATORS** **APPENDIX 1**

| **1. PRUDENTIAL INDICATORS** | **2018/19** | **2019/20** | **2019/20** |
|---|---|---|---|
| **Extract from budget and rent setting report** | **Actual** | **Original** | **Actual** |
| | | | |
| **Capital Expenditure** | **£m** | **£m** | **£m** |
| Non - HRA | 10.515 | 17.803 | 4.734 |
| HRA | 9.266 | 30.221 | 20.462 |
| TOTAL | 19.781 | 48.024 | 25.196 |
| | - | | |
| **Ratio of financing costs to net revenue stream** | % | **%** | **%** |
| Non - HRA | (6.16) | (3.01) | (9.39) |
| HRA | 29.17 | 29.39 | 27.44 |
| | - | | |
| **Gross borrowing requirement General Fund** | £m | **£m** | **£m** |
| brought forward 1 April | 0.885 | 1.037 | 0.828 |
| carried forward 31 March | 0.885 | 2.352 | 3.580 |
| in year borrowing requirement | - | 1.315 | 2.752 |
| | | | |
| **Gross borrowing requirement HRA** | £m | **£m** | **£m** |
| brought forward 1 April | 68.041 | 68.041 | 68.041 |
| carried forward 31 March | 68.041 | 75.255 | 68.533 |
| in year borrowing requirement | - | 7.214 | 0.492 |
| | | | |
| | £m | **£m** | **£m** |
| **Gross debt** | 63.060 | 63.060 | 63.060 |
| | - | | |
| **Capital Financing Requirement** | £m | **£m** | **£m** |
| Non – HRA | 0.828 | 2.235 | 3.524 |
| HRA | 68.041 | 75.255 | 68.533 |
| TOTAL | 68.869 | 77.490 | 72.057 |
| | - | | |
| **Annual change in Capital Financing Requirement** | £m | **£m** | **£m** |
| Non – HRA | (0.057) | 1.198 | 2.696 |
| HRA | - | 7.214 | 0.492 |
| TOTAL | (0.057) | 8.412 | 3.188 |
| | | | |

| 2. TREASURY MANAGEMENT INDICATORS | 2018/19 | 2019/20 | 2019/20 |
|---|---|---|---|
| | **Actual** | **Original** | **Actual** |
| | **£m** | **£m** | **£m** |
| **Authorised Limit for external debt - General Fund** | | | |
| borrowing | 5.547 | 5.235 | 5.235 |
| other long term liabilities | - | - | - |
| TOTAL | 5.547 | 5.235 | 5.235 |
| | - | | |
| **Authorised Limit for external debt - HRA** | - | | |
| borrowing | 79.407 | 79.407 | 79.407 |
| other long term liabilities | - | - | - |
| TOTAL | 79.407 | 79.407 | 79.407 |
| | - | | |
| **Operational Boundary for external debt - General Fund** | £m | **£m** | **£m** |
| borrowing | - | - | - |
| other long term liabilities | - | - | - |
| TOTAL | - | - | - |
| | - | | |
| **Operational Boundary for external debt - HRA** | £m | **£m** | **£m** |
| borrowing | 63.060 | 63.060 | 63.060 |
| other long term liabilities | - | - | - |
| TOTAL | 63.060 | 63.060 | 63.060 |
| | - | | |
| **Actual external debt** | £m | **£m** | **£m** |
| | 63.060 | 63.060 | 63.060 |




| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|---|---|---|---|---|---|
| 01/04/2019 | 1.46% | 1.52% | 1.84% | 2.41% | 2.24% |
| 31/03/2020 | 1.90% | 1.95% | 2.14% | 2.65% | 2.39% |
| Low | 1.17% | 1.00% | 1.13% | 1.73% | 1.57% |
| Date | 03/09/2019 | 08/10/2019 | 03/09/2019 | 03/09/2019 | 03/09/2019 |
| High | 2.47% | 2.45% | 2.76% | 3.25% | 3.05% |
| Date | 21/10/2019 | 19/03/2020 | 19/03/2020 | 19/03/2020 | 31/12/2019 |
| Average | 1.83% | 1.77% | 2.00% | 2.56% | 2.40% |

**20 August 2020**

**REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE**

**WRITE OFFS - 1ST APRIL 2020 - 30TH JUNE 2020**

## EXEMPT INFORMATION

None

## PURPOSE

That Members endorse the amount of debt written off for the period 1st April 2020 to 30th June 2020 and to seek approval to write off irrecoverable debt in line with policy regarding Business Rates in excess of £10k.

## RECOMMENDATIONS

It is recommended that Members:

1) Endorse the amount of debt written off for the period of 1st April 2020 to 30th June 2020 – **Appendix A-D** and approve the write off of irrecoverable debt for Business Rates of £22,693.86 – **Appendix E** respectively.

## EXECUTIVE SUMMARY

The Heads of Service are responsible for the regular review of debts and consider the need for write off and authorise where necessary appropriate write offs in line with the Corporate Credit Policy. The first part of this report shows the position for the first quarter of the financial year. Further updates will continue to be produced on a quarterly basis.

| **Type** | **01/04/20 – 30/06/20 £ p** |
|---|---|
| Council Tax | (£1,122.47) |
| Business Rates | (£6,306.66) |
| Sundry Income | £0.00 |
| Housing Benefit Overpayments | £8,208.75 |

There are no write-offs relating to income due for the period since 1st April 2020 as, due to the Covid-19 pandemic, recovery actions were suspended for Quarter 1 with a recovery plan implemented during July – starting with reminder letters being issued and negotiations regarding payment undertaken according to individual circumstances.

## OPTIONS CONSIDERED

A revised approach to the calculation of Business Rates bad debt has been developed which involves a review of all of the outstanding debts to ascertain whether they are likely to be collectable. This has then been used to determine the balance to apply the usual aged debtor percentage.

| **Business Rates** | **01/04/20 – 30/06/20 £ p** |
|---|---|
| Bad Debt provision as per NNDR 3 | (£704,760.32) |

| | |
|---|---|
| Add back reversed write-off | (£6,306.66) |
| Increased provision | (£711,066.98) |

The second part of the report is in respect of debts which are in excess of £10k.

Under Financial Regulations, debts for write-off greater than £10k require Cabinet authorisation and this report details such accounts. The amount for Business Rates is attached in **Appendix E.**

## RESOURCE IMPLICATIONS

The write offs detailed are subject to approval in line with the Corporate Credit Policy/Financial Regulations, and have been provided for under the bad debt provision calculation.

## LEGAL/RISK IMPLICATIONS BACKGROUND

Not applicable

## EQUALITIES IMPLICATIONS

Not applicable

## SUSTAINABILITY IMPLICATIONS

Not applicable

## BACKGROUND INFORMATION

This forms part of the Council's Corporate Credit Policy and effective management of debt. The Council is committed to ensuring that debt write offs are kept to a minimum by taking all reasonable steps to collect monies due. There will be situations where the debt recovery process fails to recover some or all of the debt and will need to be considered for write off in accordance with the schemes of delegation prescribed in the Corporate Credit Policy.

The Council views such cases very much as exceptions. Before writing off debt, the Council will satisfy itself that all reasonable steps have been taken to collect it and that no further recovery action is possible or practicable. It will take into account the age, size and types of debt together with any factors that it feels are relevant to the individual case.

Debt Write Off

Authorisations are needed to write off debt:

| Authority | Account Value |
|---|---|
| Executive Director/Assistant Director (or authorised delegated officer) | up to £5,000 |
| Executive Director Finance | £5,001 - £10,000 |
| Cabinet | over £10,000 |

These limits apply to each transaction.

Bad Debt Provision

The level of the provision must be reviewed jointly by the unit and Accountancy on at least

a quarterly basis as part of the management performance review, and the table below gives the mandatory calculation.
Where the debt is less than 6 months old it will be written back to the service unit.

| Debt Outstanding Period | Debt Outstanding Provision (net of VAT) % |
|---|---|
| Between 6 and 12 months old | 50% |
| Between 12 and 24 months old | 75% |
| Over 24 months old | 100% |

The financial effects of providing for Bad Debts will be reflected in the Council's accounts at Service Unit level.

## REPORT AUTHOR

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## LIST OF BACKGROUND PAPERS

Corporate Credit Policy - effective management of debt

## APPENDICES

**Appendices A to D** give details of write offs completed for Revenues and Benefits Services for 01 April 2020 to 30 June 2020.

**Appendix E** gives details of Business Rates write offs for approval.

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## Appendix A

### Summary of Council Tax Write Offs 01/04/2020-30/06/2020

| Date of Write Off | Head of Revenues (£0.00-£75.00) | Head of Revenues (£75.01-£500.00) | Head of Revenues (£500.01-£2,000.00) | Assistant Director of Finance (£2,000.01-£5,000) | Executive Director of Finance (£5,000.01-£10,000.00) | Cabinet (£10,000.01 and Over) | Remitted | Credit Write Off | Reversed Write Off | Total | No. of Accounts (Write Off Only) | Reason(s) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 02/04/2020 | | | | | | | | | (£949.15) | (£949.15) | | IVA failed |
| 20/04/2020 | | | | | | | | | (£6.62) | (£6.62) | | Dividend |
| 07/05/2020 | | | | | | | | | (£15.00) | (£15.00) | | Payment |
| 15/05/2020 | | | | | | | | | (£7.86) | (£7.86) | | Dividend |
| 18/05/2020 | | | | | | | | | (£2.99) | (£2.99) | | Dividend |
| 21/05/2020 | | | | | | | | | (£5.32) | (£5.32) | | Dividend |
| 08/06/2020 | | | | | | | | | (£134.00) | (£134.00) | | IVA failed |
| 15/06/2020 | | | | | | | | | (£1.53) | (£1.53) | | Dividend |
| **Q1 Totals** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **(£1,122.47)** | **(£1,122.47)** | **0** | |

## Appendix B

**Summary of NNDR Write Offs 01/04/2020-30/06/2020**

| Date of Write Off | Head of Revenues (£0.00-£75.00) | Head of Revenues (£75.01-£500.00) | Head of Revenues (£500.01-£2,000.00) | Assistant Director of Finance (£2,000.01-£5,000) | Executive Director of Finance (£5,000.01-£10,000.00) | Cabinet (£10,000.01 and Over) | Remitted | Credit Write Off | Reversed Write Off | Total | No. of Accounts (Write Off Only) | Reason(s) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 28/05/2020 | | | | | | | | | (£6,306.66) | (£6,306.66) | | RV reduction |
| **Q1 Totals** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **£0.00** | **(£6,306.66)** | **(£6,306.66)** | **0** | |

# Appendix C

## Summary of Sundry Income Write Offs 01/04/2020-30/06/2020

| Date of Write Off | Assistant Director of Assets (up to £5,000.00) | Assistant Director Growth & Regeneration (up to £5,000.00) | Assistant Director People (up to £5,000.00) | Assistant Director Operations & Leisure (up to £5,000.00) | Assistant Director Neighbourhoods (up to £5,000.00) | Head of Revenues (£0.00-£2,000.00) | Assistant Director of Finance (£2,000.01 -£5,000.00) | Assistant Director Partnerships (up to £5,000.00) | Executive Director of Finance (£5,000.01-£10,000.00) | Cabinet (£10,000.01 +) | Total | No. of Accounts | Reason(s) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 Totals | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | 0 | |

No write offs in Q1 of 2020/21

## Appendix D

### Summary of Benefit Overpayment Write Offs 01/04/2020-30/06/2020

| Date of Write Off | Head of Benefits (£0.00-£75.00) | (£75.01-£500.00) | (£500.01-£1,000.00) | (£1,000.01-£2,000) | Executive Director of Finance (£2,000.01-£10,000.00) | Cabinet (£10,000.01 and Over) | Reversed Write Off | Total | No. of Accounts | Reason(s) |
|---|---|---|---|---|---|---|---|---|---|---|
| 30.04.2020 | £121.23 | £96.69 | | | | | | £217.92 | 7 | not financially viable |
| " | £58.63 | £660.82 | | | | | | £719.45 | 6 | deceased < 2 wks o/s |
| " | £7.79 | | | | | | | £7.79 | 3 | uneconomical to pursue |
| " | | £630.31 | | | | | | £630.31 | 2 | deceased |
| " | £62.25 | £459.60 | | | | | | £521.85 | 2 | HB Reg100 compliant not recoverable (20 |
| 31.05.2020 | £10.35 | | | | | | | £10.35 | 2 | Uneconomical to pursue |
| " | | £293.89 | £1,448.36 | | | | | £1,742.25 | 4 | deceased |
| " | | | £489.56 | | | | | £489.56 | 1 | not financially viable |
| " | £75.03 | | | | | | | £75.03 | 1 | deceased < 2 wks o/s |
| " | | | | £2,407.24 | | | | £2,407.24 | 2 | HB Reg100 compliant not recoverable (20 |
| 23.06.2020 | | | | | | | (£46.29) | (£46.29) | | payment allocated |
| 30.06.2020 | £8.74 | | | | | | | £8.74 | 2 | uneconomical to pursue |
| " | £16.82 | | | | | | | £16.82 | 1 | not financially viable |
| " | | £652.71 | | | | | | £652.71 | 4 | deceased < 2 wks |
| " | | | £755.02 | | | | | £755.02 | 1 | HB Reg100 compliant not recoverable (20) |
| **Q1 Totals** | **£360.84** | **£2,794.02** | **£2,692.94** | **£2,407.24** | **£0.00** | **£0.00** | **(£46.29)** | **£8,208.75** | **38** | |

## Appendix E

| Ref | Name | Year | From | To | Balance | Total | Comments |
|---|---|---|---|---|---|---|---|
| 200155801 | Get-Reddi Ltd | 2018/19 | 01/07/2018 | 01/01/2019 | £11,762.72 | | |
| | | | | | | £11,762.72 | Dissolved 14/01/2020 |
| 200160507 | Coton Arms Public House Ltd | 2018/19 | 18/03/2019 | 31/03/2019 | £739.54 | | |
| | | 2019/20 | 01/04/2019 | 17/11/2019 | £10,191.60 | | |
| | | | | | | £10,931.14 | Dissolved 14/01/2020 |

**£ 22,693.86**

Verified By ____MBuckland____
Michael Buckland
Head of Revenues

Date ________20/07/20________________



Authorised By ________________
Stefan Garner
Executive Director of Finance

Date ________________________

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