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Date: 11th January 2017

Dear Sir/Madam,

A meeting of the **Policy and Resources Scrutiny Committee** will be held in the **Sirhowy Room, Penallta House, Tredomen, Ystrad Mynach** on **Tuesday, 17th January, 2017** at **5.30 pm** to consider the matters contained in the following agenda.

Yours faithfully,

A handwritten signature in blue ink that reads 'Chris Burns'.

Chris Burns
INTERIM CHIEF EXECUTIVE

A G E N D A

	Pages
1 To receive apologies for absence.	
2 Declarations of Interest.	
<p>Councillors and Officers are reminded of their responsibility to declare any personal and/or prejudicial interest(s) in respect of any business on this agenda in accordance with the Local Government Act 2000, the Council's Constitution and the Code of Conduct for both Councillors and Officers.</p>	
<p>To approve and sign the following minutes: -</p>	
3 Policy and Resources Scrutiny Committee held on 15th November 2016.	

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Correspondence may be in any language or format | Gallwch ohebu mewn unrhyw iaith neu fformat



4	Special Policy and Resources Scrutiny Committee held on 7th December 2016.	9 - 12
5	Consideration of any matter referred to this Committee in accordance with the call-in procedure.	
6	To receive a verbal report by the Cabinet Member(s).	
7	Policy and Resources Scrutiny Committee Forward Work Programme.	13 - 24
8	To receive and consider the following Cabinet Reports*: -	
	<ol style="list-style-type: none"> 1. Whole Authority Mid-Year Revenue Budget Monitoring Report 2016/17 - 16th November 2016; 2. Land at Mill Street Car Park, Risca. - 16th November 2016; 3. Draft Budget Proposals for 2017/18 - 30th November 2016; 4. Capital Bids - 30th November 2016; 5. Update on Reserves - 14th December 2016; 6. Council Tax Base 2017-2018 - 14th December 2016; 7. Cabinet Forward Work Programme - 14th December 2016. 	

**If a member of the Scrutiny Committee wishes for any of the above Cabinet reports to be brought forward for review at the meeting please contact Rebecca Barrett, 01443 864245, by 10.00 a.m. on Monday, 16th January 2017.*

To receive and consider the following Scrutiny reports:-

9	Housing Revenue Account Charges - 2017/2018.	25 - 32
10	Leaseholder Charges.	33 - 40
11	Whole Authority Revenue Budget Monitoring Report 2016/17.	41 - 56

Circulation:

Councillors L.J. Binding, Mrs P. Cook, C.J. Cuss, Miss E. Forehead, J.E. Fussell, C. Hawker, Ms J.G. Jones, G. Kirby (Vice Chair), A. Lewis, C.P. Mann, S. Morgan (Chair), Mrs G.D. Oliver, D. Rees, R. Saralis, J. Simmonds and J. Taylor

And Appropriate Officers



POLICY AND RESOURCES SCRUTINY COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON
TUESDAY, 15TH NOVEMBER 2016 AT 5.30 P.M.

PRESENT:

Councillor S. Morgan - Chair
Councillor G. Kirby - Vice-Chair

Councillors:

Mrs P. Cook, C.J. Cuss, C. Hawker, A. Lewis, C.P. Mann, Mrs G.D. Oliver, R. Saralis,
J. Simmonds

Cabinet Members:

Mrs C. Forehead (HR and Governance/Business Manager), D.T. Hardacre (Cabinet Member
for Performance and Asset Management), Mrs B. Jones (Cabinet Member for Corporate
Services), D.V. Poole (Housing)

Together with:

N. Scammell (Acting Director of Corporate Services and Section 151 Officer), S. Couzens
(Chief Housing Officer), S. Harris (Interim Head of Corporate Finance), S. Cousins (Principal
Housing Officer - Housing Portfolio), M. Betts (Tenant and Community Involvement Manager),
C. Forbes-Thompson (Interim Head of Democratic Services), E. Sullivan (Scrutiny Officer),
T. Rawson (Solicitor) and R. Barrett (Committee Services Officer)

Also present:

Ms A. Lewis and Mrs S. Jones (Tenant Representatives - Caerphilly Homes Task Group)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors L. Binding, Miss E. Forehead,
J.E. Fussell, Ms J.G. Jones, D. Rees and J. Taylor.

2. DECLARATIONS OF INTEREST

There were no declarations of interest received at the commencement or during the course of
the meeting.

3. MINUTES - 4TH OCTOBER 2016

RESOLVED that the minutes of the Policy and Resources Scrutiny Committee held on 4th October 2016 (minute nos. 1 – 11) be approved as a correct record and signed by the Chair.

4. CALL-IN PROCEDURE

There had been no matters referred to the Scrutiny Committee in accordance with the call-in procedure.

5. REPORT OF THE CABINET MEMBERS

The Scrutiny Committee received verbal reports from Councillors Mrs C. Forehead, Mrs B. Jones, D.T. Hardacre and D.V. Poole.

Councillor Mrs C. Forehead (Cabinet Member for HR and Governance/Business Manager) advised Members that the changes to Scrutiny arrangements will be evaluated during the next few months to establish the effectiveness of these arrangements against the nationally recognised characteristics of good scrutiny. There will also be a peer group observation of some Scrutiny Committees which will then be evaluated and reported to the Scrutiny Leadership Group and the Democratic Services Committee.

Councillor Mrs B. Jones (Cabinet Member for Corporate Services) informed Members that details of the 2017/18 Provisional Local Government Financial Settlement (a 0.3% reduction in Welsh Government funding for Caerphilly Council) will be provided at a forthcoming Members' Seminar, together with an update on the emerging cost pressures and savings required for 2017/18. Following presentation of the draft budget proposals to Cabinet on 30th November 2016, these will then be subject to a period of consultation, including discussion at Special Scrutiny Committee meetings.

The most significant savings proposal for 2017/18 is £3.5m, arising from a review of the Authority's Minimum Revenue Provision policy, which will be reported to the special Policy and Resources Scrutiny Committee meeting on 7th December 2016. Details of the proposed policy change will also be provided at a Members' Seminar in January 2017, together with a general update on Treasury Management issues, and proposals will then be presented to Cabinet and thereafter Council.

The Scrutiny Committee were pleased to note that the Council's Communications Team recently won the Silver Award in the LG Public Service Communications Excellence Awards 2016, with their 'Is yours a sin bin?' campaign reaching the final shortlist of 25 nominees. The Council were competing with a number of high-profile organisations and were the only Welsh entry shortlisted. Members placed on record their congratulations to the Communications Team on this prestigious achievement.

Councillor D.T. Hardacre (Cabinet Member for Performance and Asset Management) provided an update on the tender process for the former Pontllanfraith House site and responded to queries on this matter. It is anticipated that work on the site will commence in 2017 and that the developer will be responsible for the demolition of the building. Members were also advised of a number of factors that need to be considered when awarding the contract, including sustainability, build quality and value for money.

Members were informed that flood alleviation works have recently been completed in Risca, with it hoped that this will have a regeneration potential on land previously blighted by flooding. The Cabinet Member also provided an update regarding Watford Road, Caerphilly, where the Council is working in partnership with United Welsh Housing Association to develop

a new model for the provision of affordable housing. Construction work has commenced on this development of mixed tenure, with 18 units out of 34 allocated for affordable housing. Councillor D.V. Poole (Cabinet Member for Housing) updated Members on developments across the Housing Services division, including the introduction of a text messaging alert system for Repair and Surveyor appointments, and details of the three year programme to progress Welsh Housing Quality Standard (WHQS) work for 28 sheltered housing schemes.

Members were advised that internal works for the WHQS programme across Council homes are progressing well, with the in-house workforce leading the way in regards to property completion and customer satisfaction. External contractors undertaking the internal works have also begun to improve outputs and maintain quality scores. External works contracts are now in place and good progress and momentum is being achieved in catching up the slippage from previous years. Members noted that at a recent meeting between Officers and WG, it was proposed that the risk of delivering the programme by 2020 be reduced from 'red' to 'amber' in recognition of the progress that has been made and the arrangements that have been put in place to mitigate the risk.

A Member queried whether any major problems had been identified as a result of the surveys carried out across Sheltered Housing properties, and also referred to underperforming contractors in the Rhymney area. The Cabinet Member confirmed that internal works surveys have identified minimal issues that are similar in nature across properties, although it is anticipated that the external surveys will identify a greater need for works. Members were given assurances that underperforming contractors are identified and dealt with appropriately and that it is reinforced to them how a high standard and quality of work is integral to tenant satisfaction.

The Cabinet Member also referenced the development of the affordable housing scheme at Watford Road, Caerphilly, with this believed to be the first such partnership of this kind between a local authority and a housing association in the UK. Members were advised that the Council would benefit from the full market value for the site and would also receive an above market residual income from non-disposed land (comprising of an annual fee from the housing association).

Members thanked the in-house workforce for their contribution to the high customer satisfaction rating of 94% across the internal works element of the WHQS programme and the Cabinet Member confirmed that he would convey this praise to the relevant staff.

The Cabinet Members were thanked for their reports.

6. POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

Cath Forbes-Thompson (Interim Head of Democratic Services) presented the report, which outlined details of the Policy and Resources Scrutiny Committee Forward Work Programme (FWP).

Members were advised that the FWP includes all reports agreed at the meeting held on 4th October 2016 and outlines the reports planned for the period November 2016 to April 2017. Members were asked to consider the FWP alongside the Cabinet Work Programme as appended to the report and to suggest any changes.

Discussion took place regarding the items listed on the Forward Work Programme. It was agreed that Housing Service Charges be rescheduled to 6th June 2017 and that Wellbeing Objectives 2016/17 - Investment in Council Homes be added to 28th February 2017. It was also noted that the Treasury Management - Review of MRP Policy previously scheduled for 4th October 2016 had been rescheduled to the Special Policy and Resources Scrutiny Committee meeting of 7th December 2016 with the prior approval of the Chair.

It was agreed that subject to the foregoing amendments, the Policy and Resources Scrutiny Committee Forward Work Programme be published on the Council's website.

7. CABINET REPORTS

None of the Cabinet reports listed on the agenda had been called forward for discussion at the meeting.

REPORTS OF OFFICERS

Consideration was given to the following reports.

8. AN UPDATE ON THE HOUSING DIVISION'S USE OF BED AND BREAKFAST FACILITIES FOR EMERGENCY ACCOMMODATION

The Scrutiny Committee were advised that representatives from Argoed Residents for a Safer Community had been invited to the meeting but were not in attendance.

Kenyon Williams (Private Sector Housing Manager), together with Shaun Couzens (Chief Housing Officer) and Suzanne Cousins (Principal Housing Officer – Housing Portfolio) presented the report, which provided Members with an update in respect of the Housing Division's current use of Bed and Breakfast (B&B) facilities for emergency accommodation.

Members were reminded that following concerns raised at Council in April 2015 by members of Argoed Residents for a Safer Community in respect of the Authority's use of B&B accommodation for homeless persons, a Special Policy and Resources Scrutiny Committee meeting was convened on 22nd October 2015 to discuss the matter. The report presented at that meeting provided a comprehensive overview in respect of the use of B&B accommodation within the county borough for households presenting to the Authority as homeless and the statutory obligations placed on the Authority. Presentations were also received from Cornerstone Support Services and Argoed Residents for a Safer Community. Following extensive debate on the issue, it was agreed that the use of B&Bs as emergency accommodation should be brought back to a future meeting of the Policy and Resources Scrutiny Committee for further review.

The latest report outlined the efforts that have been undertaken since October 2015 in the strive to move away from the use of B&Bs for emergency accommodation and informed Members as to the current position of the Authority in this regard.

Members were advised that the Council has a statutory duty to provide emergency accommodation for persons identified as being homeless and in priority need. A list of these priority need categories was appended to the report. Since November 2014 the Authority has made a conscious effort to reduce its reliance on B&B accommodation for emergency housing. This has been progressed by the creation and use of additional supported accommodation located at Ty'r Fesen in Caerphilly, Ty Croeso in Newbridge, Maes y Derwen in Tredomen and the Countryman in Bedwellty. This increase in availability has significantly reduced the average number of persons placed in B&Bs at any one time (from 30-35 persons in November 2014 down to 5 persons during 2016).

Whilst this is a notable achievement, Officers are actively continuing their efforts to identify additional supported accommodation so as to further reduce reliance on B&B accommodation. The Council recently secured a block of self-contained flats located at Llŷs Tabernacle in Rhymney, and following approval by Cabinet to progress a partnership arrangement between the Authority and Wales and West Housing, the building was converted

to a 12-room supported living facility, which officially opened under the new name of “Idris Davies House” on 31st October 2016.

It was expected that this additional facility would have almost certainly placed the Authority in a position whereby future B&B use would be unlikely or at best minimal. However, concerns have now been raised which has seen the Authority having to discontinue its use of the Countryman. A recent inspection by HM Inspectorate of Probation, Ofsted (Social Care) and the Care and Social Services Inspectorate Wales (CCSIW) was extremely critical of the premises and cited the building’s location and state of disrepair as contributing to the facility’s inability to provide supported accommodation of an acceptable standard. The young people at these premises have now been relocated to Maes y Derwen. The effect of this is that even with Idris Davies House now available there is an overall loss of 2 rooms for emergency housing, which is obviously disappointing.

Officers also outlined progress on the development of a Social Lettings Agency, which was intended as a future response to homelessness and a positive mechanism to further reduce the reliance on B&B accommodation, via the use of private sector properties through a partner housing association and providing affordable tenancies with support. Unfortunately, interest from private sector owners has been relatively slow. To date only 5 properties have been secured and 2 of these were diverted to assist with the Syrian refugee programme. This initiative is currently being supported by funds provided by Welsh Government Transitional funding for which ongoing commitment has not been secured and which will end on 31st March 2018. Officers are therefore closely monitoring progress with this initiative.

In conclusion, Officers explained that the Authority has made meaningful progress in its efforts to reduce its reliance on B&Bs for emergency accommodation and, were it not for the unforeseen concerns raised in respect of the continued use of the Countryman, the Authority would almost certainly be reporting at this time that the use of B&B (other than in extreme circumstances) had ceased. Unfortunately the Countryman issue means that the Authority still needs to source additional supported accommodation to properly address client needs and so Officers are actively working with Housing Association partners in an effort to secure the provision of a suitable facility as a matter of urgency.

Members were asked to note that impending Housing Benefit caps will pose a threat to a number of households who currently rent their properties. It is estimated that this welfare reform will affect approximately 200 families, which could potentially increase the incidence of evictions. This may bring further pressures in respect of the availability of supported accommodation, especially in the case of family accommodation which is currently only available at Ty’r Fesen. Trends therefore need to be carefully monitored to ensure that the provision of supported accommodation is sufficient to cope with any additional demand that may arise. Additionally, the activities outlined in the report to manage instances of homelessness are potentially under threat as a result of the uncertainty of future funding (including Welsh Government Transitional funding and Supporting People funding). There is also the financial implication of void costs in supported accommodation should the Authority successfully move away from the use of B&B accommodation.

The Officers were thanked for the report and discussion took place on its contents. Further information was sought regarding the Countryman inspection and Officers explained that there had also been concerns surrounding the mixture of ages at the premises and the general suitability of the facility for young people. Due to its location, the Authority would not be looking to reintroduce it as supported accommodation in the future. Officers also explained that other supported accommodation locations can be adapted to support the zoning of age groups as and when needed.

A Member referred to damage caused by service users at the Countryman and asked if appropriate action had been taken regarding the matter. They also expressed a need for community engagement strategies to be examined in relation to supported accommodation schemes. Officers explained that service users are expected to abide by the rules established

by the supported living provider and the proprietor and that they may be asked to leave the scheme if these are contravened. Officers also acknowledged the importance of community engagement and establishing community groups in cases where there have been concerns surrounding supported accommodation premises.

Discussion took place regarding the list of priority need categories of households who may present to a local authority as homeless and whether certain cases would meet this criteria. Officers confirmed that due consideration would be given to the circumstances surrounding each case, together with relevant legislation, to determine whether they meet the criteria.

Reference was made to a letter sent to Welsh Government following the Special Policy and Resources Scrutiny Committee meeting of 22nd October 2015 which emphasised the importance of Transitional funding and Supporting People funding in preventing homelessness and reducing the use of bed and breakfast accommodation. It was agreed that a follow-up letter on this matter would be sent to Welsh Government on behalf of the Scrutiny Committee.

Having given due consideration to the report, Members agreed that its contents be noted. It was also agreed that a progress report on supported accommodation would be presented to the Scrutiny Committee once further information is available.

9. UPDATE ON RESERVES

Steve Harris (Interim Head of Corporate Finance) presented the report, which provided details of the usable reserves held by the Authority and asked Members to consider proposals for the use of reserves in some areas, prior to them being presented to Cabinet for approval.

It was explained that the usable reserves held by the Authority as at the 1st April 2016 totalled £122.622m, with details of these set out at Appendix 1 of the report. The report also summarised details of these reserves, which are held across a number of areas (General Fund, Housing Revenue Account, Capital Reserves and individual directorates).

Members were advised that the actual General Fund opening balance as at the 1st April 2016 was £12.615m and after adjusting for the approved use of these balances during 2016/17, the projected balance as at the 31st March 2017 currently stands at £11.155m. This balance is above the minimum recommended level of £10m, which is circa 3% of the Authority's net revenue budget. The HRA usable reserves balance as at the 1st April 2016 was £21.218m, which is ring-fenced and cannot be transferred into General Fund balances. Most of this funding will be utilised for the Welsh Housing Quality Standard (WHQS) Capital Programme. Capital Reserves totalled £39.156m as at the 1st April 2016 and these are ring-fenced for the Authority's Capital Programme, including approved matched funding for 21st Century Schools. Members were advised that capital reserves will be subject to a detailed review over the coming months and the outcome will be reported to the Scrutiny Committee in due course.

Sections 4.5 to 4.8 of the report provided details of the individual reserves held across each directorate as at the 1st April 2016 (totalling £49.633m). Following a review of these balances the report recommended that some uncommitted reserves should be released to General Fund balances.

Members were also advised that the Reserves Strategy approved by Cabinet on the 27th July 2016 introduced a cap on the cumulative amount that can be held by Directorates in service underspend reserves. This cap is set at 3% of the net revenue budget for each Directorate. Where this is exceeded, then proposals must be presented to utilise the excess or a justification must be made to hold the reserves above the 3% level. Paragraph 4.9.3 of the report outlined proposals to utilise or retain the excess accumulated underspend reserves for Corporate Services, Education and Lifelong Learning and Social Services. Members noted

that at its meeting on the 19th October 2016, Cabinet agreed to utilise £247k of the retained underspend of £305k for the Environment Directorate to part-fund capital overspends.

A Member sought clarification on the balances held within the Housing Revenue Account and it was agreed that further information on this matter would be circulated to the Scrutiny Committee following the meeting. A query was also received regarding the progress made against the Authority's investments and Officers explained that despite uncertainties regarding the current economic climate, the returns on these investments have generally been encouraging.

Following consideration of the report, it was moved and seconded that the following recommendations be referred to Cabinet for approval. By a show of hands, this was unanimously agreed.

RECOMMENDED to Cabinet that:-

- (i) the contents of the report be noted;
- (ii) an earmarked reserve of £150k be established from the Local Management of Schools Contingency in respect of targeted support to raise GCSE attainment levels;
- (iii) the following reserves be released into General Fund balances:- Corporate Services - Policy (£32k), Corporate Services - Recruitment Advertising and Legal Costs (£133k), Corporate Services - Housing Benefits (£100k) and Education and Lifelong Learning - Service Initiatives Reserve (£28k);
- (iv) accumulated underspend reserves above the 3% cap be utilised as detailed in the table in paragraph 4.9.3 of the report.

10. COMPLAINTS AND REPRESENTATIONS – CAERPHILLY HOMES

The Chair welcomed Ms Anna Lewis and Mrs Sandra Jones from the Caerphilly Homes Task Group to the meeting.

Mandy Betts (Tenant and Community Involvement Manager) presented the report, which provided information on the complaints and representations received by the Authority's Housing Customer Services Section from 1st April 2015 to 31st March 2016. The report had previously been considered and discussed at the Caerphilly Homes Task Group meeting of 3rd November 2016.

It was explained that the monitoring of complaints and representations is carried out to provide information on the level of satisfaction with the service provided by Caerphilly Homes. The results enable Managers to focus on areas of concern to improve service and monitor performance and ensure that similar problems are avoided in the future. The corporate complaints procedure places an emphasis on learning from complaints and there have been examples of complaints which have led to changes in policies and procedures, which were detailed in the report.

Officers provided an overview of the contacts received between 1st April 2015 and 31st March 2016. Full details were contained in the report and included the contact type and the relevant service category. During 2015/16 a total of 559 contacts were received from the public compared to 520 contacts for the same period in 2014/15. Records are also kept of any praise or thanks received by Caerphilly Homes, and in 2015/16 there were 78 such contacts recorded compared to 44 for 2014/15. Officers also outlined the Stage 1 and Stage 2 complaints received for 2015/16 and their outcomes (not upheld, partially upheld or upheld),

together with details of those complaints referred to the Ombudsman. 81 Stage 1 complaints were recorded in 2015/16 which is an increase on the 60 complaints received in 2014/15. The majority of these complaints related to housing management issues and WHQS internal works. It was noted that the level of Stage 2 complaints remained unchanged from 2014/15 (36 complaints) and of these, 19 had progressed from Stage 1.

Of the 36 Stage 2 complaints responded to, 6 were referred to the Public Services Ombudsman for Wales. None were investigated but one 'quick fix' was agreed and the Ombudsman was satisfied with the Council's approach to resolving the case. The recharge under dispute was withdrawn and practices regarding out of hours calls were reviewed, with these changes detailed in the report.

Members noted the response target times detailed in the report and the efforts of the Customer Services Section and Housing staff in responding to contacts within the corporate timescales. 94% of complaints and representations were responded to within the agreed timescales in 2015/16, which remains unchanged from 2014/15.

The report also provided examples of how Council has learned from complaints and the changes that have been made to the appropriate procedures. In respect of complaints relating to repair recharges made to tenants, a revised appeals procedure incorporating the use of an independent Recharge Review Panel was introduced in July 2016.

During the course of the ensuing debate, a Member explained that they do not always receive feedback in cases where they act as an advocate for the complainant. Officers acknowledged the importance of ensuring that Members receive a response in such instances. Members were also asked to note that the level of complaints remains very low in general, given the extensive WHQS works that are being undertaken across the county borough.

Having given due consideration to the report, the Scrutiny Committee noted its contents.

The meeting closed at 6.40 pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 17th January 2017, they were signed by the Chair.

CHAIR



POLICY AND RESOURCES SCRUTINY COMMITTEE

**MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON
WEDNESDAY, 7TH DECEMBER 2016 AT 5.30 P.M.**

PRESENT:

Councillor S. Morgan - Chair
Councillor G. Kirby - Vice Chair

Councillors:

Councillors L. Binding, C.J. Cuss, Miss E. Forehead, C. Hawker, Ms J.G. Jones, A. Lewis, C.P. Mann, Mrs G.D. Oliver, D. Rees, J. Simmonds and J. Taylor.

Cabinet Members:

Councillors Mrs C. Forehead (HR & Governance/Business Manager), D.V. Poole (Housing), Mrs B. Jones (Corporate Services).

Together with:

N. Scammell (Acting Director of Corporate Services and S151), S. Harris (Interim Head of Corporate Finance), C. Forbes-Thompson (Interim Head of Democratic Services) and C. Evans (Committee Services Officer).

Also Present:

M. Swallow (Arlingclose).

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Mrs P. Cook, J.E. Fussell, D.T. Hardacre (Cabinet Member for Performance and Asset Management) and R. Saralis.

2. DECLARATIONS OF INTEREST

There were no declarations of interest received at the commencement or during the course of the meeting.

REPORTS OF OFFICERS

Consideration was given to the following reports.

3. REVIEW OF MINIMUM REVENUE PROVISION POLICY

The report provided Members with details of options for proposed changes to the Council's Minimum Revenue Provision (MRP) policy, along with an opportunity to comment upon the options presented prior to subsequent consideration by Cabinet and Council in January 2017.

Members noted that the MRP is the method by which Local Authorities charge their revenue accounts over time with the cost of their capital expenditure that was originally funded by debt. From 2007/8 onwards, Local Authorities have been free to set their own policy on calculating MRP, with the sole legislative proviso being that the amount calculated must be one that the Council considers to be "prudent".

The 2017/18 Draft Budget Proposals presented to Cabinet on 30th November 2016 included a savings proposal of £3.5m to be achieved through a review of the Council's MRP policy.

The Council's current policy for capital expenditure funded from supported borrowings is for MRP to be charged to revenue at 4% in accordance with the Capital Financing Requirement (CFR) Method on a reducing balance basis. Based on an opening supported borrowing CFR of £175.746m as at the 1st April 2016, the 2016/17 MRP charge for supported borrowings is £7.030m.

The Council currently adopts the Asset Life approach using the Equal Instalment Method for capital expenditure funded by unsupported (prudential) borrowing. This allows a charge to revenue over a 25 year period, which is deemed to be the estimated useful life. The charge is applied on a straight-line basis. Based on an opening unsupported borrowing CFR of £16.073m as at the 1st April 2016, the 2016/17 MRP charge for unsupported borrowings is £0.831m.

Members were asked to consider two alternative options available for charging the MRP on supported and unsupported borrowings i.e. the Straight Line Method and Annuity Method, based on the following: -

- Historic debt liability as at the 31st March 2007 and subsequent capital expenditure funded from supported borrowings to be charged to revenue over 50 years.
- The MRP charge for individual assets funded through unsupported borrowing to be based on the estimated life of each asset or 25 years where this cannot be determined.
- An assumed annuity rate of 2% for supported borrowing.
- The annuity rate for unsupported borrowing to be based on the average PWLB interest rate for new annuity loans in the year that an asset becomes operational.

An immediate recurring saving of circa £3.5m is available to support the 2017/18 revenue budget through adopting either of the proposed options. In addition to the revenue budget saving the straight-line approach will generate additional one-off sums of circa £3.8m in 2016/17 and £0.232m in 2017/18 to support the Capital Programme. The annuity approach will generate an additional one-off sum of circa £5.5m in 2016/17 and additional annual one-off sums to support the Capital Programme for a number of years as detailed in paragraph 4.6.8 of the report. The total MRP charge required to fully extinguish the CFR is the same under both the straight-line and annuity methods.

The Committee thanked the Officers for the detailed report and explanation and were asked to note that consultation has been conducted with Trade Unions, who were in agreement with the proposed changes.

Members expressed concerns regarding the impact of the proposed changes on future generations. Members were assured that this has been considered and that the proposals in the report essentially seek to charge MRP to the revenue account over a period which is commensurate with the estimated lives of assets. This approach ensures that the charge is applied over the period that benefit is being gained from the use of assets.

Following discussion on the content of the report, it was moved and seconded that the principles of the report be agreed, in favour of annuity being applied to both supported and unsupported borrowing. By a show of hands (and in noting that there were 4 against) this was agreed by the majority present.

RESOLVED that: -

- (i) It be noted that a Member Seminar has been scheduled for the 12th January 2017 to enable all Members to be fully briefed on the proposed changes and to provide a further opportunity for views to be expressed and for questions to be raised.
- (ii) It be noted that a further report on proposed changes to the MRP policy be subsequently presented to Cabinet on the 18th January 2017 and then Council on the 24th January 2017.

4. DRAFT BUDGET PROPOSALS FOR 2017/18

The report, which was presented to Cabinet on 30th November 2016, provided Members with details of draft budget proposals and draft savings proposals for the 2017/18 financial year, to allow for a period of consultation prior to a final decision in February 2017.

Members noted the headline issues in the Provisional Financial Settlement, which was published on 19th October 2016 and the 2017/18 Draft Proposals including a proposal that Council Tax is increased by 1%. The report provided details of Whole Authority Cost Pressures (totalling £2.745m), Inescapable Service Pressures (totalling £6.186m), and the Reduction in Welsh Government Funding (totalling £0.608m). In addition, the report outlined the Draft Savings Proposals for 2017/18 (totalling £8.653m) and Council Tax Uplift ((1%) totalling £0.886m), which will ensure that a balanced budget is deliverable for 2017/18.

The report provided details of significant pressures being experienced in Social Services due to the implementation of the National Living Wage from April 2016 and increasing demand on services. As a consequence of this, the Draft Budget Proposals for 2017/18 include an additional £3.5m for Social Services.

Although the Provisional 2017/18 Financial Settlement is much better than originally anticipated, the cost pressures identified in the report result in a net savings requirement of £8.653m. Table 6 provided details of the draft savings proposals that, alongside the proposed increase of 1% in Council Tax, will enable a balanced budget to be achieved.

A Member sought clarification on the proposals for Additional Holiday Pay for staff working variable hours and concerns were raised that the estimated £425k was too low and sought further information on the anticipated impact. Officers assured Members that at present, these figures are all based on assumptions. In addition, Members were asked to note that this applies to part-time staff that may be working additional hours and ensuring that the correct holidays have been applied to the number of hours worked.

Members sought further information on the Apprenticeship Levy. Officers explained that there is still no clear guidance from Welsh Government in reference to the Apprenticeship Levy, but it is hoped that further updates could be provided in due course.

A Member sought further information on the Bowling Green Rationalisation, as outlined in the report. Officers explained that there have been staff changes, as agreed at meetings earlier in the year, however, further information would be sought from the responsible Officer and provided to the Committee.

Following consideration and discussion, it was moved and seconded that the principles in the report be agreed. By a show of hands (and in noting there were 4 abstentions) this was agreed by the majority present.

RESOLVED that for the reasons contained in the Officer's report: -

- (i) the draft 2017/18 budget proposals including the proposed savings totalling £8.653m be endorsed;
- (ii) the proposal to increase Council Tax by 1% for the 2017/18 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,011.96) be agreed;
- (iii) the draft budget proposals be subject to consultation prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.

The meeting closed at 6:31 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 17th January 2017, they were signed by the Chair.

CHAIR



POLICY AND RESOURCES SCRUTINY COMMITTEE – 17TH JANUARY 2017

SUBJECT: POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER

1. PURPOSE OF REPORT

1.1 To report the Policy and Resources Scrutiny Committee Forward Work Programme

2. SUMMARY

2.1 Forward Work Programmes are essential to ensure that Scrutiny Committee agendas reflect the strategic issues facing the Council and other priorities raised by Members, the public or stakeholders.

3. LINKS TO STRATEGY

3.1 The operation of scrutiny is required by the Local Government Act 2000 and subsequent Assembly legislation.

4. THE REPORT

4.1 The Policy and Resources Scrutiny Committee forward work programme includes all reports that were identified at the scrutiny committee meeting on 15th November 2016. The work programme outlines the reports planned for the period January 2017 to June 2017.

4.2 The forward work programme is made up of reports identified by officers and members and has been prioritised into three priority areas, priority 1, 2 or 3. Members are asked to consider the work programme alongside the cabinet work programme and suggest any changes before it is published on the council website. Scrutiny committee will review this work programme at every meeting going forward alongside any changes to the cabinet work programme or report requests.

4.3 The Policy and Resources Scrutiny Committee Forward Work Programme is attached at Appendix 1. The cabinet work programme is attached at Appendix 2.

5. EQUALITIES IMPLICATIONS

5.1 There are no specific equalities implications arising as a result of this report.

6. FINANCIAL IMPLICATIONS

6.1 There are no specific financial implications arising as a result of this report.

7. PERSONNEL IMPLICATIONS

7.1 There are no specific personnel implications arising as a result of this report.

8. CONSULTATIONS

8.1 There are no consultation responses that have not been included in this report.

9. RECOMMENDATIONS

9.1 That Members consider any changes and agree the final forward work programme prior to publication.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To improve the operation of scrutiny.

11. STATUTORY POWER

11.1 The Local Government Act 2000.

Author: Catherine Forbes-Thompson, Interim Head of Democratic Services
Consultees: Gail Williams, Interim Head of Legal Services and Monitoring Officer
Nicole Scammell, Acting Director Corporate Services and Section 151 Officer

Appendices:
Appendix 1 Policy and Resources Scrutiny Committee Forward Work Programme
Appendix 2 Cabinet Work Programme

Policy & Resources Scrutiny Committee Forward Work Programme January 2017 to June 2017			
Meeting Date: 17 January 2017			
Subject	Purpose	Key Issues	Witnesses
HRA Charging Report (P1)	To advise members of Scrutiny of proposed forthcoming charges for 2017/18 and in particular any increased charges relating to the Housing Revenue Account prior to seeking Cabinet approval.	Charges that will be incorporated within the report will include:- <ul style="list-style-type: none"> • Council house rents • Garage rents • Service charges relating to Sheltered Housing Schemes 	Shaun Couzens
Whole Authority Budget Monitoring Report 2016/17	To inform Members of projected whole-authority revenue budget expenditure for the 2016/17 financial year.	The report will provide information on the position of the whole-authority in respect of revenue budget monitoring for 2016/17. Detailed reports will already have been presented to Scrutiny Committees throughout the financial year. Consideration will be given to actual expenditure and income to date. A projection will be made of the likely outturn (year-end) position and where significant variations against budget are identified these will be commented upon.	Interim Head of Corporate Finance – Stephen Harris
Leaseholder Consultation Report (P3)	To provide a further report on leaseholder charges as requested by Scrutiny members	Key Issues will include:- <ul style="list-style-type: none"> • Leaseholder legislation • Leaseholder process, including procurement, consultation, nomination options, costs and payment options • Best Practice 	Shaun Couzens

Meeting Date: 28 February 2017			
Subject	Purpose	Key Issues	Witnesses
WHQS Programme Re-profiling and associated Capital Programme (P1)	To review progress with the implementation of the WHQS Programme, re-profile over the remaining years where necessary, and set out a capital programme budget for 2017/18.	To consider the implications of slippage within the internal and external works programmes, establish if works need to be re-phased. Examine the implications on the community sequence and potential overlaps between internal and external works. Review the resourcing issues given the commitment to deliver the WHQS Programme by 2020.	Shaun Couzens
HRA Budget Monitoring Report (P2)	To provide Scrutiny members with an update on expenditure of the Housing Revenue Account budget for the first six months of the year	Key issues include:- <ul style="list-style-type: none"> • Identifying the overall budget available for the delivering the Housing Service • Highlight any budget variations including projected overspends and underspends • Provide an indication of the revenue contribution to the Capital Programme 	Shaun Couzens
Wellbeing Objectives 2016/17 - Investment in Council Homes	To provide a 6 months update of progress against the Councils highest priorities identified within the Councils Corporate Plan 2016.	To provide an update against the Well-being Objective action plan using the Council Ffynnon scorecard which provides PI data regarding completion of internal and external works programmes and adds information on peoples satisfaction with the internal works. The update of the WBO should also identify any emerging slippage or additional progress against the action plan	

Meeting Date: 11 April 2017			
Subject	Purpose	Key Issues	Witnesses

Meeting Date: 6 June 2017			
Subject	Purpose	Key Issues	Witnesses
Housing Service Charges (P2)	To present to Scrutiny proposals for the de-pooling of service charges in sheltered housing schemes and the introduction of service charging for provision of new services for general needs tenants	Key issues include: <ul style="list-style-type: none"> • Limitations on the Council’s ability to introduce service charges arising from the current tenancy agreement. • The implications of the Housing (Wales) Act 2014 as it relates to service charging of tenants of sheltered housing schemes. • Potential financial impact of de-pooling on tenants of sheltered schemes and associated implications for future viability of a number of schemes. 	Shaun Couzens

Meeting Date: to be confirmed			
Subject	Purpose	Key Issues	Witnesses
Care & Repair Merger (P2)	This is an information report to provide members with details of the merger of the Care and Repair Service between Caerphilly and Blaenau Gwent	To advise members on the new arrangements as a result of the merger	
HR Policies and Welsh Language Standards 99-119 *NEW*	A number of HR related standards require internal HR policies to reflect the legal right of staff to be able to have internal discussions and paperwork relating to their employment available in Welsh. This report should be seen by Scrutiny, prior to Cabinet and Full Council. There will need to be a change to a number of HR policies. It is envisaged that a single report may cover all changes.	A generic overarching approach will be adopted to revise all affected HR policies in the same way. The report will cover how this approach will allow the authority to meet its legal requirements in complying with the Welsh Language Standards. The affected policies and the cross matching to each relevant standard will be explained in the report	Senior Policy Officer (Equalities and Welsh Language) Head of Human Resources This report will be drafted as a Corporate Services report since it relates to HR issues

Cabinet Forward Work Programme

APPENDIX 2

18TH JANUARY 2017	Key Issues	Service Area
<p>Welsh Language 5-Year Strategy</p> <p>Strategaeth 5 Mlynedd yr Iaith Gymraeg</p>	<p>The Welsh Language Standards require the authority to produce a 5 year Welsh language strategy that sets out a target to maintain, or improve, the number of Welsh speakers in the area and the steps that will be taken to achieve the target. The strategy has been developed with local partners but must be adopted by the local authority.</p>	<p>Public Protection</p>
<p>Treasury Management - Review of MRP Policy.</p> <p>Rheolaeth Y Trysorlys – Adolygiad o'r Polisi Isafswm y Ddarpariaeth Refeniw.</p>	<p>This report will set out options for revising the Minimum Revenue Provision (MRP) Policy to identify potential savings to support the Medium Term Financial Plan (MTFP).</p>	<p>Corporate Finance</p>
<p>Outcome of Informal Consultation on the Provisions to be Included in a Public Spaces Protection</p> <p>Canlyniad yr Ymgynghoriad Anffurfiol ar Ddarpariaethau i gael eu cynnwys yn y Gorchymyn Diogelu Mannau Cyhoeddus sy'n ymwneud â Rheoli</p>	<p>To provide an update on the outcome of the informal public consultation and to seek Members' views on proposed Public Spaces Protection Orders.</p>	<p>Public Protection</p>
<p>Newbridge School Specialist Resource Base</p> <p>Canolfan Adnoddau Arbenigol Ysgol Trecelyn</p>	<p>Following notification from the Governing Body of Newbridge School that they no longer wished to host the behaviour specialist resource base (SRB) at the school, the local authority needs approval from Cabinet to proceed with the consultation to close the SRB.</p>	<p>Education</p>
<p>Lansbury Park Private Sector Capital Funding.</p> <p>Cyllid Cyfalaf y Sector Preifat Parc Lansbury</p>	<p>To seek Cabinet approval to deploy funds from the Private Sector Housing Capital Programme to assist private owners at Lansbury Park to partake in the external wall insulation scheme planned for Council properties during 2016/17 and 2017/18.</p>	<p>Housing Services</p>

Cabinet Forward Work Programme

APPENDIX 2

<p>Rowan Place, Rhymney – Proposed Demolition of Flats – Block 65-68</p> <p>Lle Rowan, Rhymni - Dymchwel Fflatiau Arfaethedig - Bloc 65-68</p>	<p>To seek Cabinet approval to demolish an additional block of flats in Rowan Place, Rhymney in conjunction with the improvement of the physical condition of the estate.</p>	<p>Housing Services</p>
<p>CABINET AS TRUSTEES OF BLACKWOOD MINERS INSTITUTE</p>		
<p>18TH JANUARY 2017</p>	<p>Key Issues</p>	<p>Service Area</p>
<p>Blackwood Miners Institute Annual Report and Statement of Accounts 2014/2015 and 2015/2016</p> <p>Adroddiad Blynyddol a Datganiad o Gyfrifon Sefydliad y Glowyr Coed Duon 2014/2015 a 2015/2016</p>	<p>To receive the Annual Report and accounts for the period 2015/2016 and 2014/2015 prior to submission to the Charity Commission</p>	<p>Economic Development</p>
<p>1ST FEBRUARY 2017</p>	<p>Key Issues</p>	<p>Service Area</p>
<p>Housing Revenue Account Charges – 2017/2018</p> <p>Taliadau Cyfrif Refeniw Tai 2017/2018</p>	<p>To seek Cabinet approval for proposed forthcoming charges for 2017/18 and in particular any increased charges relating to the Housing Revenue Account. Charges include: Council house rents and garage rents.</p>	<p>Corporate Finance</p>
<p>Children’s Burial Fees</p>	<p>To seek the views of Cabinet on the current pricing policy for the interment of children within our municipal cemeteries and to provide options for Members to consider.</p>	<p>Communities</p>

Cabinet Forward Work Programme

APPENDIX 2

15TH FEBRUARY 2017	Key Issues	Service Area
Budget Proposals 2017/18 and Medium-Term Financial Strategy 2017/22	To seek Cabinet endorsement of final 2017/18 budget proposals prior to consideration by Council on the 22nd February 2017.	Corporate Finance
1ST MARCH 2017	Key Issues	Service Area
Corporate Plan (Well-Being Objectives)	To present to Cabinet (1st March 2017) the Council's draft Corporate Plan for 2017/18 and to seek the views and approval of Cabinet prior to its presentation to Council on 7th March 2017.	Public Protection
15TH MARCH 2017	Key Issues	Service Area
Rhymney 3-18 All Through School	To apprise Members of the outcome of the consultative process to establish a Rhymney 3-18 All Through School and determine whether to proceed to publish a statutory notice.	Education
Cabinet Forward Work Programme Blaenraglen Waith y Cabinet	To seek Cabinet endorsement of the Forward Work Programme for the period April 2017 to June 2017.	Democratic Services
EAS Business Plan	This report presents the South East Wales Education Achievement Service (EAS) Business Plan.	Education
21ST JUNE 2017	Key Issues	Service Area
Rhymney 3-18 All Through School	To make a final decision on the proposal to establish a Rhymney 3-18 All Through School.	Education
WHQS Re-profiling and Associated Capital Programme	To review progress with the implementation of the WHQS Programme, re-profile over the remaining years, where necessary, and set out a capital programme budget for 2017/18.	Housing Services

Cabinet Forward Work Programme

APPENDIX 2

CABINET AS TRUSTEES OF BLACKWOOD MINERS INSTITUTE		
2ND AUGUST 2017	Key Issues	Service Area
Blackwood Miners Institute	To receive an update report.	Economic Development

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POLICY AND RESOURCES SCRUTINY COMMITTEE – 17TH JANUARY 2017

SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2017/2018

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 For Members to consider and take a view on the increased Housing charges proposed in this report, prior to consideration by Cabinet on the 1st February 2017. The charges predominantly focus on council house rents and are intended to be effective for the Housing Revenue Account (HRA) for the 2017/18 financial year.

2. SUMMARY

- 2.1 Members will be aware that the preparation of the Housing Revenue Account (HRA) budget is quite separate to the work involved in setting the General Fund Budget and Council Tax. The HRA is funded by rental income received from council tenants rather than the Council Tax Payer. Whilst there is a clear separation of these funds, the majority of council tenants rent is funded from housing benefits which is derived from the tax payers purse, therefore value for money must always be sought. We charge our council tenants rent over a 48 week basis but The Welsh Government (WG) base their rents on a 52 week basis so this report shows the 52 week equivalent.

- In previous years WG determined the annual guideline rent increases. The standard uplift policy for Local Authorities used to be based on the previous September Retail Price Index (RPI) plus a 2% real increase in support of rent convergence. The Minister for Housing and Regeneration has recently changed this uplift policy as part of the new Policy for Social Housing Rents. The new rent policy came into effect from April 2015 and was accepted by Members in the 2015/16 HRA charges report. The policy sets a target rent band for each Authority and if the average weekly rent is below the target rent, the Authority will have to increase average rents, and if the average is above the target rent, average rents will increase at a lower rate, to bring the rent back within the target envelope.
- The uplift on the new rent policy is fixed for five years and uses the previous September Consumer Price Index (CPI) inflation figure (as opposed to the RPI inflation figure) and also applies a 1.5% real increase to the average local authority rent. The previous September CPI inflation figure was 1%. WG announced the minimum rent uplift for 2017/18 to be 2.5% which is CPI at 1% plus 1.5%. This increase applied to our current average rent means we are just within the low end of the target rent

- 2.2 The responsibility for setting the rents for individual dwellings remains with the individual landlords, however the new policy sets a target rent band for each landlord who will be required to operate with average weekly rent levels that fall within the scope of those bands. The new policy is intended to provide landlords with a continuing measure of discretion over

their overall rent levels and there is no proposal to alter Caerphilly CBC's current rent structure for the 2017/18 rent charges, only to apply an increase that is within the new policy and also supports the Housing Business Plan.

- 2.3 The target rent bands provide a low end figure, a mid-point and a high end figure for each landlord. The average weekly rent level for each landlord is compared to the target rent band and the difference dictates what level the rent needs to be adjusted to fall within the target rent band.
- 2.4 In order to meet the deadlines for advising tenants of increases in rents and other charges, the increases have to be determined and fully agreed by 17th February 2017. All charges must be formally agreed (including call in period) by this date or it will not allow sufficient time for notice of increase to tenants, which is a legal requirement. This would result in a weekly loss in rent of about £30k (based on a 3% increase).
- 2.5 All relevant charges are highlighted within this report detailing the amount of additional income that would be generated (excluding voids) if the proposed increases were implemented, along with the percentage of service users receiving housing benefit.
- 2.6 The report also includes proposals for garage rent increases.

3. LINKS TO STRATEGY

- 3.1 The recommendations within this report provide the council with additional income that will be used to supplement existing funding arrangements to provide management, repair and improvement of the housing stock. This funding is used to maximize the resources available to assist in meeting and maintaining the WHQS. The rent increase is applied equally to all tenants. The report therefore links to the following strategic objectives:
 - Improving Lives and Communities: Homes in Wales (Welsh Government, 2010) which sets out the national context on meeting housing need, homelessness and housing related support services.
 - Caerphilly Delivers (Single Integrated Plan 2013): P2 "improve standards of housing and communities, giving appropriate access to services across the county borough".
 - IO5: Investment in Council homes to transform homes, lives and communities (WHQS)
 - People, Property & Places: A Local Housing Strategy for Caerphilly County Borough (2008/2013) Strategic Aim 6 – *Our aim is to provide good quality, well managed homes in communities where people want to live, and offer people housing choices which meet their needs and aspirations.*
- 3.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -
 - A prosperous Wales.
 - A resilient Wales.
 - A healthier Wales.
 - A more equal Wales.
 - A Wales of cohesive communities.
 - A Wales of vibrant culture and thriving Welsh Language.
 - A globally responsible Wales.

4. THE REPORT

4.1 Rent Increase

4.1.1 For a number of years the WG have effectively determined the level of annual rent increases, and these increases have been linked with the Housing Revenue Account Subsidy (HRAS) calculations, thus restricting an Authority from completely controlling its rental income. Members will be aware of the buyout of the HRAS system which introduced self-financing from April 2015

4.1.2 Under the new rent policy a target rent band for each Authority is set by WG so there is still some degree of control retained by WG however, all of the rental income will be retained by the Authority and used to fund expenditure, service debt and create borrowing headroom to support the delivery of WHQS and future investment.

4.1.3 As a result of the housing benefit limitation scheme, rent increases above DWP rent limits do not produce extra income from tenants in receipt of housing benefit. At this stage however, as in previous years, details regarding the DWP limit under the new rent policy are yet to be confirmed. Approximately 70% of tenants are in receipt of housing benefit.

4.1.4 The WG draft proposal for 2017/2018 of its policy rent band for CCBC is

- Low end £81.62 per week
- Mid-point £85.91 per week
- High end £90.21 per week

4.1.5 CCBC's current average rent for 2016/2017 is £80.03 (52 week basis). A 2.5% uplift on this average rent equates to £82.03 which is just within the low end of our rent band. However, the WHQS business plan has assumed a 3% increase in rent to ensure the plan remains viable so 3% would be recommended as a minimum increase which would create an average rent of £82.43 per week (52 week basis). This is equivalent to CPI plus £1.60. The total weekly increase is £2.40 (52 week basis).

4.1.6 WG have stated in their policy that “ *The rent policy allows you to apply the inflation plus £2 (per week) if you are aiming to move to a higher point within the Target Rent Band to meet your business plan commitments...*”

4.1.7 There is a transitional protection arrangement in place which ensures that rents cannot be increased by more than CPI plus 1.5% plus £2 for any individual tenant. This means that the maximum CCBC can increase its rent is 4.39% before the protection arrangement is compromised, which would create an average rent of £83.54 per week (52 week basis).

4.1.8 The current average rent for CCBC is £80.03 based on 52 weeks. The latest business plan submitted to WG (in Feb 2016) includes a rent increase of 3% for 2017/18 and this has resulted in a £57m borrowing requirement in order to meet the WHQS by 2019/20. A rent increase of less than 3% will mean less income for the WHQS programme which will obviously result in increased borrowing. As part of the HRAS buy out there is an imposed borrowing cap of approx. £60m (after previous borrowing has been taken into account) so there is limited flexibility to increase borrowing. If the borrowing levels go beyond the cap then the WHQS will be unaffordable.

- An increase of 2.5% would result in a £2.00 weekly increase to £82.03 on a 52 week basis. This is an additional rental stream of £1.12m that would be some £300k short of what is assumed in the current business plan resulting in a further borrowing requirement of £400k. The £300k shortfall will be passed on to future years and over a 30 year period (akin to the business plan) this would be a loss of rental income of £9m.

- An increase of 3% would result in a £2.40 weekly increase to £82.43 on a 52 week basis. This is an additional rental stream of £1.35m, and meets the income requirement needed in the current business plan. Rent charges within Caerphilly would also still remain within the low end of the target rent band.
- Members have the discretion within the rent policy to increase rent up to a maximum of 4.39% which is a £3.51 per week increase to £83.54 on a 52 week basis. This is an additional rental stream of £2m which would make a saving on the current borrowing requirement of some £600k thus freeing up some flexibility within the borrowing scope.
- All of these increases are within the rent envelope for CCBC and even the highest increase at 4.39% does not reach the mid-point of our rent envelope. However, a minimum increase of 3% is needed to meet the current business plan requirements.

4.1.9 The Stock Condition Survey carried out in 2008 reported that high levels of investment are required to maintain the properties and meet the Welsh Housing Quality Standard. Experience has shown that significant variances will arise once the properties are surveyed and contract packages are specified and indications of cost escalation have emerged based on trends from tender prices and valuations. The small level of uncommitted borrowing that remains up to the borrowing cap will therefore be crucial in meeting these costs, and would be compromised if additional borrowing is committed to supplement a rent increase less favourable to the business plan. A rent increase less than 3% would inevitably reduce the Council's ability to manage and maintain the housing stock to the necessary standards, and as noted above failure to implement these increased charges would increase the shortfall in resources identified in the Housing Business Plan required to meet the WHQS by 2019/20 and maintain it thereafter. An increase above 3% would create more flexibility within the business plan and have a positive impact on the level of borrowing required to meet the WHQS but the maximum allowable under WG policy for 2017/18 is 4.39%.

4.2 **Service Charges at Older Persons Housing (excluding utility charges)**

4.2.1 These are applied to Sheltered Housing Officer assisted accommodation, of which there are three types: -

- Sheltered Housing with Sheltered Housing Officer assistance and communal facilities (962 units)
- Declassified Sheltered Housing schemes with no communal facilities (133 units)
- Tredegar Court extra care scheme (25 units)

4.2.2 Charges

Members may be aware that Welsh Government have included in their new rent policy that social landlords who currently pool rent and service charges must disaggregate service charges from rent.

The guidance calls for service charges to be de-pooled from the main rent to ensure transparency of the services charged. This only deals with the management costs associated with the service charges which are currently eligible for housing benefits. The supporting cost element of the service charge will remain the same which is funded from supporting people grant.

Officers have set up a working group to deal with de-pooling costs and the implications surrounding it, and significant progress has already been made with the disaggregation of service charges currently charged to tenants in sheltered housing schemes. This will allow for a more accurate charge based on the services actually provided rather than continue to spread the costs equally across the tenants in all our schemes. Service charges will also be considered for general needs dwellings as part of this review.

A report on the de-pooling of service charges is due to be presented to P&R Scrutiny Committee in June. Therefore there is no intention to increase service charges as part of this report as this will be dealt with as part of the service charge review.

4.2.3 Financial Impact

The financial impact on the de-pooling exercise is as yet unknown until the review has been finalised. Supporting People is assumed to be the same as 2016/17 as generally this is not inflated therefore this element will remain the same.

4.3 Meal Charges (Tredegar Court only)

4.3.1 The meal service will also be included as part of the service charge review mentioned above and therefore will not attract an increase as part of this report

4.4 Guest Room

4.4.1 Charges

A number of sheltered housing schemes have guest rooms and the standard charge to visitors is £18.00 per night plus VAT. The charge has not increased for the past few years as it is similar to other providers. There is an ongoing review of these rooms due to their current low levels of use and an active pilot project has reduced the guest room charges to £12.50 per night plus VAT with a view to them being utilised more frequently. We are also currently in consultation with the tenants of a number of schemes regarding possible alternative uses of guest rooms and have recently converted five guest bedrooms into offices to improve facilities for staff and increase privacy and support for tenants and their families. This follows the conversion of two guest rooms in 15/16.

4.4.2 Tenants in receipt of benefit

Guest room charges do not apply to tenants, and are not eligible for housing benefit.

4.4.3 Financial impact

No additional income will be generated.

4.5 Garage Charges

4.5.1 The Council has 985 garages in stock, of which 622 are currently let (72% are let to non-council tenants, 28% are let to council tenants). The current weekly rent is £7.96 and it is proposed to increase the charges by 2% in line with the Council's current business plan to £8.11 per week. A report has been approved by the Caerphilly Homes Task Group which recommended proposals to improve and rationalise our garage stock. The approved programme has led to a reduction in our garage stock and will result in improvements to our remaining stock. This work, which is ongoing has an impact on void levels as the garages must be vacated prior to commencement of works. To date approx. 50% of our garage stock has been improved.

4.5.2 Tenants in receipt of benefit

Garage rents are not eligible for housing benefit and the majority (72%) of garage tenants are not council house tenants.

4.5.3 Financial impact

The increase will generate additional income of £7k.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 An EIA screening has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential for unlawful discrimination and/or low level or minor negative impact has been identified; therefore a full EIA has not been carried out.

7. FINANCIAL IMPLICATIONS

- 7.1 This report deals with the financial implications of the proposed rent increases which affects the HRA.
- 7.2 The impact of the Welfare Reform Act is not taken into consideration.

8. PERSONNEL IMPLICATIONS

- 8.1 The proposals contained in this report will not alter the current arrangements for the collection of housing revenue account monies.

9. CONSULTATIONS

- 9.1 All consultation responses have been reflected in this report. The report will be presented to Cabinet on the 1st February 2017. An information report will also be presented to CHTG on the 18th February 2016.

10. RECOMMENDATIONS

- 10.1 Members are asked to consider and give a view on the following recommendations which will be presented to Cabinet on the 1st February 2017;
- (a) Members agree as a minimum to apply a 3% increase per property from April 2017 to ensure compliance with the new rent policy and to maintain the viability of the current business plan.
 - (b) The variable service charge at sheltered complexes is not increased pending completion of the service charge review.
 - (c) The meal cost at Tredegar Court not be increased pending completion of the service charge review.
 - (d) The guest room charge for sheltered housing complexes are not increased from April 2017.
 - (e) The garage charges for Council and non-Council tenants increase to £8.11 based on a 48 week basis from April 2017.
 - (f) This report be submitted to Cabinet for consideration.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 Inflationary increases on providing all aspects of the housing service are experienced annually, however as the HRA cannot legitimately set a deficit budget, the loss of additional income will result in reduced resources being available to effectively manage and maintain the stock.
- 11.2 Housing benefit will cover the increased costs for the rent charge in this report for 70% of our tenants up to the Housing Benefit limitation rate (yet to be confirmed).
- 11.3 If charges are not increased annually it has a detrimental effect on subsequent years as higher increases are then needed to recover the shortfalls from previous years.
- 11.4 The Council's Business Plan relies on inflationary increases to remain viable.

12. STATUTORY POWER

- 12.1 Local Government Act 1972. This is a Cabinet function.

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Consultees: Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer
Christina HARRY, Corporate Director Communities
Shaun Couzens, Chief Housing Officer
Marcus Lloyd, WHQS and Infrastructure Strategy Manager
Chris Burns, Interim Chief Executive
Fiona Wilkins Public Sector Housing Manager
Angela Hiscox, Housing Manager – Older Persons Services
Amanda Main, Acting Benefits Manager
Mark Jennings, Housing Strategy Officer
Stephen Harris, Interim Head Of Corporate Finance
Cllr Sean Morgan, Chair Policy & Resources Scrutiny Committee
Cllr Gez Kirby, Vice Chair Policy & Resources Scrutiny Committee
Cllr D Poole, Deputy Leader & Cabinet Member for Housing
Anwen Rees, Senior Policy Officer (Equalities and Welsh Language)
Gail Williams, Interim Head of Legal Services/Monitoring Officer

Background Papers: Available on request
Housing Revenue Account Charges – 2017/18
Welsh Government Rent Policy Guidelines

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POLICY AND RESOURCES SCRUTINY COMMITTEE – 17TH JANUARY 2017

SUBJECT: LEASEHOLDER CHARGES

REPORT BY: CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 This Report responds to a request by members of the Policy and Resources Scrutiny Committee for further information on leaseholder legislation, process and good practice.

2. SUMMARY

- 2.1 This report covers leaseholder legislation, associated processes including consultation and procurement financial obligations of leaseholders, including charges and payment options, and good practice guidance.

3. LINKS TO STRATEGY

- a. This report links to the Single Integrated Plan 2013-2017 priority to “*improve standards of housing and communities giving appropriate access to services across the county borough*”.
- b. This report links to the Local Housing Strategy aim of “providing good quality, well managed homes in communities where people want to live and offer people housing choices which meet their needs and aspirations.
- c. This report would link most closely to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2016:
 - *A prosperous Wales*
 - *A resilient Wales*
 - *A healthier Wales*
 - *A more equal Wales*
 - *A Wales of cohesive communities.*

4. THE REPORT

- 4.1 There are currently 417 flats within the Council’s housing stock now owned by leaseholders, following their sale under the Right to Buy (RTB) scheme. Many of these flats would have been sold on to others since the original purchase from the Council. There are currently at least four different leases in use depending on when the RTB was exercised and their landlord at the time of sale. Approximately 50% of leasehold properties are sub-let bringing in rental income for the leaseholder. The Council has continuing responsibilities to maintain the external structure and communal areas of the blocks of flats.

4.2 Legislation

Leasehold matters are mostly covered in the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002). This sets out the formal process Section 20 Notice procedure for consulting with leaseholders about service charges. This process includes a Notice of Intention which gives leaseholders information on the proposed works, allows them to nominate a contractor and gives a period of 30 days to return any comments or observations. This is followed by a Notice of Estimates which advises on the proposed contractor and the estimated cost of works. Again leaseholders have 30 days to return any comments or queries. A further notice may be required depending on whether the lowest tenderer has been awarded the contract. If the contract is not awarded to the lowest tenderer, this additional notice (Notice of Award) would outline the reasons for awarding the contract elsewhere.

The lease determines the leaseholder's contribution towards costs and is usually determined by the number of flats in the block for example a leaseholder in a block of four would contribute one quarter, in a block of six, one sixth. The lease also determines the types of costs that can be charged for, there are different types of lease in use but the main difference is between leases which allow charges for repairs only or leases which allow charges for repairs and improvements. If the consultation process cannot be followed or is not followed correctly, the leaseholder's contribution towards completed works is capped at £250, irrespective of the actual cost of the work. Any costs not recovered from leaseholders has to be covered by the Housing Revenue Account (HRA), in which case tenants' rents are subsidising work carried out for private owners.

The leasehold procedures currently being used are in line with legislation and national guidance; they are currently being reviewed with our Legal Section to ensure they are as up to date as possible.

4.3 Charges

The main charges for leaseholders are:

4.3.1 Service charges, billed annually, usually in September and made up of:-

Ground rent; an amount fixed by the lease that varies between 10 pence and 10 pounds.

Buildings Insurance; arranged via the Council on an annual basis. The contract has been competitively tendered in the last year and runs for three years.

Management and administration fee; currently £10 per year. This only brings in an income of £4,170. The minimum annual cost of administering the leaseholder properties is currently £53,034. This includes preparing and serving all the required notices, responding to queries on charges, responding to solicitors enquiries for buyers and sellers of leasehold flats, preparing completion statements for solicitors in respect of outstanding charges, site visits to determine responsibility for works or to explain the nature of works/charges, visits to advise potential buyers of leasehold responsibilities, responding to comments and observations made on legal notices, liaising with surveyors and contract managers, responding to complaints, preparing Tribunal documents. It does not include any costs for any support services such as those received from finance and legal services. A more realistic cost for the management and administration charge has been calculated to be £127 per leasehold property per year and other public sector landlords in this region have charges in this range.

Whether the charge can be levied at all will depend on the terms of the lease. It is intended that more work is carried out to assess a realistic management and administration charge, at which time consideration will be given as to how this will be applied.

Currently no charges are levied for solicitors' enquires for sale or purchase of leasehold flats, other landlords charge for these services so it is also intended to assess charges for those types of enquires. Charges would be due from the solicitor making the enquiries.

Response Repairs: this charge covers any repairs reported by a tenant or leaseholder that are required to the exterior of the block/communal areas. Response repairs are recharged at the schedule of rates costs. Records are provided from our repairs database and include descriptions of the repair carried out, when it was completed and which work team carried out the repair. The majority of response repairs are carried out by our in-house team but where external contractors are used, competitive quotations or tenders are sought.

Programmed repairs such as chimney stack removals, that are likely to cost more than £250 per leaseholder or £1,000 for the block, are tendered either on a competitive tender basis or a framework arrangement in line with current procurement procedures.

- 4.3.2 Major Works billed on completion of the contract. This includes the works costs and an administration charge.

Procurement for Major Works

All work is procured in line with UK and EU procurement legislation and our own internal standing orders for contracts. The procurement process depends on the value of works being tendered. Contracts are established from predetermined frameworks where these have been procured in line with the leaseholder consultation process or by undertaking individual tender processes for leaseholders in consultation with procurement which will result in the award of formal contracts. Depending on the most appropriate route the procurement process is supported by third party due diligence such as "Construction Line" and SSIP - Safe Systems in Procurement Registration. Again the level and type of accreditation is determined once the value of contracts is established.

All contractors undertaking works for the authority must have appropriate levels of Public Liability and Employer Liability insurance. All contractors must agree to the Authority's terms and conditions (industry standards) and agree to work in line with our Tenants Charter. As part of the procurement process and to ensure the authority obtains best value it is a requirement of standing orders to complete a due diligence if the Authority receives less than 50% return. Any officer wishing to proceed with award with limited response must obtain approval as per standing orders.

Leaseholders have an opportunity at the Notice of Intention Stage to nominate a suitable contractor that the Council must consider. Any nominated contractor would, however, have to meet the same criteria as those invited to tender by the Council, including passing the same checks, and being able to undertake the package of work as specified. It is not acceptable for a nominated contractor to only undertake work to the leasehold property, as work is issued as a contract package covering a number of properties which should achieve economies of scale.

4.4 Billing

- 4.4.1 Leaseholders receive an estimate of costs before work starts and have an opportunity to comment on those costs. The invoice is not sent out until the contract is completed and all final costs from the contractor have been received. There are a number of different payment options available as outlined in Section 4.5. Charges are based on the records available to the Leasehold Services Officers and would include a breakdown of the final costs provided by the Contract Manager's team taking into account any variations made during the works.
- 4.4.2 Leaseholders are charged in accordance with their lease, some leases allow the Council to charge for repairs and improvements, some only allow the Council to charge for repairs. There could therefore be 2 leaseholders in the same contract who are charged differently for the same package of works. Also, as there is more than one contract running in some areas, leaseholders in a local area may be charged differently because different contractors will have participated in separate tender exercises.

- 4.4.3 In addition to the actual cost of works, a 10% administration charge is currently added to invoices for major works. This contributes to the costs of the time surveyors, contract managers, quantity surveyors, clerk of works spend on leasehold properties.
- 4.4.4 The Welsh Housing Quality Standard (WHQS) means that more works are currently being undertaken for leaseholders in one contract than might normally be the case, resulting in higher bills. Adding a 10% administration charge can significantly increase the cost, it is therefore intended that the administration charges for WHQS works be capped pending further investigation of possible alternative charging mechanisms.
- 4.4.5 If leaseholders are dissatisfied with costs, initially they raise their query with the Leasehold Services Officers who try, with assistance from appropriate Technical Officers, to resolve the query. This can sometimes result in charges being upheld, reduced or withdrawn. If leaseholders are dissatisfied with the response at this point, they are able to utilise the corporate complaints policy and they can also request a determination of charges by the Leasehold Valuation Tribunal (LVT). There is a cost to the leaseholder to submit an application to the LVT.
- 4.4.6 Disputes are inevitable and nationally, Welsh Government (WG) has recently suggested introducing Early Neutral Evaluation, a process in which the parties appoint an independent person to provide a non-binding opinion on the case in dispute. Progress by WG on introducing such a process will be welcomed.
- 4.5 Payment Options
- 4.5.1 The financial circumstances of each leaseholder varies, so there needs to be the opportunity to tailor a payment solution from a range of options. Leaseholders can arrange their own finance but there are several options available from the Council. If leaseholders are unable to meet the cost of works there are currently options to pay by interest free instalments over 24 months or 36 months depending on whether or not the leaseholder is in employment. Payment periods could also depend on whether the leaseholder is resident in the property or is sub-letting and receiving a rental income.
- 4.5.2 The Council can also offer loans. Depending on the leaseholder's circumstances and when the property was bought this could be a mandatory loan over a maximum of 10 years or a discretionary loan over a maximum of 25 years. Interest would be chargeable on the mandatory loan. The interest is set at a government set rate and this could be higher than the interest rate charged by banks and building societies. For the discretionary loan, interest does not have to be charged. The Private Sector Housing Section also administers the national Home Improvement Loan scheme that may also be available to leaseholders depending on whether the proposed works meet the loan criteria. No interest is charged but currently there is an administrative fee of 8% (or £395 minimum) which includes an £80 fee to cover the affordability test undertaken by a partner Credit Union which establishes an applicant's ability to repay the loan. Repayment periods vary from 2-10 years for a leasehold owner occupier or 2-5 years where a leaseholder sub-lets the property.
- 4.5.3 Another option is a discretionary voluntary charge. This involves a legal charge being secured against the value of the property which would be redeemed when the property is sold or assigned. The charge is noted at the Land Registry and therefore the property should not be sold without the debt being cleared. This option would be a last resort where a leaseholder is unable to sustain loan repayments or obtain alternative finance. There must be sufficient equity in the property to cover the loan.
- 4.5.4 In some circumstances the Department of Work and Pensions may consider assistance to repay service charge bills.

4.6 Best Practice

- 4.6.1 In September 2016 Welsh Government launched a Major Works Good Practice Guide for social landlords. The main areas subsequently identified for further development in Caerphilly would be around leaseholder involvement prior to issue of the legal consultative notices, specifically an input into discussions about proposed works (See Appendix 1) and providing feedback on works completed before invoices are issued. Allowing leaseholders to have a say and be involved in the process may help to reduce disputes.
- 4.6.2 At present the leaseholder service offers many of the suggested internal good practice points such as a breakdown of costs, face to face meetings, different payment options but what is currently lacking is the involvement and engagement of leaseholders in the overall process. Some attempts have been made to establish a leaseholder forum, most recently during the stock transfer ballot process, but with little success.
- 4.6.3 With the WHQS programme under way the Leaseholder Services Officers have limited capacity to operate over and above the legal consultation process and day to day administration, partly due to this administration being very labour intensive. A suitable software system is being investigated to improve efficiency as leaseholder information is currently held in several places on systems which do not interact. However, potentially the Tenant Participation Officers within the wider team (one of whom has extensive leasehold experience) could be utilised to develop a framework for future leaseholder engagement, based on the principles outlined in the good practice guide.
- 4.6.4 The process for dealing with leaseholders is covered by legislation and the service provided by Caerphilly Homes to support and assist leaseholders already goes beyond our legal requirements, however, it is acknowledged that there is scope for further improvements to be made.

5. **WELL-BEING OF FUTURE GENERATIONS**

- 5.1 This report contributes to the Well-being Goals as set out in Links to Strategy above. It is consistent with the five ways of working as defined within the sustainable development principle in the Act in that:-
- it aims to make the leasehold service more efficient and fair in terms of individual charges and in terms of the impact on the Housing Revenue Account
 - the service is sustainable in terms of cost and
 - service users become involved in decisions about the level and quality of service they receive.

6. **EQUALITIES IMPLICATIONS**

- 6.1 There are no equalities implications arising from this report.

7. **FINANCIAL IMPLICATIONS**

- 7.1 There would be financial implications for leaseholders from raising the management charge. There would be benefits to some leaseholders from capping the administration charge. The range of payment options available to leaseholders allows for consideration of their individual circumstances.
- 7.2 There are implications for the HRA by not recovering the costs of response repairs and major works to leasehold properties, and for not recovering the actual costs of administering the leasehold service. Any non recovery increases the amount that has to be covered by tenants' rents.

8. PERSONNEL IMPLICATIONS

8.1 There are no personnel implications arising from this report.

9. CONSULTATIONS

9.1 The report reflects the views of the consultees.

10. RECOMMENDATIONS

10.1 This is an information report, Members are asked to note the contents.

11. REASONS FOR THE RECOMMENDATIONS

11.1 To ensure that the leasehold service is fit for purpose and sustainable, takes into consideration the increased costs to leaseholders of WHQS works and allows leaseholders the opportunity to become involved in the future decision-making process.

12. STATUTORY POWER

12.1 Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002).

Author: Mandy Betts, Tenant and Community Involvement Manager
Consultees: Christina HARRY, Corporate Director of Communities
Cllr Dave Poole, Deputy Leader and Cabinet Member for Housing
Shaun Couzens, Chief Housing Officer
Gail Williams, Interim Head of Legal Services & Monitoring Officer
Liz Lucas, Head of Procurement
Stephen Harris, Interim Head of Corporate Finance
Lesley Allen, Group Accountant
Fiona Wilkins, Public Sector Housing Manager
Kenyon Williams, Private Sector Housing Manager
Marcus Lloyd, Deputy Head of Programmes
Richard Crane, Senior Solicitor
Laura Jones, Leaseholder Services Officer
Allison Davies, Leaseholder Services Officer
Anwen Rees, Senior Policy Officer, Equalities and Welsh Language

Background Papers:
Policy and Resources Scrutiny Committee Report 19th January 2016

Appendices:
Appendix 1 Extract from Major Works Good Practice Guide for Social Landlords 2016

Extract from Major Works

Good Practice Guide for Social Landlords

Developed by LEASE and funded by Welsh Government

Leaseholders should be able to comment on:-

- Contractor selection
- Component selection
- Customer care specifications when drafting contracts
- Tender specifications
- Quality assurance contract awards

Leaseholder services should:-

- Feed comments into the programme of works
- Offer or direct leaseholders to benefits advice, loans or grants (landlords should check they have appropriate licences)
- Publicise any repayment option offered by the landlord
- Explain the consequences of non-payment of a service charge
- Identify any leaseholders who may be in exceptional hardship and, possibly, offer them extended repayment plans

Landlords should create a feedback framework for leaseholders using:-

- Formal observations
- Satisfaction surveys
- Meetings
- Letters
- Online /portal

Individual leaseholder consultation meetings should:-

- Highlight major works
- Identify the costs
- Check whether the leaseholder is able to manage the cost
- Offer help and advice on payment options
- Clarify whether the leaseholder has any health issues
- Identify any preferred methods of communication
- Offer the leaseholder the opportunity to question the process

Leaseholders should be encouraged to set up recognised tenants associations (RTA's) RTA's allow people to work together to represent the views of all the residents in their area. Landlords can help those groups with training needs. Leaseholders should be involved when developing organisational policies and strategies. A number of landlords have leaseholder forums to help with this.

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POLICY AND RESOURCES SCRUTINY COMMITTEE – 17TH JANUARY 2017

**SUBJECT: WHOLE AUTHORITY REVENUE BUDGET MONITORING REPORT
 2016/17**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151
 OFFICER**

1. PURPOSE OF REPORT

- 1.1 To provide details of projected whole-authority revenue budget expenditure for the 2016/17 financial year.
- 1.2 To provide an update on progress in delivering approved savings for 2016/17.

2. SUMMARY

- 2.1 This report provides information on the position of the whole-authority in respect of revenue budget monitoring for 2016/17. Detailed budget monitoring reports are prepared for Scrutiny Committees throughout the financial year. Consideration has been given to actual expenditure and income trends and projections have been made of the likely year-end outturn position. Where variations from budget have been identified these are commented upon throughout the report.
- 2.2 The report also provides details of progress in delivering approved revenue budget savings for the 2016/17 financial year and highlights those areas where savings are not currently progressing as originally planned.

3. LINKS TO STRATEGY

- 3.1 The Council has a number of corporate strategies and this report deals with the use of resources in the achievement of those strategies.
- 3.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -
 - A prosperous Wales.
 - A resilient Wales.
 - A healthier Wales.
 - A more equal Wales.
 - A Wales of cohesive communities.
 - A Wales of vibrant culture and thriving Welsh Language.
 - A globally responsible Wales.

4. THE REPORT

4.1 Members will be aware of the ongoing challenging financial outlook for Local Government and the need to identify significant savings to support the Council's Medium-Term Financial Plan (MTFP). Officers have been mindful of this and consequently expenditure has been curtailed in a number of areas in recent years with the aim of identifying savings in advance to support the MTFP. This prudent approach has resulted in a trend of reported year-end underspends for all Directorates.

4.2 However, the position is now becoming more challenging with a number of cost pressures emerging across some service areas, in particular, Social Services and Waste Management. The table below makes a comparison between the original 2016/17 estimate, a revised estimate (where approved changes have been made in year) and the projected outturn. The total projected revenue budget underspend for the Authority for 2016/17 is £3,515k. This does not include the Housing Revenue Account (HRA), details of which are provided separately in paragraphs 4.8.1 to 4.8.5.

	Original Estimate 2016/17 £000's	Revised Estimate 2016/17 £000's	Projected Outturn 2016/17 £000's	Projected (Overspend) /Underspend £000's
Education & Lifelong Learning	124,790	124,790	124,773	17
Social Services	73,404	75,900	76,065	(165)
Environment	48,915	49,944	49,518	426
Corporate Services	22,087	21,862	20,592	1,270
Miscellaneous Finance	55,195	51,895	49,928	1,967
Totals: -	324,391	324,391	320,876	3,515

4.3 Education & Lifelong Learning (Projected Underspend of £17k)

4.3.1 A net underspend of £17k is currently forecast for the Directorate as summarised in the table below: -

	Projected (Overspend)/ Underspend £000's
Home to School/College Transport	(94)
Relief Supply Cover (Schools Related)	(59)
Management and Support Service Costs	129
Additional Support and Out-of-County Recoupment	(65)
Visually Impaired Service	66
Education Other Than At Schools (EOTAS)	(255)
Rising 3's – Early Years	37
Music Service	(85)
Education Achievement Service (EAS)	91
Regional Education Improvement Grant Match-Funding	61
Libraries	45
Other	146
Total: -	17

4.3.2 The Home to School/College Transport budget is managed by the Engineering Division in the Environment Directorate (with any variances ring-fenced to Education). There is a projected overspend of £147k which is partly due to an increase in demand in respect of SEN (Special

Educational Needs), ALN (Additional Learning Needs) and EOTAS (Education Other Than At Schools). An element of the projected overspend is also due to the fact that in the 2016/17 financial year there are 3 additional school days due to the timing of the Easter holidays. The projected overspend reduces to £94k after releasing one-off funding of £53k from the Transport Equalisation Reserve.

- 4.3.3 Due to the unpredictability of sickness in Special Resource Bases and maternity absences across all school sectors, the Relief Supply Cover spend on school based staff is difficult to predict. However, based on spend to date and reasonable estimates an overspend of £59k is currently forecast.
- 4.3.4 The underspend in relation to Management and Support Service costs relates in part to a £30k vacant post (MTFP saving moving forward), plus 2 lengthy in-year vacancies and some changes to contractual hours.
- 4.3.5 Additional Support costs have risen significantly over the last 2 years and this is closely linked to an increase in Statements around ASD (Autistic Spectrum Disorder), which is a national trend. Whilst the level of spend on the Additional Support budget has increased, this cost is significantly less than the cost of a child placed in an out-of-county school on either a daily or residential placement. The projected overspend of £65k is based on current additional support in our schools, current placements and an estimate for potential additional needs. Due to the uncertain nature of this spend this budget will continue to be closely monitored to the end of the financial year.
- 4.3.6 In recent years the Visually Impaired Service has reported an underspend. This is expected to continue for 2016/17.
- 4.3.7 Education Other Than At Schools (EOTAS) provision is currently under review, both internally and with regards to procured activity. This provision, which accommodates learners who are unable to attend and learn through mainstream school, has seen a recent increase in referrals for children with challenging behaviour. In the short-term this provision is continuing to project an overspend, currently up to the value of £255k. This includes some additional one-off costs from September 2016 as we look to develop and invest in our own in-house provisions to better meet the needs of our pupils and in part address increasing cost pressures.
- 4.3.8 The Authority provides funding for Rising 3's nursery provision in our schools and in independent nursery settings. This is demand led and current projections suggest that there will be an underspend of £37k for the current year.
- 4.3.9 In 2016/17 there has been a further MTFP budget reduction of £100k against the Authority's Music Service and a Working Group has been set up to consider delivery options to achieve this saving. In the short-term there is a projected overspend of £85k due in part to a reduced uptake from schools (circa £20k). Managers remain confident that this savings target is achievable in the longer-term.
- 4.3.10 The charge on the main contract with the Education Achievement Service (EAS) is £91k less than the current budget provision.
- 4.3.11 A reduction in the level of the Regional Education Improvement Grant (EIG) has led to a reduction of £61k in the match-funding requirement from the Authority.
- 4.3.12 The projected underspend of £45k for Libraries is primarily due to vacant posts.
- 4.3.13 There is a net projected underspend of £146k on other budgets within Education and Lifelong Learning.

4.4 Social Services (Projected Overspend of £165k)

4.4.1 The 2016/17 projected outturn for the Social Services Directorate is an overspend of £165k. Cabinet will recall that the 2016/17 budget approved by Council on the 24th February 2016 included a contingency of £2.5m for Social Services cost pressures. This contingency was initially held corporately but has now been permanently transferred into the Social Services base budget. This transfer is necessary in order to fund the impact of fee increases awarded to providers of adult social care (due in the main to the introduction of the National Living Wage from April 2016), and to address demographic pressures experienced within both Children's Services and Adult Services since the start of the financial year.

4.4.2 The projected position (after the release of the £2.5m into the Social Services base budget) is summarised below: -

Division	2016/17 Revised Budget £000's	2016/17 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
Children's Services	19,769	20,329	(560)
Adult Services	53,606	53,354	252
Service Strategy & Business Support	2,525	2,382	143
Totals: -	75,900	76,065	(165)

Children's Services (Projected Overspend of £560k)

4.4.3 In response to the anticipated reductions in Welsh Government funding over the forthcoming financial years, a prudent approach to vacancy management has been adopted. This has led to a projected underspend of £511k against Management, Fieldwork and Administration posts within the Division.

4.4.4 An overall overspend of £1,036k is projected in respect of residential placements, fostering and adoption support. This reflects the demographic changes and additional cost pressures experienced within the financial year with more children presenting with more complex and challenging behaviour than in previous years. This pressure has grown steadily throughout the financial year to date and could continue to grow through the remainder of the year. The full-year effect of these pressures will have implications for 2017/18 and this has been considered as part of ongoing work on the Authority's MTFP.

4.4.5 An overspend of £82k is projected in respect of Aftercare Services. This relates to increased numbers of 16 to 18 year olds in receipt of leaving care services and a growth in "When I'm Ready" placements for young adults who were previously fostered.

4.4.6 There is a projected £47k underspend for 'Other Costs' that can largely be attributed to the renegotiation of contracts with voluntary sector organisations.

Adult Services (Projected Underspend of £252k)

4.4.7 There is a projected underspend of £557k in Management, Fieldwork and Administration. This projection is net of the approved use of Social Services reserves totalling £254k to fund a number of temporary posts involved in transformational projects.

4.4.8 There is a projected underspend of £346k in relation to in-house provision of Residential Care and Supported Living. This is due to a combination of increasing client contributions and short-term staffing vacancies arising from delays in recruitment.

4.4.9 An underspend of £347k is anticipated in relation to the in-house provision of day care services. This is due to a combination of short-term vacancies and efficiency savings

delivered in advance of MTFP requirements.

- 4.4.10 There is a projected underspend of £91k on Aids and Adaptations budgets due to a refund from the Gwent-Wide Integrated Community Equipment Service (GWICES) in respect of unspent funding from 2015/16.
- 4.4.11 Underspending across the Gwent Frailty Programme largely resulting from short-term vacancies is likely to result in a £9k reduction in the contribution required from Caerphilly Social Services.
- 4.4.12 An overspend of £35k is currently projected against the Supporting People budget. This over commitment has been reduced by £141k over the last 2 months and the Supporting People Manager will continue to review existing contracts in order to further reduce expenditure.
- 4.4.13 Financial information in respect of External Residential Care, External Day Care, Home Assistance & Reablement and Other Domiciliary Care is captured separately for each service area. However, demand for these services is inter-dependent as it is difficult to predict the exact needs of future service users. If these services are considered as a whole then a projected overspend of £1,108k is anticipated as summarised below: -

Service	2016/17 Revised Budget £000's	2016/17 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
External Residential Care	12,008	12,361	(353)
External Day Care	885	980	(95)
Home Assistance & Reablement	10,551	10,397	154
Other Domiciliary Care	9,398	10,212	(814)
Totals: -	32,842	33,950	(1,108)

- 4.4.14 The pressures highlighted in the table above have occurred due to demographic changes experienced within Adult Services since the beginning of the current financial year. The full year effect of these changes will have financial implications for 2017/18 and this has been considered as part of ongoing work on the Authority's MTFP.
- 4.4.15 A £45k net underspend is projected against other Adult Services budgets largely as a result of the maximisation of the Wales Independent Living Grant.

Service Strategy & Business Support (Projected Underspend of £143k)

- 4.4.16 This service area is currently projected to underspend by £143k due in the main to structural savings delivered in advance of MTFP requirements and an anticipated underspend on transport costs.

4.5 Environment (Projected Underspend of £426k)

- 4.5.1 The projected outturn for Environment is an underspend of £426k which is the net position following a transfer of £800k into Community & Leisure Services from the one-off £1.6m waste management contingency approved by Council in February 2016.

Regeneration & Planning Division (Projected Underspend of £4k)

- 4.5.2 Overall an underspend of £4k is projected for the Regeneration & Planning Division consisting of an overspend of £227k for Planning Services and an underspend of £231k for Economic Development and Tourism.

- 4.5.3 Countryside Services are reporting an overspend of £25k. This consists of a £31k shortfall in income from car park charges which is largely offset by underspends in operational costs.
- 4.5.4 Development Control is reporting an overspend of £60k largely due to anticipated planning application fee income and pre-application advice income being £145k below the budgeted level. This income shortfall is partly offset by an underspend in staffing due to the delayed filling of vacant posts and MTFP savings in advance for 2017/2018. There is also a projected overspend of £89k in Building Control, where income is projected to be £106k below the £302k budget. Planning application fee and building control fee income is dependent on the number of applications received and applications and fee levels can vary significantly. The addition of one or two large planning applications can make a significant difference to income levels and this will be monitored closely over the next few months.
- 4.5.5 Strategic Planning budgets are presently projected to be £50k overspent due to a shortfall in rechargeable fee income, partly offset by staffing underspends due to staff on reduced working hour contracts.
- 4.5.6 Business Development has a projected underspend of £111k which is due to a combination of vacant posts (including the vacant Head of Service post) and underspends in other operational non-staff budgets. This underspend is partly offset by a temporary contract extension to a previously grant funded post. There is also a projected underspend of £40k for the Community Regeneration Fund due to an anticipated reduction in the number of applicants for grant match-funding support.
- 4.5.7 Business Urban Renewal is currently projected to overspend by £120k which is primarily due to a shortfall in rental income arising from under-occupancy of the Bargoad retail shop units.
- 4.5.8 There is a projected £72k underspend in relation to Industrial Properties due to vacant posts from voluntary early retirements, partly offset by a £12k shortfall in income. Income budgets for 2016/2017 were increased by £100k as part of MTFP requirements and it is pleasing to note that this increased target is nearly fully achieved.
- 4.5.9 A net underspend of £10k is projected for Tourism Events, with additional income generated from pitch fees and concessions from the various events, particularly the Big Cheese. At present the Tourism Venues are reporting an overall underspend of £53k primarily due to vacant posts at a number of venues partially offset by reduced income. Income at the Cwmcarn Visitor Centre is lower than the budgeted level as a result of reduced visitor numbers due to the closure of the Scenic Drive for ongoing tree felling works. However, the Caerphilly Visitor Centre is exceeding income targets due to the continuing success of the coffee shop facilities.
- 4.5.10 There is a projected underspend of £65k for Community Regeneration. This is mainly due to additional recharge income from support provided to the grant funded Community First programme.

Engineering Division (Projected Underspend of £154k)

- 4.5.11 There is a projected underspend of £154k for the Engineering Division after adjusting for a projected overspend of £94k on Home to School Transport and an underspend of £33k on Social Services Transport. These transport budget variations are ring-fenced to Education & Lifelong Learning and Social Services.
- 4.5.12 Expenditure in relation to highway reactive maintenance repairs is presently projected to be £250k overspent due to ongoing pressures in this service area. The Engineering Division is reviewing the highway maintenance programme to identify measures to reduce the projected overspend by the end of the financial year. The severity of winter weather in relation to snow, gritting and flooding will have an impact on the overall outturn position but for now it is currently assumed that the winter maintenance budget of £1.14m will underspend by £209k.

There is funding in the winter maintenance reserve of £492k which can be accessed if necessary.

- 4.5.13 There is a projected overspend of £99k in relation to car parks, primarily relating to the ongoing review and asset management plan development for car parks. However this is offset by additional fee income for EPG (Engineering Projects Group). The payment of fees to EPG is to be funded from the use of identified unapplied grant from the Welsh European Funding Office (WEFO) park & ride project. There is also a £34k shortfall in the car park income budget at present.
- 4.5.14 An MTFP saving of £126k was applied to the Public Transport budget in 2016/17 but there is presently a projected overspend of £50k due to the timing of the implementation of the new bus contracts and other cost increases. This saving is anticipated to be fully achieved in 2017/2018.
- 4.5.15 There is a projected overall underspend of £230k in staffing across the Engineering Division due to vacant posts and secondments. Some of these vacant posts are MTFP savings in advance for 2017/2018.
- 4.5.16 A £40k surplus is currently projected for Network Contracting Services (NCS).

Public Protection Division (Projected Underspend of £198k)

- 4.5.17 An underspend of £91k is currently projected for Environmental Health due to a combination of vacant posts and maternity leave and additional income in relation to pest control and court cost recoveries. Costs in relation to closed landfills, pollution and contamination can be volatile and subject to change during the year so these will be monitored closely as any increases in this area would impact on the overall financial position.
- 4.5.18 Trading Standards is reporting an underspend of £43k primarily relating to a vacant post in Commercial Services and additional income in relation to Registrar's fees, partly offset by a shortfall in Licensing fee income. CCTV is reporting a £12k underspend due to staff vacancies and increased income from CCTV recharges to other services.
- 4.5.19 There is a projected overall net underspend of £51k for Catering Services. This includes £98k in Primary School catering due to additional school meals income and underspends in staffing and other operational costs (albeit that food costs have recently increased due to inflationary price changes). There is also a projected underspend of £46k for Comprehensive School catering. These underspends are partly offset by a projected overspend in relation to Breakfast Clubs mainly due to a delay in implementing the agreed MTFP savings in this service area. There is also a £48k projected overspend in meals direct and civic catering due to a shortfall in income targets and the increased cost of food.

Community & Leisure Services Division (Projected Underspend of £67k)

- 4.5.20 The Community & Leisure Services Division is currently projected to underspend by £67k.
- 4.5.21 Waste Management & Cleansing is presently projecting an overall overspend of £912k but this reduces to £112k following the transfer of £800k into Community & Leisure Services from the one-off £1.6m waste management contingency approved by Council in February 2016. This temporary funding is available to fund cost pressures in dry recyclable waste only whilst alternative waste treatment arrangements are procured. The dry recycling treatment budget is presently projected to overspend by £1,133k (reduced to £333k after the £800k contingency funding) due to a combination of increased treatment costs per tonne, increased waste tonnages and additional costs of treating materials that cannot be recycled. There are also projected overspends of £105k in relation to an increase in tonnages of residual waste sent to the Project Gwyrdd plant in Cardiff and a £337k overspend due to an increase in the waste being processed at Civic Amenity Sites. These overspends are offset by underspends in relation to street cleansing due to vacant posts and an underspend against the RCCO

(revenue contribution to capital outlay) budget due to a revision in the vehicle acquisition requirements for 2016/2017.

- 4.5.22 An underspend of £100k is projected for Parks, Outdoor Facilities and Cemeteries inclusive of a £162k underspend in relation to Cemeteries. At its meeting on the 16th November 2016, Cabinet approved a recommendation that the 2016/17 underspend in relation to Cemeteries should not be ring-fenced as in previous years, but instead be retained within the base budget to partially offset other budget pressures within the Community & Leisure Services Division. The £62k overspend in the remainder of the Parks service is mainly due to the delayed retirement of the Parks Manager as part of the approved 2016/2017 MTFP savings.
- 4.5.23 Leisure Services is projecting an overall underspend of £81k. Leisure Centres are projected to overspend by £52k mainly due to a projected £45k shortfall in budgeted income. However, the overspend in Leisure Centres is more than offset by an underspend in central leisure of £96k due to vacant posts and an underspend in sports & health development of £37k due to vacant posts.
- 4.5.24 Vehicle Maintenance & Fleet Management is currently projected to overspend by £4k and Building Cleaning is projected to underspend by £1k.

Directorate General (Projected Underspend of £3k)

- 4.5.25 There is currently a projected underspend of £3k on the Directorate General budget.

4.6 Corporate Services (Projected Underspend of £1,270k)

- 4.6.1 The Directorate of Corporate Services is currently forecasting an underspend of £1,270k for the 2016/17 financial year.
- 4.6.2 There is a projected underspend of £260k in Corporate Finance which relates in the main to delays in appointing to vacant posts, vacancies which are being held to support MTFP savings requirements for 2017/18 and some one-off additional income.
- 4.6.3 There is an anticipated underspend of £170k in Procurement and Customer Services consisting of the following:-
- Projected underspend of £86k in Procurement which relates in the main to delays in appointing to vacant posts.
 - Customer First - £84k underspend which is also due in the main to vacancies being held to support MTFP savings requirements for 2017/18 together with some one-off savings due to a member of staff being on a career break.
- 4.6.4 Legal & Governance is projecting a net underspend of £84k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -
- Projected underspend on Members related expenditure of £126k. This is due in the main to underspends on Members Allowances which is partly off-set by reduced costs on printing/ webcasting.
 - Projected underspend of £46k on Electoral Services.
- The net underspend of £84k for Legal and Governance is due to vacancies.
- 4.6.5 Corporate Policy is projecting an overall underspend of £33k after taking account of: -
- Projected overspend of £51k in the Equalities and Welsh Language Team due to increased external translation costs and the need to appoint a temporary translator post to cope with workload caused by the new Welsh Language Standards.
 - Projected underspend of £25k on budgets in the Policy Team. This is after the one-off transfer of earmarked reserve.

- Projected underspend in the Performance Management Unit of £26k due to a vacancy being held to support MTFP savings requirements for 2017/18.
- Projected net underspend of £33k on other Corporate Policy budgets.

4.6.6 There is a projected break even position for Housing Services which consists of the following:-

- General Fund Housing is expected to break even but this is being achieved through utilising income received for leasing out Ty Croeso, which is normally set aside as a renewal fund for future building maintenance works. This service area includes a statutory duty for Temporary Accommodation which is demand led and difficult to predict.
- Private Housing is anticipating an overspend of £13k. The main concern for this budget area is Agency Fee Income which under-recovered last year by some £196k. The fee income has historically been generated from the private housing capital programme which has reduced substantially over the years. There is additional fee income expected this year from the allocation of WHQS works to leasehold properties but there is still a projected under recovery on agency income of £43k. This has been partially offset by savings of £30k which is mainly attributable to salaries as a result of staff retirements to support savings requirements for 2017/18. There are revenue balances available to meet the net projected shortfall of £13k this year.

4.6.7 There is an anticipated underspend of £484k for Information Technology consisting of the following:-

- IT Services - £428k underspend which is due in the main to vacancies being held to support savings requirements for 2017/18.
- Central Services – £56k underspend mainly due to a vacancy being held to support savings requirements for 2017/18 along with some one-off income.

Both IT and Central Services underspends may be partially utilised for one-off IT schemes. Business cases are under consideration.

4.6.8 For Corporate Property there is a net projected underspend of £55k consisting of the following: -

- Corporate Property - £89k overspend due to an agreed delay in a planned retirement offset by vacancy management savings. This will be funded by a one-off transfer of earmarked reserve.
- Corporate Buildings - £34k overspend in respect of spend on Tiryberth Depot, partially offset by small savings on NNDR and standby/relief cover and underspends on energy costs. Energy contract prices are due to be reviewed so this area of spend will need to be kept under review.
- Asset Management and Facilities – Projected £67k underspend mainly due to some reduced hours on salaries, increased recharges to schools/other services for maintenance management and some savings on lease costs on vacant properties.
- Building Consultancy – Projected £22k underspend based on agreed fees to date. These are reviewed on an on-going basis.

4.6.9 There is a projected underspend of £113k for Human Resources and Communications consisting of:-

- Human Resources projected underspend of £110k due in the main to salary savings from staff on career breaks, some staff not at the top of scale points, staff on long-term sickness and maternity leave.
- Communications - £3k underspend due in the main to salary costs arising from maternity leave.

4.6.10 There is a projected underspend of £34k for Health & Safety which is due to salary savings arising from delays in recruitment and additional Service Level Agreement (SLA) income

received from Cardiff City Council.

4.7 **Miscellaneous Finance (Projected Underspend of £1,967k)**

4.7.1 There is an overall projected underspend of £1,967k in Miscellaneous Finance which consists in the main of a projected underspend of £1,746k on Capital Financing budgets due to the following: -

- 2015/16 and 2016/17 supported borrowing has been deferred to future years as there are cash balances that can be utilised in the short-term.
- A 2.5% reduction in the assumed borrowing rate for 2016/17 (previously 5% in line with current Public Works Loans Board (PWLB) rates). This is a consequence of base rate reductions following the outcome of the EU Referendum.
- Improved returns on investments in accordance with the revised Treasury Management Strategy.

4.7.2 There is a projected net underspend of £221k on other budgets within Miscellaneous Finance.

4.8 **Housing Revenue Account (Projected Underspend of £1,648k)**

4.8.1 There is currently a projected year-end underspend of £1,648k for the Housing Revenue Account (HRA) which represents just under 3% of the total HRA budget.

4.8.2 Salaries and associated costs are expected to overspend by £38k. This is a net position where underspends in Sheltered Housing and Area Housing are offset by overspends expected in the Housing Response Team (as a consequence of increased work to support the WHQS programme) and in Allocations (due to a recent review to address the new Common Housing Register). Non-pay budgets are projected to underspend by £377k. These budgets include office running costs and tenant related expenditure such as Decoration Allowances, Energy Performance Certificates and Security of Void Properties.

4.8.3 Building Maintenance is projecting a £183k overspend due to £1.5m additional expenditure in Housing Response as a result of increased work in supporting the WHQS programme and end of tenancy voids, largely offset by underspends in Revenue Projects of £772k and Planned Cyclical works of £587k.

4.8.4 Additional Income is expected to be £1.6m higher, mainly as a result of the increased work in supporting the WHQS programme via the Housing Response Team.

4.8.5 The HRA allows for some £13.5m of revenue contributions towards the WHQS programme this year and £2.1m for the delivery team fees. This is expected to be fully utilised this year with the delivery team costs likely to be some £131k higher due to an increase in agency posts.

4.9 **Progress Made Against Approved 2016/17 Revenue Budget Savings**

4.9.1 The approved budget for 2016/17 included total savings of £11.117m. Appendix 1 provides details of approved 2016/17 savings that are currently not being achieved and details of 2016/17 savings that still may not be achieved in 2017/18.

4.9.2 For 2016/17 there is currently a projected shortfall of £468k against the approved total savings of £11.117m. In the main this shortfall is being covered through one-off in-year underspends largely due to MTFP savings in advance. However, Members will note that £151k of the approved 2016/17 savings still may not be achieved by 2017/18. Heads of Service will be required to identify alternative savings to address any shortfall.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqLA) process does not need to be applied.

7. FINANCIAL IMPLICATIONS

- 7.1 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

- 8.1 The personnel implications of agreed savings are carefully managed and staff are fully supported to identify redeployment opportunities wherever possible.

9. CONSULTATIONS

- 9.1 There are no consultation responses that have not been reflected in this report.

10. RECOMMENDATIONS

- 10.1 It is recommended that Members continue to request Directors and Heads of Service to review expenditure and income levels in order to ensure that annual budgets and in-year savings are achieved.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 The Council budget is based upon the achievement of both expenditure targets and income targets. In order to ensure these are met and that the Council's financial integrity is maintained, Members are required to review expenditure and income trends included in budget monitoring reports.

12. STATUTORY POWER

- 12.1 Local Government Act 1972 and 2000.

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Lesley Allen, Principal Accountant, Housing

Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services
Cllr D Poole, Deputy Leader & Cabinet Member for Housing

Appendices:

Appendix 1 2016/17 Savings Not Being Achieved

Background Papers:

Council (24/02/16) - Budget Proposals 2016/17 and Medium-Term Financial Strategy 2016/2021

2016/17 SAVINGS NOT BEING ACHIEVED

SERVICE AREA	MTFP REF. NO.	DESCRIPTION OF AGREED SAVING	AGREED SAVING 2016/17 £000's	AMOUNT ACHIEVED 2016/17 £000's	ANTICIPATED SHORTFALL 2016/17 £000's	WHERE SAVINGS HAVE NOT BEEN ACHIEVED, WHAT PLANS ARE IN PLACE TO ADDRESS THIS?	HAVE THERE BEEN ANY UNEXPECTED CONSEQUENCES AS A RESULT OF THE SAVING?	POTENTIAL SHORTFALL IN 2017/18 £000's
Community & Leisure Services	CL03	Removal of Parks & Outdoor Facilities Manager post.	60.00	14.00	46.00	One off retirement costs £33k funded in 2016/17 and £13k pay due to delay in retirement date. Will be fully achieved in 2017/18.	No	0.00
Corporate Finance	CF12	Sundry Debtors - Saving on printing costs.	5.00	0.00	5.00	This is being kept under review but savings are proving difficult to achieve.	No	5.00
Corporate Finance	CF01	Council Tax - Increase in court fees.	75.00	58.00	17.00	Additional estimate too high as case load has not increased.	No. Anticipated debtor complaints have not materialised.	17.00
Econ Dev, Regen and Planning	ERP02	Llancaiach Fawr - Income.	20.00	0.00	20.00	Income streams in this area are being reviewed to establish whether the savings target can be fully achieved by the end of the financial year.	No	20.00
Econ Dev, Regen and Planning	ERP03	Industrial Property Income.	100.00	88.00	12.00	Endeavouring to increase occupancy at Industrial Units and possible rent review.	No	0.00

SERVICE AREA	MTFP REF. NO.	DESCRIPTION OF AGREED SAVING	AGREED SAVING 2016/17 £000's	AMOUNT ACHIEVED 2016/17 £000's	ANTICIPATED SHORTFALL 2016/17 £000's	WHERE SAVINGS HAVE NOT BEEN ACHIEVED, WHAT PLANS ARE IN PLACE TO ADDRESS THIS?	HAVE THERE BEEN ANY UNEXPECTED CONSEQUENCES AS A RESULT OF THE SAVING?	POTENTIAL SHORTFALL IN 2017/18 £000's
Econ Dev, Regen and Planning	ERP04	Cwmcarn Visitor Centre – Income.	20.00	0.00	20.00	Tree felling works at the Cwmcarn Scenic Drive has adversely affected visitor numbers so the income budgets are under achieving. Operations being reviewed to try and increase income to compensate. In the long-term the saving should be achievable.	No	20.00
Econ Dev, Regen and Planning	ERP11	Pre-planning Advice – Income.	5.00	0.00	5.00	The level of income is influenced by economic activity. The position will be kept under review.	No	5.00
Education & Lifelong Learning	EDLL17	Music Service.	100.00	15.00	85.00	A Working Group has been established to look at options both internally and with the Gwent Music Service.	No	0.00
Engineering	FY 15/16	Review of Passenger Transport Services.	126.00	76.00	50.00	New bus contracts have been implemented later than anticipated. Full saving will be achieved in 2017/18.	No	0.00
Health & Safety	HS01	Additional Health & Safety training fee income.	50.00	20.00	30.00	It is anticipated that the saving will be fully achieved in 2017/18.	No	0.00

SERVICE AREA	MTFP REF. NO.	DESCRIPTION OF AGREED SAVING	AGREED SAVING 2016/17 £000's	AMOUNT ACHIEVED 2016/17 £000's	ANTICIPATED SHORTFALL 2016/17 £000's	WHERE SAVINGS HAVE NOT BEEN ACHIEVED, WHAT PLANS ARE IN PLACE TO ADDRESS THIS?	HAVE THERE BEEN ANY UNEXPECTED CONSEQUENCES AS A RESULT OF THE SAVING?	POTENTIAL SHORTFALL IN 2017/18 £000's
ITCE	ICE13	ICT - Reduction in support vans.	7.00	3.50	3.50	Full saving is expected to be delivered by 2017/18.	No	0.00
Policy & Performance	LG10	Equalities - Vacancy management.	28.40	0.00	28.40	Additional staffing resources have been put in place to address the increased demand for Welsh Language translation. It will not be possible to achieve this saving.	Further costs are anticipated to deal with the volume of work arising from the Welsh Language Standards. This is being considered as part of the budget-setting process for 2017/18.	28.40
Policy & Performance	LG11	Equalities - Reduce Welsh language initiatives budget.	5.00	0.00	5.00	Additional costs have been incurred in external translation services to address the increased demand for Welsh Language translation. It will not be possible to achieve this saving.	Further costs are anticipated to deal with the volume of work arising from the Welsh Language Standards. This is being considered as part of the budget-setting process for 2017/18.	5.00
Property	PRP01	Head of Service retirement.	67.00	0.00	67.00	Delayed retirement of Head of Service. Corporate Services reserves will be used to find this shortfall in 2016/17.	No	0.00

SERVICE AREA	MTFP REF. NO.	DESCRIPTION OF AGREED SAVING	AGREED SAVING 2016/17 £000's	AMOUNT ACHIEVED 2016/17 £000's	ANTICIPATED SHORTFALL 2016/17 £000's	WHERE SAVINGS HAVE NOT BEEN ACHIEVED, WHAT PLANS ARE IN PLACE TO ADDRESS THIS?	HAVE THERE BEEN ANY UNEXPECTED CONSEQUENCES AS A RESULT OF THE SAVING?	POTENTIAL SHORTFALL IN 2017/18 £000's
Public Protection	PP05	Increase prices in civic catering by 5%.	4.90	0.00	4.90	The MTFP price increase savings are being offset by lower demand. Initiatives are under consideration to increase the customer base to increase income.		4.90
Public Protection	PP08	Introduce charge to schools for the setting up of sandwich places.	102.00	76.00	26.00	Income of £76k is being achieved from schools that have signed up for this service. The remaining saving is being achieved via reduced Catering Service staffing costs.		26.00
Public Protection	PP12	Reduce operational Breakfast Clubs costs.	70.00	27.00	43.00	Staffing levels are being reviewed on a site by site basis. Redeployment opportunities are continuing to be explored and any vacant posts are reviewed before being filled. The Corporate Management Team reviewed progress at the end of December 2016.		20.00
		Total	845.30	377.50	467.80			151.30