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Date: 12th February 2020

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Dear Sir/Madam,

A **Special Meeting of Council** will be held in the **Council Chamber - Penallta House, Tredomen, Ystrad Mynach** on **Thursday, 20th February, 2020** at **5.30 pm** to consider the matters contained in the following agenda.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Christina Harrhy'.

Christina Harrhy
INTERIM CHIEF EXECUTIVE

A G E N D A

Pages

1 To receive apologies for absence.

2 Declarations of Interest.

A greener place Man gwyrddach



Councillors and Officers are reminded of their personal responsibility to declare any personal and/or prejudicial interest(s) in respect of any item of 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.

To receive and consider the following reports: -

3	Caerphilly County Borough Council Response to the Local Government and Elections (Wales) Bill 2019.	1 - 24
4	Caerphilly County Borough Local Development Plan up to 2021 - Review Report.	25 - 102
5	Caerphilly Homes - # Building Together.	103 - 128
6	Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2020/21.	129 - 166
7	Capital Strategy Report 2020/2021.	167 - 180
8	Budget Proposals For 2020/21 And Medium-Term Financial Outlook.	181 - 218
9	Council Tax Setting Resolution 2020/21. (to follow)	

Circulation:

All Members And Appropriate Officers

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SPECIAL COUNCIL – 20TH FEBRUARY 2020

SUBJECT: CAERPHILLY COUNTY BOROUGH COUNCIL RESPONSE TO THE LOCAL GOVERNMENT AND ELECTIONS (WALES) BILL 2019

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

1.1 To seek Council approval of the proposed Caerphilly County Borough Council response to the Local Government and Elections (Wales) Bill 2019.

2. SUMMARY

2.1 The Local Government and Elections (Wales) Bill 2019 is currently at Stage 1 in its progress through Welsh Government. The Bill is the culmination of several years of consultation on the structure and function of local government in Wales. Many of the provisions in the Bill have previously been consulted upon and Council has provided its views through previous responses to Welsh Government. This Bill consolidates a number of previous proposals and introduces some new provisions.

2.2 The proposed response appended to this report reflects previous views expressed by this Council and includes a view on the new provisions, most notably these concern the proposal to create mandatory Corporate Joint Committees for certain functions, and changes to the performance management regime for local government. Group Leaders have been consulted upon the proposed response and their comments are incorporated in the report. Where the views of Group Leaders diverge from the proposed response, notably in the case of the choice of voting system, this has been explained in the body of the report and in Section 12, Consultations.

2.3 The main provisions of the Bill are summarised within the report, the Bill contains changes that affect, or introduce:

- Elections
- General Power of Competence
- Local Authority Executives, Members, Officers and Committees
- Collaborative Working by Principal Councils
- Performance and Governance of Principal Councils
- Mergers and Restructuring of Principal Areas
- Local Government Finance

3. RECOMMENDATIONS

3.1 That Council endorse the proposed response to be provided to the Welsh Government Equality, Local Government and Communities Committee to inform its deliberations on the Local Government and Elections (Wales) Bill 2019.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure the views and agreement of Council are considered as part of the consultation process.

5. THE REPORT

- 5.1 Welsh Government are presently consulting upon The Local Government and Elections (Wales) Bill 2019 with a view to implementing the Bill after Royal Assent later this year. The Bill was published on the 18th of November 2019 and the Equality, Local Government and Communities Committee of Welsh Government requested submissions to the Stage 1 process by early January. A request has been made, and agreement given, that a late submission may be entered following agreement by Council on the 20th February 2020. The Bill is expected to be subject to Welsh Government Committee stages up until March this year.
- 5.2 The Bill is the culmination of several years of draft legislation and proposals for the reform of local government; responses to which have previously been brought before Council (see Background Papers). As many of the provisions are repeated from earlier proposals there is no formal consultation on the Bill in its entirety. The mechanism by which Council can make its views known is through a submission to the Welsh Government Committee. Some provisions in the Bill are new, for example, collaborative working by Principal Councils through Corporate Joint Committees and new proposals for the performance and governance of Principal Councils.
- 5.3 The proposed response from Council, appended to this report, reflects Council's previous views and proposes a response to the new provisions.
- 5.4 To refresh the memory of Council previous proposals for local government reform have included:
- The Report of the Commission on Public Service Governance and Delivery (January 2014)- The Williams Commission
 - White Paper- Reforming Local Government (July 2014)
 - White Paper- Reforming Local Government: Power to Local People (February 2015)
 - Devolution, Democracy and Delivery- Draft Local Government (Wales) Bill (November 2015)
 - White Paper- Reforming Local Government: Resilient and Renewed (January 2017)
 - Green Paper- Strengthening Local Government: Delivery for People (March 2018)
- 5.5. The current proposed Bill is hyperlinked at Background Papers, along with a link to the Welsh Government committee page. The proposed response is appended and the main provisions are summarised below. The response is intended to supplement the response provided by the Welsh Local Government Association, which is also attached as Appendix 2 to the report.
- 5.6. **Elections**
The Bill proposes extending the voting franchise to 16 and 17 year olds, a measure Council has previously supported, and extending the franchise to legally registered foreign nationals, also previously supported.

The Minister for Housing and Local Government has stated her intention to amend the Bill to include extending the franchise to prisoners serving less than 4 years. Council have previously supported a similar provision.

The Bill proposes allowing Councils to choose their voting system; either through a simple majority or single transferrable vote. This is not a new proposal and Council have previously

responded to stay that a simple majority system was preferred due to the administrative complexity that would result if different systems were in place across Council's and for different elections (e.g. general elections and town and community council elections), and that voters may be confused by different systems. Previously Council has supported the continuation of the existing system to prevent confusion among voters. It should be noted that the Group Leaders of Plaid and the Independent Group favour the option of a single transferrable vote system, the reasons given are that a single transferrable vote system may, or may not, favour any one particular party and that it would encourage more people to take part in the democratic process.

The Bill formalises the electoral cycle of Principal Councils as five-yearly, again a provision that Council has previously agreed. It also includes provisions that allow Ministers to vary the day of elections. In previous responses Council have suggested that voting and the availability of polling stations is better understood by local authorities, but that the period of voting should be extended and voting should be allowed in more premises e.g. local authority libraries.

Council have agreed that citizens of any country should be able to stand for elections but disagreed that employees should be able to stand. As it is considered that this would compromise the authority during campaigning and would it would further compromise the employee if unsuccessful. The Plaid Group would like to defend the democratic right of employees to stand for election.

New provisions would disqualify persons from standing as elected members if they were subject to requirements under the Sexual Offences Act 2003.

The Bill does not propose combining the role of Chief Executive and Returning Officer, something which was included in a previous consultation. This has been welcomed by the Welsh Local Government Association and the Society of Local Authority Chief Executives, in order to preserve the independence and impartiality of the electoral system. The proposed response supports this view.

Local Government has made the case that the costs of registering new voters to whom the franchise will be extended, and raising their awareness, should be fully funded.

5.7 **General Power of Competence**

This was included in the 2015 Bill. However, feedback at the time was that the power was severely restricted by the qualifications placed on its availability as an additional power. A similar power exists in England that has not been extensively used. The requested amendments have not been made and so, as written, it does not appear to add much to the powers that local government already has. The wording also has the potential to restrict the authority embarking on commercial activity to generate a surplus to protect services. The response has been drafted to highlight these concerns.

5.8 **Promoting Access to Local Government**

This is a new duty to encourage participation in democracy and that, additionally, the local authority must encourage participation in other public sector bodies e.g. National Park Authorities. The proposed response suggests that this is not a role for local authorities and that the new duty to prepare a public participation strategy is not required as the 'involvement' duty in the Well-being of Future Generations (Wales) Act 2015 already legislates for the greater involvement of services users in decision-making.

Council has previously supported provisions to create a petition scheme i.e. how they are acknowledged, responded to and how decisions about no further action are made. The Minister has also indicated that she would like to consider allowing e –petitions.

The addresses of elected members must be published but the Bill allows for the use of a generic Council address.

A new provision is included to provide a guide to The Constitution.

Electronic broadcasting of all meetings open to the public is a new proposal. The Welsh Local Government Association have responded to advise that the software and mechanisms to undertake this properly (i.e. broadcasts tracked through agendas, camera control etc) would be burdensome and too costly, given the low public engagement associated with broadcast meetings, and that this provision needs further examination. The Plaid Group believe that Scrutiny and Planning meetings should be broadcast.

New provisions are included to allow remote attendance of members at meetings. This is supported, however, the electronic voting mechanisms to allow that would need to be robust.

5.9 **Local Authority Executives, Members, Officers and Committees**

The Bill contains provisions to impose new performance management arrangements on Chief Executives. This includes a requirement upon the Senior Executive to publish those arrangements, review performance, and publish a report on Chief Executive performance. The proposed response points out that the personal performance of employees should be a matter between that employee and their manager/executive. The response further adds that the overall measure of success is the success of the Council as a whole, and as such these matters are already well publicised through performance reports, regulator reports etc.

New provisions are included to allow job-sharing among Cabinet Members and the appointment of assistants to Cabinet along with changes to maternity, parental and adoption leave for elected members. The proposed response supports these provisions.

A duty is placed on Political Group Leaders to maintain standards within the Group. Council have previously supported these proposals but requested additional training to be able to support this requirement. The Plaid Group have commented that this provision does not cover elected members with no political attachment.

5.10 **Collaborative Working by Principal Councils**

These are new provisions not previously subject to consideration by Council. This proposes the implementation of 'Corporate Joint Committees' (CJC's), with Ministerial Powers to mandate CJC's for:

- Schools Improvement
- Economic Development
- Strategic Planning
- Transport
- Strategic Development Planning

The proposed response agrees in general with the principle but counters that mandation by Ministers should be avoided and local discretion and democratic choice should be the deciding factor.

Further Regulations are expected to set out the detail of CJC's. For some of the areas (e.g. transport, economic development etc.) the Cardiff Capitol Region City Deal is supporting the move to managing these functions on a wider footprint. However, for the Gwent area the Education Achievement Service operates differently to other regional school improvement services, as it has been set up as a company limited by guarantee, and so the proposed response states that a CJC would not be a suitable governance vehicle.

5.11 **Performance and Governance of Principal Councils**

The Bill includes new provisions for local authority performance with a new 'performance requirement' to review:

- Effectiveness
- Use of resources economically, efficiently and effectively

- Governance of these areas

through an annual self-assessment and an external panel assessment.

These provisions replace the 2009 Local Government Measure, which is outdated and has become superseded by the Well-being of Future Generations (Wales) Act 2015. The new proposals will be subject to statutory guidance, yet to be consulted upon.

The proposed response agrees with self-assessment on an annual basis but makes the point that an external panel assessment would not add value to the scrutiny of the performance of the local authority where political oversight, openness and transparency already provide assurance. The response states that peer assessment and challenge is a more constructive mechanism to provide learning and ongoing support.

The new performance regime has enhanced roles for Audit Committee, to become the 'Governance and Audit Committee'. The Bill proposes a mandatory 1/3 lay membership. The response states that this undermines the value of elected members and their role on scrutiny committees.

5.12 **Mergers and Restructuring of Principal Areas**

The restructure of Local Government is no longer a part of the Bill. However, voluntary mergers can still take place and can be mandated after a Special Inspection by the Wales Audit Office. The Bill does not replace provisions in the 2011 Local Government Measure to offer support and assistance first. The response has therefore been drafted to state that these interventions should happen before mandated merger.

5.2 **Conclusion**

There are some differences in the content of the proposed response and the views of the Plaid and Independent Group. Addressing these in turn:

In the response to the 2017 consultation on Electoral Reform, Council stated that the existing voting system should be retained.

In the response to the 2017 consultation on Electoral Reform, Council stated that staff below senior level should not be able to stand for election.

In relation to the broadcasting of meetings open to the public, the proposed response at Appendix 1 agrees in principle with a comment that the mechanisms to achieve this need to be understood.

In response to the consultation on the Draft Local Government Bill 2015, Council stated that it supported the role of Group Leaders to maintain standards but that this would be difficult to monitor.

The response appended to this report reflects the previous views given by Council to the consultations listed at 5.4 and offers further responses to the new provisions.

6. **ASSUMPTIONS**

- 6.1 It is assumed that the Council's consultation response will be fully considered by Welsh Government.

7. **LINKS TO RELEVANT COUNCIL POLICIES**

7.1 The Local Government and Elections (Wales) Bill 2019 impacts upon the operation of the Council and therefore links to all Council priorities.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 The Well-being of Future Generations (Wales) Act was introduced in 2015 and included the requirement to set objectives to secure environmental, social, economic and cultural well-being. It has superseded the 2009 Local Government Measure and so parts of the Bill that consider the performance of the authority provide clarity to the new arrangement, thereby addressing previously identified anomalies.

The “involvement” principle is one of the five ways of working identified in the Act, and is contained within the sustainable development principle and therefore has a bearing on the requirements of the Local Government Bill to encourage and promote participation in local democracy. This is a duty already placed upon the local authority.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications in this report as it is a response to a Welsh Government consultation.

10. FINANCIAL IMPLICATIONS

10.1 There is likely to be associated financial implications for the authority in implementing the changes proposed in the Bill, however it has not been possible to quantify these at this time. However, the Welsh Local Government Association continues to lobby that any additional costs are reflected in the local government financial settlement.

11. PERSONNEL IMPLICATIONS

11.1 There are no personnel implications in this report.

12. CONSULTATIONS

12.1 The views of the consultees detailed below have been reflected in this report

13. STATUTORY POWER

13.1 No relevant statutory power.

Author: Kathryn Peters, Corporate Policy Manager, peterk@caerphilly.gov.uk

Consultees: Christina Harrhy, Interim Chief Executive
Cllr Philippa Marsden, Leader of Council
Cllr Colin Mann, Leader of Plaid Group
Cllr Kevin Etheridge, Leader of Independent Group
Richard Edmunds, Corporate Director Education and Corporate Services
Stephen Harries, Head of Business Improvement and Interim Head of Finance/
Section 151 Officer

Background Papers:

<https://www.assembly.wales/laid%20documents/pri-ld12877/pri-ld12877-e.pdf>

<http://senedd.assembly.wales/mglIssueHistoryHome.aspx?Ild=26688>

Report to Full Council on the 26th January 2016 'Caerphilly County Borough Council Response to the Draft Local Government (Wales) Bill'

Report to Full Council 7th March 2017 'Caerphilly County Borough Council Response to Reforming Local Government: Resilient and Renewed White Paper'

Report to Full Council 10th October 2017 'Electoral Reform in Local Government'

Report to Full Council 5th June 2018 'Caerphilly County Borough Council Response to the Strengthening Local Government Green Paper'

Appendices:

Appendix 1 Response to be provided to the Equality, Local Government and Communities Committee

Appendix 2 Welsh Local Government Association Response

Response be provided to the Equality, Local Government and Communities Committee

Part 1 Elections

- We agree with the proposal to extend the franchise to 16 and 17 year olds but are concerned that such a large scale change should be given enough time and support to plan registration and canvassing activities. Any awareness activity will need to explain the difference between UK elections and Welsh elections.
- We agree that legally resident foreign nationals should be able to vote in Welsh elections but that the principle of parliamentary domain should be upheld for UK elections.
- We agree that prisoners serving a custodial sentence of less than four years should be eligible to vote. Understanding the duration of sentences and the ability to vote will need coordination between the local authority and HMPPS.
- We disagree that there should be a voting system choice as this introduces confusion for voters with potentially different systems in play across Wales and a different approach in Town and Community Council elections and UK elections. Voter confusion leads to voter apathy and encouraging participation in democracy would be better served by a single, less complex system.
- We agree that 5-year terms should be codified in legislation.
- We disagree that Ministers should be able to vary the day of election. Availability of polling stations is better understood by local authorities.
- We agree that citizens of any country should be able to stand for election.
- We disagree that employees should be able to stand for election; this compromises staff remaining in work if unsuccessful, and compromises the authority during campaigning.
- We are pleased that the previous proposal to combine the Chief Executive role with that of Returning Officer is not replicated in this latest Bill. The independence and impartiality of Returning Officers is a cornerstone of the electoral system, in the case of local government elections this is brought into sharp focus. Remuneration should be entirely separate from local authority budgets. There are significant duties associated with the role of Returning Officer, including the responsibility for employing staff. The independence should be maintained.
- The costs of new voter registration and awareness activity will place a significant burden on local authority budgets. In the run up to the 2022 elections we would wish to see this reflected in the settlement, for each year when additional work will be required.

Part 2 General Power of Competence

- On the face of this would seem to provide much needed additional powers to local government. We are, however, extremely concerned about the restrictions, limits and boundaries placed in the subsequent qualification sections of the Bill. The proposed GPOC exactly follows the original drafting into English law. Therefore GPOC may only be used where no pre-commencement limitation exists. Numerous pieces of legislation will need to be trawled to ensure that no limitation exists. The experience from English councils is that GPOC is not used as a power of first resort, but rather as a 'belt and braces' addition or last resort. Lawyers in Local Government made representations to WG in 2017 about how the

power might be remodelled to be of greater benefit to local authorities. It represents a missed opportunity to create a genuinely useful GPOC.

- We are in the process of delivering a transformation strategy with commercialisation as a key factor in maintaining resilient services in the future. Generating a surplus to reinvest in services is part of our Social Heart: Commercial Head ethos and the way in which we are aiming to innovatively retain the discretionary services of value to our communities. The Bill does not provide us with the flexibility to do this, by setting conditions for commercialisation does not allow an entrepreneurial approach and will fetter us in our ambitions to provide for sustainable communities. Only allowing commercialisation through a trading arm and, only for discretionary services already provided by the authority, does not allow us to fully explore new markets to deliver a surplus to sustain services. Developing a growth mind-set cannot be achieved with a 'feet of clay' traditional public sector response. We would urge that these sections of the Bill are looked at again working with local government lawyers, the WLGA and learning from across the border.

Part 3 Promoting Access to Local Government

- We agree with the new duty to encourage public participation in democracy but disagree that the local authority should be responsible for promoting this for connected authorities.
- We disagree that there is a need for the local authority to prepare a public participation strategy. Our existing mechanisms to encourage involvement are sufficient.
- We agree with the duty to prepare a petition scheme.
- Electronic broadcasting of all meetings need to be balanced against the low level of public engagement with full council meetings, which we already broadcast, and the cost of increasing the contract with the software provider to broadcast all meetings. We agree in principle but need to understand more about the mechanisms to achieve this.
- We agree that remote attendance of members at meetings should be facilitated.

Part 4 Local Authority Executives, Members, Officers and Communities

- There are already performance management arrangements in place for the Chief Executive, there needs to be local flexibility to continue with this. Prescribing an approach could, potentially, have a number of unintended consequences. A single individual having oversight of Chief Executive performance risks loss of objectivity and a reliance on an interpersonal relationship.
- Publishing performance reviews would place Chief Executives under an unprecedented regime. A performance review should be a private record of a discussion between an employee and their manager/executive. It should not be for public consumption. The performance of the local authority, already well-publicised should be the public measure of success. Any such reporting should be exempt from publication.
- We agree that Cabinet should be able to benefit from job-sharing and enhanced personal leave arrangements. We agree that there should be an option to appoint assistants to Cabinet, however our political aim over the past few years has been to minimise the costs of the executive.
- We agree that Group Leaders should have a duty to maintain standards within their group but would like there to be additional training to allow them to understand the role.

Part 5 Collaborative Working by Principal Councils

- We agree in general with the proposals for CJC's and that they offer an option to collaborate more effectively around the areas listed. This approach aligns with the Cardiff Capital Region City Deal and its objectives. The footprint is likely to follow the City Deal footprint.
- We disagree that the functions to come under the control of CJC's should be mandated by Ministers. It should be a matter for local government to determine which functions could be delivered by CJC's. Local discretion and democratic choice should be the overriding factors.
- We disagree that a CJC is appropriate for school improvement. The Gwent area Education Achievement Service is set up as a company limited by guarantee and has a Joint Executive Group comprising Cabinet Members and senior officers. Its governance is therefore different to other schools improvement services in Wales; in 2016 the WAO recognised that the EAS governance arrangements were the 'most established and comprehensive'.

Part 6 Performance and Governance of Principal Councils

- We agree with the provisions for self-assessment on an annual basis.
- We disagree with the requirement to conduct a Panel Assessment once every municipal term. We do not believe that this will add value and that it comes from a mistrust of local government. We do not believe that an external view of the 'performance requirements' would add anything to assurance as self-assessment and that political oversight of this, along with publication of reports will provide for openness, transparency and democratic accountability. The requirement to commission an independent panel is an overly bureaucratic and an unnecessary burden. It will not provide any assurance in the fast paced environment in which we work. A once every 5-year's assessment is likely to detract from a culture of ongoing continuous improvement. It seems to hark back to a local government of several decades ago. We question what value Welsh Government and the public we serve will gain from this. Mandating a panel assessment is not part of a mature beneficially supportive relationship between national and local government, we fail to see what benefit it could have.
- We are encouraged that Welsh Government are exploring enhancing sector lead improvement with the WLGA. Peer assessment on ongoing support will add far more value than an arbitrary inspection by an external panel.
- We disagree that the new Governance and Audit Committee should be comprised of 1/3 lay membership. Lay members have an important role to sit in scrutiny alongside our elected members and we actively support co-option. However stipulating a quota undermines the valuable role of our own elected members.
- We agree that Regulators should coordinate their inspection activity but consider that the AGW should maintain independence.

Part 7 Mergers and Restructuring of Principal Areas

- We disagree that a merger could be mandated after Special Inspection without any subsequent support and assistance arrangements being put in place to mitigate any concerns. Merger should be a last resort.

LG 54

Bil Llywodraeth Leol ac Etholiadau (Cymru)

Local Government and Elections (Wales) Bill

Ymateb gan: Cymdeithas Llywodraeth Leol Cymru (WLGA)

Response from: Welsh Local Government Association (WLGA)

Introduction

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.
2. The WLGA is a politically led cross-party organisation, with the leaders from all local authorities determining policy through the Executive Board and the wider WLGA Council. The WLGA works closely with and is often advised by professional advisors and professional associations from local government, however, the WLGA is the representative body for local government and provides the collective, political voice of local government in Wales.
3. It seeks to provide representation to local authorities within an emerging policy framework that satisfies priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
4. The Local Government and Elections (Wales) Bill [the Bill] is a significant and substantial piece of legislation covering a broad range of democratic, governance, organisational and structural reforms and is the culmination of several years of policy consultation, including a Draft Bill and successive Green and White Papers.
5. The WLGA welcomes the opportunity to provide evidence to the Equality, Local Government and Communities Committee National Assembly for Wales's Stage 1 consideration of the Bill.
6. The WLGA has particularly welcomed the constructive dialogue and engagement with the Minister for Housing and Local Government. Local government reform has been discussed with leaders during the past 18 months initially through the Local Government Working Group chaired by Derek Vaughan and subsequently via the Local Government Sub-Group of Partnership Council.
7. Under the auspices of these groups, there has also been constructive engagement between officials from Welsh Government and local government to consider the implications of some of the anticipated reforms and what future statutory guidance or regulations might need to include.
8. The Regulatory Impact Assessment [RIA] estimates that the total cost of the Bill to local government over 10 years would be £16.3m (including transitional costs of £2.95m and recurrent costs of £13.35m). The WLGA considers some of the estimated costs in more detail in the response below. The WLGA's core stance is that the Welsh Government should fully fund any new national initiatives or the implications of any legislation on local authorities.

Part 1: Elections

9. The proposals for electoral reform include several that were included in the Welsh Government's Consultation on Electoral Reform in 2017 and align with many of the wider electoral reforms to be introduced through the Senedd and Elections (Wales) Bill.
10. These are some of the most fundamental reforms included in the Bill, and will have a significant impact on local democracy, local authorities and, in particular, electoral services administration.

Extending the franchise to 16-17 year olds (Section 2)

11. The WLGA supports this proposal as a key part of widening democratic engagement and participation.

Extending the local government franchise to citizens from any country (Section 2)

12. The WLGA agrees that citizens from any country citizens who have moved and settled in Wales should have the right to vote in local elections.
13. The Welsh Government recognises that the extension of the franchise to 16-17 year olds and foreign citizens will have an impact on local electoral administration. The WLGA welcomes the Minister for Housing and Local Government's commitment (in her letter to the Committee on 19th December) to provide an £1m additional funding for 2020-21 and will 'consider the need for financial support'.
14. The Regulatory Impact Assessment (RIA) however estimates an additional cost of extending/promoting the franchise of £912,000 in both 2020-21 and 2021-22, as well as an extra £267,000 in any election year. The RIA also notes that the Welsh Government had estimated that the Senedd and Elections (Wales) Bill would incur £636,000 cost to local government for the changes to the EMS software.

Two voting systems (Section 5)

15. The WLGA does not support the proposal to allow authorities to choose their own voting system as it believes there should be a clear and consistent voting system across all local authorities to avoid complexity and risk of voter confusion.
16. When this was previously considered as part of the Consultation on Electoral Reform, the WLGA was supportive of the Electoral Commission's response in 2017 stated:

"...we would note that allowing councils to decide which electoral system to use in their own area could create significant risks and challenges, particularly in relation to voter understanding of how to cast their vote...The question of public awareness around two different electoral systems for one set of elections is likely to be a major challenge and one where there is a very real risk of confusion to electors if this type of change is implemented."

17. Furthermore, it would be administratively complex and confusing if an STV election was held on the same day as 'first past the post' community and town council elections and that larger electoral wards would need to be created which may undermine the local links between a councillor and his/her community.

Change of electoral cycle for principal councils from four years to five years (Section 14)

18. The WLGA supports the proposed extension from 4 year terms to 5 years.

Qualification and Disqualification for election and being a member of a local authority (Sections 24-26)

19. The WLGA supports approaches to make it easier for people to stand for election and encourage a broader cross-section of the community to consider standing.

20. The WLGA therefore supports proposed changes to the eligibility criteria allow a citizen of any country to stand for election.

21. The WLGA however does not support the proposal to allow council staff to stand for election in their own authority. Lifting such a restriction is unlikely to have a significant impact in encouraging more candidates to stand but would disproportionately impact on good governance and employment relations. There would be a risk of increased employer-employee tensions, potential conflicts of interest and team and managerial relationships being undermined. Staff at all levels have to demonstrate impartiality and a responsibility to serve the council as a whole; this risks being compromised should an employee stand or serve as a councillor. There is a risk that where an individual is unsuccessful, he or she may have implicitly or explicitly publicly criticised colleagues, councillors or council policies during campaigning, which may affect their ability to continue in their employed role following the elections.

22. The WLGA supports proposed amendments to disqualify individuals, from standing for election, or holding office as a member of a principal council or community council in Wales, if they are subject to a the notification requirements of, or an order under, the Sexual Offences Act 2003.

Meeting expenditure of returning officers (Section 28)

23. The Bill clarifies that Returning Officers can only claim expenses properly incurred in the running of a local government elections. Personal fees in respect of services rendered during the conduct of a local government elections could not in future be claimed as they would not be deemed as "expenses".

24. The Welsh Government has opted not to proceed with the previously consulted upon proposal to incorporate the Returning Officer role within that of the Chief Executive. The WLGA did not support this proposal on grounds of local discretion, as not all Chief Executives acted as Returning Officers; the Welsh Government's position is therefore welcome.

25. When the Welsh Government previously consulted on the removal of Returning Officer fees, the WLGA's view was that an option would be for any remuneration for the oversight of local elections to be included within a single consolidated salary for the position (of whichever senior officer fulfilled the Returning Officer role).
26. Such an approach, and the removal of a specific Returning Officer fee, would require a proper re-evaluation of the post which had incorporated the substantial Returning Officer role, as noted in ALACE's submission to the Committee. The additional demands, responsibilities and personal risks of being a Returning Officer are significant and should not be dismissed. A form of this arrangement is already operated by several employing councils in Wales, where the Chief Executive is also contracted to be the Returning Officer but for no additional fee beyond their evaluated salary.

Part 2: General Power of Competence

27. The WLGA welcomes the proposed introduction of the power of general competence in Wales and has long called for the introduction of the power.
28. Whilst this new power is welcomed as it provides confidence and reinforces local government's core community leadership role. The LGA's submission notes that the power's introduction in England

 '...has assisted in providing councils greater confidence in some areas of activity and led to less legal resource being spent on considering whether an action is vires (within their authority), it has not made a radical change for councils to date.
29. The power, as drafted, is however constrained by pre-commencement limitations. As noted in the Lawyers in Local Government Wales (LLG) submission to the Committee, there are 42 UK wide and 3 Wales-only Measures/Acts with 'Local Government' in the title and wider local government-related legislation may have pre-commencement limitations on Welsh authorities. The interplay between the power and a range of other legislation creates complexity and multiple possible risks. These limitations are likely to constrain creative use of the power, which may instead be used as a power of last resort rather than first resort.
30. This is further expanded in the LGA and LLG submissions to the Committee and the LLG Wales submission outlines some potential improvements to the proposed power.

Part 3: Promoting Access to Local Government

- Duty to encourage local people to participate in local government (Section 46)**
- Strategy on encouraging participation (Section 47)**

31. The WLGA is supportive of the spirit of the Welsh Government's ambitions as councils are committed to promoting democratic engagement, public participation and openness and transparency.
32. There is already a requirement on local authorities to 'involve' the public through the Wellbeing of Future Generations (Wales) Act 2015 and it is therefore not clear what additional value a new 'public participation duty' on local authorities would achieve.
33. The Bill proposes a duty on local authorities to encourage 'local people to participate in the making of decisions by the council' and lists several areas to be covered in a participation strategy (S47 (2) a-f). Authorities promote and publish much of this information currently, have engagement strategies and involve the public, through various consultation and engagement processes around budget-setting, service design and development of strategies.
34. Councils are also increasingly involving the public in service delivery through through alternative delivery models or asset transfers to community and town councils and community groups. Many councils already provide for public involvement in formal council decision-making processes, for example, through questions to cabinet, committees or councils and some already provide for submission of public petitions.
35. The WLGA however recognises that there is always potential for improvement, innovation and sharing of good practice; the latest National Survey for Wales show that only 19% of people agreed that they could influence local area decisions. There are some paradoxes in terms of public perception and public engagement in decision-making and public services generally¹, however, councils are committed to improve their approaches to public participation. This will be a core theme within the WLGA's future improvement support programme for local government, which the Minister for Housing and Local Government has agreed to resource.
36. The WLGA does not support that the proposed participation duty or strategy duty (to be placed on councils) should extend to cover other 'connected authorities' such as community and town councils and national park authorities (S46 (2&3)). Although local authorities work in partnership with those bodies, such a proposed 'hierarchical' relationship undermines their own status, accountability and sovereignty as separate bodies. Furthermore, this will inevitably have resource implications for councils and, critically, clouds accountability and responsibility for delivering on any public participation duties. A local authority cannot be responsible for the participation in other levels of government as the responsibility (and risk of non-compliance) should rest with them as separately accountable bodies.

¹For example Hansard's annual Audit of Political Engagement typically reveals mixed levels of public involvement in participative activity (such as consultations or petitions) and a Welsh Government survey of public engagement in 2015 showed that 59% of those surveyed said they would not participate in local consultation (33% were too busy and 26% were not interested) and only 45% were interested in having a say in local government activity or how local government is run in Wales
<https://gov.wales/docs/caecd/research/2015/150612-public-views-opinions-community-engagement-local-government-final-en.pdf>

37. If such participation duties are to be introduced, they should apply separately to each of the specified bodies. As noted by the South Wales Fire and Rescue Authority's response, this duty was to apply to Fire and Rescue Authorities when first proposed in the 2016 Draft Bill, however, these bodies have not been included in this Bill.

Duty to make petition scheme (Section 49)

38. The WLGA supports the replacement of community polls with a duty to make a petition scheme; this reform will reduce burden and costs for local authorities, as well as encouraging a more accessible and immediate mechanism for communities to express their views.

Duty on principal councils to publish official addresses (Section 50)

39. The proposed duty is supported as permits councils to provide a general council contact address for councillors, rather than councillors' personal addresses. This is an approach several councils have already adopted and is a reform which the WLGA has called for, given some members' concerns about privacy in the current environment where intimidation and harassment is a risk.

Electronic broadcasts of meetings of certain local authorities (Section 53)

40. Most councils already webcast many of their meetings and are committed to openness and transparency. Most authorities are concerned about the potential increase in cost, and the balance of this additional cost with public interest, particularly for some committee meetings.

41. Public viewing figures and engagement with council webcasts however varies and tends to be limited. Viewing figures vary from authority to authority and from meeting to meeting, with full council meetings and planning meetings tend to be most popular, but only receiving between 100-350 views (depending on the size of the council). Other committees tend to have low viewing figures and local authorities therefore question the added value of additional costs and administrative burdens of broadcasting all meetings.

42. Webcasting can be costly, in terms of broadcast equipment, server and/or streaming costs and additional staff for administration and technical support. A duty to broadcast all public meetings is likely to require (based on a typical council experience) an increase from broadcasting 7 committees (Full Council, Cabinet, 4 Scrutiny committees and 1 planning committee) to an additional 13 committees, although some of these may meet less frequently, plus any joint meetings that the authority hosts.

43. Webcasting all public meetings may reduce councils' ability to hold formal meetings in communities, as mobile equipment is more expensive, requires additional technical support and broadband/data availability may be problematic. This would particularly impact scrutiny meetings where good practice for community engagement includes holding meetings in community venues. There is also a risk that a requirement to broadcast all public meetings could result in a reduction in the quality, navigability and retention of broadcasts for the viewer if this is to be met within available funding.

44. The Regulatory Impact Assessment indicates that the additional costs of broadcasting all council meetings would be in the region of £12,000 per authority per annum, based on a single contract for Wales. It remains unclear whether such a single, all Wales contract is feasible or whether an all-Wales solution could be developed by local government in the future.
45. The RIA is likely therefore to be a significant underestimate, although it is difficult to provide an accurate estimate. Most councils' broadcasting services are provided by one company, although other suppliers are used and one council uses YouTube to broadcast meetings. The navigability of the webcasts and access to meeting documents and archives varies depending on supplier. Councils also broadcast a different number of meetings and different hours of broadcast per year and have different arrangements for archiving broadcasts so that they can be viewed retrospectively.
46. Some councils do not anticipate a significant additional cost (depending on their current coverage or provision), but the average increase of those authorities who have provided estimates is an additional c£24,000 annual costs (with one projecting up to £70,000).
47. Some councils also estimate significant investment in additional equipment with one estimating an initial investment of £250,000 to equip all committee rooms with necessary equipment (should all public meetings are to be broadcast, authorities report the need to equip additional rooms as meetings some meetings will inevitably run simultaneously.) The RIA does not take account of the additional administrative burdens and implications of broadcasting all council meetings; generally broadcasting meetings requires additional staffing resources, including committee and technical staff.
48. LLG Wales' submission notes that there may be implications between this duty and other existing legislative responsibilities such as the Public Sector Equality Duty. When webcasting meetings councils will need to consider possible detriment to those with audio/visual impairments (see S51(1)(a) as well as providing translation via the webcast even where this is not provided within the meeting itself.

Conditions for remote attendance of members of local authorities (Section 54)

49. The WLGA supports the proposed amendments.
50. The WLGA supported the concept of remote attendance when first proposed as it supported access and flexibility for members, but expressed concern during the passage of the Local Government (Wales) Measure 2011 as the legislation made the provisions restrictive and effectively unworkable.
51. The WLGA therefore supports proposals to streamline the remote attendance arrangements in order to promote accessibility and support flexibility for members to attend meetings remotely, reflecting advancements and availability of modern technology.

52. As noted by LLG Wales, a saving provision was not included within the 2011 Measure's proposals for remote attendance but one has been included to ensure the validity of proceedings in the event of broadcasting failing during a meeting (S53(6)). Modern technology is not infallible and data and WIFI services can be variable and remote attendance could be subject to disruption, therefore an equivalent provision ensuring the validity of proceedings where remote attendance is not available should also be included in the Bill.

Part 4: Local Authority Executives, Members, Officers and Committees

53. This WLGA supports most reforms outlined in Part 4 of the Bill, including:

- Appointment of Chief executives (rather than a head of paid service);
- appointment of assistants to cabinets and allowing job-sharing leaders or cabinet members;
- updating family absence provisions in line with those available to employees; and
- requiring leaders of political groups to take steps to promote and maintain high standards of conduct by members of their groups.

54. The WLGA particularly welcomes the proposals to extend family absence provisions, which is in response to a WLGA request.

55. The WLGA also supports the focus on promoting high standards of members' conduct; although standards are generally good and formal complaints to the Public Services Ombudsman are low, the WLGA has committed to championing high standards and challenging poor political discourse through the recently launched Civility in Public Life campaign, working with the LGA, COSLA and NILGA².

56. The WLGA agrees that chief executives should be subject to robust and effective performance management and local authorities already implement a range of performance management arrangements for their chief executives and senior officers.

57. The WLGA shares a number of ALACE's concerns about some of the provisions of S60 regarding the process for performance management:

- the Bill should be less prescriptive and allow local flexibility for authorities to determine who should conduct a performance review (the Bill suggests the 'senior executive member', however, councils may also wish to involve other members or external peers as appropriate);
- Clause 60(3), which provides for the possibility of publication of performance reviews of chief executives, should be removed. No public employee should have their performance review published. The review should be confidential to members of the council and the chief executive;
- In order to protect personal information, the Bill needs to reference that a report about the review (shared with members) shall be exempt from publication under

² <https://www.local.gov.uk/civility-public-life>

paragraph 12 of Schedule 12A to the Local Government Act 1972 as such a report contains “information relating to a particular individual”; and

- The WLGA has previously expressed concern regarding Ministerial Guidance making powers with regards the performance management of Chief Executives as there are potential risks of Welsh Ministerial intervention in local relations and arrangements between a local authority or leader and a chief executive.

Part 5 Collaborative Working by Principal Councils

58. Local authorities are committed to working collaboratively with each other and other public services to deliver improved outcomes and has a track record of collaboration and of sharing services.
59. Councils are already delivering radical responses to the challenges faced. The city deals and growth bids, for example, are some of the most ambitious, strategic regional regeneration programmes in a generation - these have come from local leadership, collective investment, risk and reward.
60. Such a commitment to collaboration is underpinned by the fundamental principle that collaboration is a ‘means to an end not an end to itself’. The WLGA has therefore set out a framework of guiding principles to ensure that any collaborative reforms are rooted in clear and viable business cases and subject to local democratic decision-making.

Collaboration Principles

Collaboration, shared services or voluntary mergers should:

- *Be locally-driven and subject to local democratic direction.*
- *Be underpinned by a locally agreed business case that:*
 - *Outlines mutual benefit and a clear understanding of shared costs*
 - *focuses on outcomes and whether, on balance, it is likely to lead to better public service outcomes - a service collaboration or shared services is not an outcome, but a means to an end. be centred on the delivery of clear outcomes/benefits for the citizens and communities. and ensuring accessible and seamless delivery of services to stakeholders and customers.*
- *Where appropriate, take account of existing collaborative arrangements e.g. City deals, Growth Deals and or shared services.*
- *Be shaped by appropriate engagement with service users and stakeholders*
- *Seek to strengthen strategic and operational collaboration and improve the integration of front line services across public service providers.*
- *Maintain transparent and flexible governance with clear local democratic accountability and appropriate scrutiny arrangements established from the start*
- *Be developed with due consideration of “Prosperity for All” and the Wellbeing of Future Generations Act and, in particular, the ‘5 ways of working’.*

In addition, collaborative arrangements or shared services:

- *Will be treated like all services and will be subject to scrutiny and will be reviewed periodically; if an established collaborative arrangement or shared service is underperforming or is not providing value for money for one or more local authorities, it may be appropriate to review, reform or even withdraw from such arrangements. Such decisions will not be made lightly and withdrawal from an established collaborative arrangement should not be viewed as a rejection of the concept of collaboration or a lack of a commitment to reform, but a business decision based on performance, delivery of outcomes or value for money.*

61. The WLGA has also produced a Collaboration Compendium³ which lists over 300 local, regional or national collaborative arrangements or shared services ranging from coordination or delivery of technical services to large-scale, strategic services. The WLGA Council has agreed that the Compendium will be updated and reported annually to encourage a review of existing and consider new potential new collaborations.

62. Authorities already work together collaboratively through various governance mechanisms, including joint appointments, lead local authority models, shared services, local authority owned companies or joint committees (established under the Local Government Act 1972).

63. The WLGA and authorities are therefore supportive of the introduction of *voluntary* Corporate Joint Committees (described in S75 ‘Application by principal councils to establish a corporate joint committee’) as it would provide an additional collaborative model for authorities to choose where appropriate.

64. Several leaders have expressed concern about a Ministerial power to ‘mandate’ regional structures or services, as this would undermine local democracy and accountability. Furthermore, some authorities are concerned about risks to local accountability, increased complexity and administrative burden of alternative regional governance arrangements.

65. Some leaders however regard Corporate Joint Committees as an evolution from existing regional arrangements such as City Deal, school improvement consortia and regional planning and transport arrangements.

66. The WLGA Council has therefore passed a resolution noting that it:

‘...has fundamental concerns over the principle of mandation which is seen as undermining local democracy but will continue to engage and seek to co-produce the Corporate Joint Committee proposals.’

67. Much of the detail around how Corporate Joint Committees will be established and how they will operate will be determined through Regulations. This detail includes which specific areas of the listed functions would be delivered through Corporate Joint

³ <https://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&fileid=2408&mid=665>

Committees, which services would be delivered locally or concurrently as well as the governance arrangements of the committees themselves.

68. The proposed Corporate Joint Committees have been the subject of extensive dialogue between the Minister for Housing and Local Government and leaders and has been considered at several WLGA meetings.
69. The Minister has been keen to involve local government in the co-production of any guidance or regulations that might be required following the Bill and the WLGA has committed to engaging with the Minister and officials in developing the concept further. WLGA officials and Monitoring Officers are therefore involved in ongoing discussions to consider the governance arrangements and implications of other relevant statutory requirements should Corporate Joint Committees be introduced in the future.

Part 6: Performance and Governance of Principal Councils

70. The Bill proposes a new performance framework for local government, repealing the Wales Programme for Improvement and performance provisions of the Local Government (Wales) Measure 2009.
71. It is widely recognised that the Wales Programme for Improvement as introduced by the 2009 Measure is no longer fit for purpose; it imposed a range of duties and features that were administratively bureaucratic which has promoted a regulatory burdensome output-oriented rather than outcome-oriented performance framework.
72. Furthermore, many of the objective-setting, planning and reporting aspects of the 2009 Measure have been superseded by the Wellbeing of Future Generations (Wales) Act 2015, which has caused additional complexity (see joint WLGA, WAO and Future Generations Commissioner guidance note⁴).
73. The Bill outlines a new performance duty based on self assessment and peer (or panel) assessment. Both concepts are well-established and are existing features of the Wales Programme for Improvement currently, but the streamlined performance duties will allow councils to better shape the assessments for organisational self-awareness and self-improvement rather than to meet external regulatory expectations.
74. The WLGA has previously provided extensive support around developing and strengthening self assessment approaches (through the Improvement Grant until 2015), which included guidance, local support and challenge and the development of a set of core characteristics⁵ to ensure that a self assessment was robust. Further self assessment guidance and frameworks have been developed since, for example, the Future Generations Commissioner's Self Reflection Tool⁶.

⁴ <https://www.wlga.wales/future-generations-and-improvement>

⁵ <https://www.wlga.wales/self-assessment>

⁶ https://futuregenerations.wales/resources_posts/self-reflection-tool-2019/

75. Self assessment is an established and core feature of both the English and Scottish local government improvement regimes, for example, the Scottish Improvement Service promotes and supports the roll-out of self-assessment through the Public Service Improvement Framework⁷.
76. Councils are committed to improving services and delivering better outcomes for their communities; the WLGA is confident therefore that councils' self assessments will be rounded, robust and used to drive improvements in governance and service provision.
77. There will remain several 'checks and balances' in the system to ensure self assessments are robust; scrutiny and the new governance and audit committees will play a key role, as will informal and formal peer challenge as well as the proposed statutory Panel Assessments. It should also be noted that the Wales Audit Office will retain an audit role through the Public Audit (Wales) Act 2004 and can undertake 'sustainable development' examinations through the Wellbeing of Future Generations (Wales) Act 2015.
78. The Minister for Housing and Local Government has confirmed that she intends to provide improvement grant funding to the WLGA to re-establish a sector-led improvement support resource for Welsh local government. This development is very welcome and will allow the WLGA to provide guidance, promote good practice as well as coordinate peer support and challenge to authorities. The WLGA is currently discussing the scope of the funding and remit with the Welsh Government and intends to work closely with the LGA in developing and coordinating peer challenge arrangements in Wales.
79. The WLGA has previously not supported the introduction of statutory Panel Assessments. The WLGA does not believe these corporate peer assessments should be made statutory as councils would undertake them on a voluntary basis. Making them statutory could turn an existing effective self-improvement process into a quasi-regulatory arrangement, which could stifle engagement, openness and ownership and undermine their value. The WLGA and local government professionals are however engaged in constructive discussions with Welsh Government officials to explore how Panel Assessments may be coordinated and delivered as effectively as possible and the WLGA's view is that any guidance should allow local flexibility in terms of panel make-up and focus, to ensure an authority can tailor it to its own needs and priorities.
80. Corporate peer challenges are credible, effective and well regarded. Peer challenges are independent and can provide some challenging messages to an authority, therefore concerns about any future Panel Assessment's objectivity are unfounded. The effectiveness and value of corporate peer reviews has been endorsed by an independent evaluation by Cardiff Business School in 2017⁸.
81. Prior to changes in the WLGA's previous improvement role, the WLGA Council had agreed that every council would receive a corporate peer review once during a rolling

⁷ <http://www.improvementservice.org.uk/psif.html>

⁸ <https://www.local.gov.uk/sites/default/files/documents/Rising%20to%20the%20Challenge%20February%202017%20-%20FINAL.PDF>

four year period (as is the case in England) and the WLGA had coordinated 8 peer reviews between 2013-15. Pembrokeshire County Council has commissioned the LGA (supported by the WLGA) to deliver a Corporate Peer Review in February 2020.

82. The proposed Ministerial powers to provide support and assistance and direction (as a last resort) are broadly supported as they largely reflect existing powers. The WLGA however does not support S102 which proposes a Ministerial power to direct a council to provide support and assistance to another council. This should be amended to a Ministerial power to 'request' support from another authority. Councils are committed to providing mutual improvement support and already share expertise and peer support where appropriate; such powers to direct are therefore unnecessary and undermine local democracy. Should an authority decide that it was unable to provide particular support to another authority, such a decision would not be taken lightly and is likely to be due to capacity or resource constraints which may have negative consequences on the performance of the authority itself.

Governance and Audit Committees

83. The WLGA supports the proposed role of new Corporate Governance and Audit Committees. The relationship with and role of councils' overview and scrutiny committees will however need to be reviewed in the new constitutional arrangements to avoid confusion and duplication of roles.
84. The WLGA does not support the proposed changes to the membership of corporate governance and audit committees. Lay members are valued members of audit committees currently, but the balance of membership should be left to local discretion. The proposal to increase the proportion of lay membership and that the chair must be a lay member fetters local discretion and undermines local democracy, particularly as the reformed committees will have an enhanced role in terms of overseeing the governance and service performance of councils.

Part 7 Mergers and Restructuring of Principle Areas

85. The WLGA and local government are supportive of the concept of voluntary mergers as such reforms are a matter for local discretion and if individual councils jointly develop a business case and agree a merger locally, then they should be supported in their local reforms.
86. A draft 'Prospectus for Voluntary Mergers' outlining guidance and support for authorities has been co-developed through the Local Government Working Group, which was chaired by Derek Vaughan.

Parts 8 and 9: Finance and Miscellaneous Reforms

87. The WLGA supports the provisions to allow PSBs to demerge.

88. The proposed changes to the performance arrangements of Fire and Rescue Authorities have been generally welcomed by Fire and Rescue Authorities. The move away from the current performance management arrangements under the 2009 Measure are supported, as the arrangements are no longer suitable. Whilst there is support for a new performance management system grounded in the National Framework for Fire and Rescue Services, the Bill does not include significant detail and the new performance management system should reflect the differences in risk within communities and across the authority areas, as noted in the submissions from the Mid and West Wales and South Wales Fire Authorities.
89. The WLGA shares the concerns outlined by the Fire Authority submissions regarding the proposal to amend the public inquiry criteria where changes are proposed to any of the elements of the Combination Scheme Order that establishes the Fire and Rescue Authority and Fire and Rescue Service. The public inquiry provisions were introduced in 2004 to ensure due regard was given to the safety of firefighters or the community before significant reforms could be introduced. The proposed amendment would mean that a public inquiry would no longer be held for several areas of significant reform of Fire and Rescue Authorities including changes to the funding mechanisms, governance structures and systems and appointment of officers.
90. There is general support for the proposals which relate to supply of information and power to inspect. The power to give Billing Authorities the right to inspect properties will potentially incur additional costs and the recognition of this is welcomed. The proposal linking the NDR multiplier increase to the Consumer Price Index in line with England is also welcomed.
91. The Bill also modifies the Local Government Finance Act 1992 to abolish the power for local authorities to apply to consign an individual to imprisonment for non-payment of council tax. This power has already been taken away by regulation and this further change is to place it in primary legislation. Although there may be a slight deterioration in the collection rate as a result, we will continue to work with Welsh Government to consider whether any future amendments to legislation are needed to prevent loss of income through falling collection rates.



SPECIAL COUNCIL – 20TH FEBRUARY 2020

SUBJECT: CAERPHILLY COUNTY BOROUGH LOCAL DEVELOPMENT PLAN UP TO 2021– REVIEW REPORT

REPORT BY: INTERIM CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To gain council approval to place the Draft Caerphilly County Borough Local Development Plan up to 2021 Review Report on consultation for 3 weeks starting Monday 24 February 2020 and concluding Monday 16 March 2020.

2. SUMMARY

- 2.1 Members will recall that the Council resolved to commence a full revision of the Caerphilly County Borough Local Development Plan up to 2021 (LDP) at the Council meeting held on 23 October 2019. The Council is required to prepare a Review Report that must subsequently be submitted to Welsh Government.
- 2.2 A Review Report is a factual document that sets out the reasons for reviewing the LDP and what issues will need to be considered as part of the review process. It takes account of the findings of the Annual Monitoring Reports on the LDP and considers what evidence will be needed to inform the plan review.
- 2.3 Whilst there is not a requirement for consultation where the full review of a plan is proposed, as in Caerphilly's case, it is recommended that the Council should consult with specific and general consultation bodies to maximise the robustness of the Review Report and its conclusions. It should also be noted that there is no prescribed length for the consultation and this is up to each local authority to determine.
- 2.4 It is proposed to publish the Draft Review Report for consultation for 3 weeks, commencing Monday 24 February 2020 and concluding on Monday 16 March 2020.

3. RECOMMENDATIONS

- 3.1 That the Council agree the Draft Review Report for consultation; and
- 3.2 That the Review Report be subject of a 3-week consultation period commencing 24 February 2020 and concluding on 16 March 2020

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To comply with the requirements of Regulation 41 of the Town and Country Planning (Local Development Plan) (Wales) Regulations 2005 (as amended).

5. THE REPORT

Background

- 5.1 On 23 October 2019 the Council resolved to commence a review of the Caerphilly County Borough Local Development Plan up to 2021 (LDP). It is a requirement that the Council prepares a Review Report as part of this process and that the Review Report is approved by Council and forwarded to Welsh Government. The Review Report, once approved will form part of the evidence base or the revision of the LDP.
- 5.2 Paragraph 10.1.5 of the Development Plans Manual (Version 2) states :
“The Review Report should set out clearly what has been considered, which key stakeholders have been engaged and, where changes are required, what needs to change and why, based on evidence; including issues, objectives, strategy, policies and the SA (Sustainability Appraisal) as well as the implications of anticipated revisions on any parts of the plan that are not proposed to be revised. It must make a conclusion on the revision procedure to be followed, i.e. full or short form.”
- 5.3 The Review Report sets out the issues that have been considered as part of the review process, and considers changes to the legislative background and reflects on the results of the LDP Annual Monitoring Reports in respect of reviewing whether the policy framework remains appropriate. In addition to this the Review Report clearly sets out the conclusion that a full revision of the LDP is required and this is backed up by the findings of the review process.
- 5.4 As outlined in Paragraph 5.2 above, it is a requirement that the Council engages with key stakeholders in preparing the Review Report. There is no prescribed format or duration for this engagement and, as such, that is left for each local authority to determine.
- 5.5 Given the tight timeframe for approving the Review Report it is proposed to undertake a 3-week general consultation period, with all statutory consultees being specifically notified of the consultation. The consultation will be publicised on the Council’s website and through its other communication channels and comments will be invited during the consultation period.
- 5.6 Following the consultation a Report of Consultation will be prepared and the Review Report will be amended where appropriate. The final, amended Review Report will be reported to full Council on 2 June 2020 seeking the Council’s approval of the document and agreement to forward it to Welsh Government.

6. ASSUMPTIONS

- 6.1 No assumptions have been made in this report.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 The following Council plans and policies are relevant to the Local Development Plan:
Corporate Plan 2018-2023.
- 7.2 As the key land use planning document for the Council, the LDP assists in delivering the 6 Corporate Plan Objectives:

Objective 1 - Improve education opportunities for all

The LDP will provide the local planning framework to assist in the delivery of the land use aspects associated with this objective, including:

- Tackling poverty
- Providing economic conditions to encourage economic growth and skills development
- Assist in the delivery of the City Deal Digital Strategy
- Providing the land use framework to deliver the right schools in the right places

Objective 2 - Enabling employment

The LDP will identify land to facilitate the development needs of new employers and the expansion of existing businesses.

Objective 3 - Address the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people's well-being

The LDP will set out the local framework to deliver the range and quality of housing to meet this objective and its outcomes through policies supporting sustainable levels of housing development to meet the needs of all residents.

Objective 4 - Promote a modern, integrated and sustainable transport system that increases opportunity, promotes prosperity and minimises the adverse impacts on the environment

The LDP will provide the local level framework that will assist in the delivery of the South East Wales Metro programme, which seeks to deliver a transformative transport system that increases accessibility throughout the County Borough and the wider region.

Objective 5 - Creating a county borough that supports a healthy lifestyle in accordance with the sustainable Development Principle within the Wellbeing of Future Generations (Wales) Act 2015

The LDP will set out the local policy framework that will facilitate the creation of healthier places, providing opportunities to create environments that engender healthy lifestyles, whilst ensuring access to much needed housing and employment opportunities.

Objective 6 - Support citizens to remain independent and improve their well-being

The LDP will set out the local policy framework that will facilitate the support infrastructure and services necessary to support the residents of the county borough. It will also set out requirements as for new homes, job opportunities that will provide employment and homes for the county borough's residents, assisting them to remain independent as well as improving their well-being.

Adopted Caerphilly County Borough Local Development Plan up to 2021

The Adopted LDP is the council's principal land-use strategy document and sets out the principles of how the county borough will develop and grow in the future. The Review Report is the first stage in the overall process of revising the current Adopted LDP and as such it sets out what has changed since the LDP was Adopted in 2010 and what the revision of the plan will need to consider.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 The LDP is the strategic land use document for the County Borough setting out how and where sustainable development will be delivered. It is a cross-cutting plan that considers issues around housing, employment, transport, infrastructure, community facilities, education facilities, leisure and tourism, heritage and environmental assets. The AMR recommends a review of the LDP, which will set a framework to deliver all seven well-being Goals:-

- 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

8.2 The five ways of working are integral to the preparation of the Replacement LDP. Any Replacement LDP will demonstrate the five ways of working:

- Long Term – The preparation of the Replacement LDP is about planning for the future (typically a 15 year plan period) in a sustainable way.
- Prevention – plan preparation is built on a robust evidence base which considers key issues and how to respond to them in a manner that prevents any issues deteriorating and seeks to address key land use matters
- Integration – the preparation of a development plan will be bring together all land use planning issues relevant at a local level involving our partners, residents, visitors, employers and service providers in the formulation of the Plan. The LDP will also need to be in general conformity with other planning tiers, including the NDF and SDP.
- Collaboration – the preparation of an LDP will be a key collaboration project reflecting the land use priorities of multiple Council departments and Public Service Board Partners, as well as external stakeholders.
- Involvement – preparation of an LDP will provide numerous opportunities to engage with our stakeholders, residents and customers, including the business community and will ensure that we are listening to a wide range of views to inform the plan and decision making process.

9. EQUALITIES IMPLICATIONS

9.1 There are no direct implications associated with this report. It is a requirement that the emerging LDP is the subject of an integrated impact appraisal that will include Strategic Environmental Assessment, Sustainability Appraisal, Health Impact Assessment, Equalities Impact Assessment and Welsh Language Impact Assessment, among others. As such equalities issues will be addressed as part of the revision of the LDP.

10. FINANCIAL IMPLICATIONS

10.1 There are no financial implications arising as a result of this report

11. PERSONNEL IMPLICATIONS

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

12. CONSULTATIONS

12.1 All responses from consultations have been incorporated into the report.

13. STATUTORY POWER

13.1 The Planning and Compulsory Purchase Act 2004 requires the Council to prepare and keep under review a Local Development Plan for the County Borough to act as a single framework for the control and use of land within its administrative boundary.

13.2 The Local Government Act 1998. The Local Government Act 2003. The Town and Country Planning (Local Development Plan) (Wales) Regulations 2005. The Planning (Wales) Act 2015

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Appendices:
Appendix 1 Caerphilly County Borough Council LDP – Draft Review Report

Background Papers:

Caerphilly County Borough LDP Annual Monitoring Report 2019

[Made available in the members' resource library and on the members' portal]

Caerphilly County Borough LDP Annual Monitoring Report 2019 – Background Tables

[Made available in the members' resource library and on the members' portal]

**Adopted Caerphilly County Borough
Local Development Plan
Up to 2021**

Draft Review Report

January 2020

Contents

1. Introduction	1
The Need to Review	1
Current Position - The Adopted LDP	2
2. External Issues.....	5
External Issues (Legislative Change and other Matters)	5
<i>Legislation</i>	5
<i>National Policy & Guidance</i>	8
<i>Technical Advice Notes [TANs]</i>	10
<i>Other Matters</i>	12
The Regionalisation Agenda.....	13
<i>The Valleys Taskforce</i>	14
<i>City Deal and The South Wales Metro (Metro)</i>	14
<i>The Growth and Competitiveness Commission</i>	15
<i>Strategic Development Plan</i>	16
<i>Joint LDPs</i>	16
3. Annual Monitoring	18
Strategic Policies and LDP Objectives	18
General Findings of the Policy Monitoring.....	20
SEA/SA Monitoring	21
Issues Arising From Annual Monitoring.....	21
4. Evidence Base.....	22
Population and Housing.....	22
<i>Population Projections</i>	22
<i>Affordable Housing Targets</i>	23
<i>The Regionalisation Agenda</i>	23
Employment.....	24
<i>Employment Development</i>	24
<i>Economic Structure</i>	25
<i>Commuting</i>	25
<i>The Regionalisation Agenda</i>	25
Transport.....	26
<i>The Strategic Highway Network and Congestion</i>	26
<i>Air Quality</i>	26
<i>Rail</i>	27
<i>Bus</i>	27
<i>Active Travel</i>	27
<i>The Regionalisation Agenda</i>	27
Natural Heritage	27
<i>Landscape</i>	28
<i>Green Infrastructure</i>	28
<i>Geology & Geomorphology</i>	28
<i>The Regionalisation Agenda</i>	28
Retailing	29
<i>The Regionalisation Agenda</i>	30
Leisure.....	30
<i>Natural Green Space</i>	30

Caerphilly County Borough Local Development Plan – Review Report

<i>Open Space and Outdoor Recreation and Leisure</i>	30
<i>The Regionalisation Agenda</i>	31
Community Facilities.....	31
<i>The Regionalisation Agenda</i>	31
Waste	31
<i>The Regionalisation Agenda</i>	32
Renewable Energy	32
<i>The Regionalisation Agenda</i>	33
Minerals.....	34
<i>The Regionalisation Agenda</i>	34
<i>What Changes Are Required to the LDP?</i>	34
5. Options and Conclusions	37
Is a review of the Adopted plan necessary?.....	37
What form of review should be undertaken?	38
The Scope for Joint Working.....	39
Conclusion.....	42
6. Next Steps and Arrangements	43
Appendix 1: Strategic Policy Performance and Actions	45
Appendix 2: Strategic Policy Performance Against LDP Objectives	61
Appendix 3: Appendix 2: SEA/SA Monitoring Overview	65

Glossary of Terms

AMR.....	Annual Monitoring Report
AVHA.....	Affordable Housing Viability Assessment
CCR.....	Cardiff Capital Region
Commission	Growth and Competitiveness Commission
CPA Act	Planning and Compulsory Purchase Act 2004
DAS	Design and Access Statement
Environment Act	Environment (Wales) Act 2016
Green Paper	Green Paper Consultation Document - Strengthening Local Government: Delivering People.
GTAA.....	Gypsy and Traveller Accommodation Assessment
HE Act	Historic Environment (Wales) Act 2016
JHLAS	Joint Housing Land Availability Study
Joint Cabinet.....	Cardiff Capital Region City Deal Joint Cabinet
LDP.....	Adopted Caerphilly County Borough Local Development Plan up to 2021
LDP Review	Replacement Local Development Plan 2016 to 2031
Metro	South Wales Metro
MYE.....	ONS Mid-Year Population Estimate
NDF	National Development Framework
NIC	National Infrastructure Commission
ONS.....	Office of National Statistics
Planning Act.....	Planning (Wales) Act 2015
PPW	Planning Policy Wales
PSB	Caerphilly Public Service Board
Regulations.....	Town and Country Planning (Local Development Plan) (Wales) Regulations 2005: Town and Country Planning (Local Development Plan) (Wales) (Amendment) Regulations 2015
rWFD	Revised EU Waste Framework Directive SDP Strategic Development Plan (for the Cardiff Capital Region)
SAC	Special Area for Conservation
SEA Directive.....	Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment
SEA/SA.....	Strategic Environmental Assessment/Sustainability Appraisal
SEWSPG	South East Wales Strategic Planning Group
SINC.....	Site of Importance for Nature Conservation
SSSI	Site of Special Scientific Interest
TAN	Technical Advice Note
Taskforce.....	Valleys Taskforce

Caerphilly County Borough Local Development Plan – Review Report

Well-being Act..... Well-being of Future Generations (Wales) Act 2015

WLGA..... Welsh Local Government Association

1. Introduction

- 1.1 This document is the Review Report for the Adopted Caerphilly County Borough Local Development Plan up to 2021 [LDP]. This report considers the progress being made in implementing the LDP and discusses and considers the issues that inform the decision on whether the LDP needs to be revised and then makes recommendations in respect of the appropriate course of action. This Report considers:
- The plan strategy, its aims and objectives;
 - Any significant changes in circumstances brought about by changes to the evidence base or contextual framework;
 - The policy framework and allocations in the plan; and
 - The 6 Annual Monitoring Reports [AMR].

- 1.2 This Report is structured as follows:

Section 1: Introduction - Sets out the requirements for the review of the LDP and the position in respect of the Adopted LDP.

Section 2: External Issues and Monitoring - Considers the implications of changes in legislation and national guidance and the findings of the Annual Monitoring Reports in respect of the LDP.

Section 3: The LDP – Considers how the plan is being implemented and identifies issues arising that need to be addressed. In particular it considers the Vision, the Aims, the Objectives, Policy Framework and Allocations of the LDP. In addition to this it also considers the Strategic Environmental Assessment and Sustainability Appraisal and its Monitoring over the plan period.

Section 4: Evidence Base – Sets out where updating or new evidence is required for a revision of the plan.

Section 5: Options and Conclusions – Considers the options for moving forward and recommends the preferred course of action.

Section 6: Next Steps and Arrangements – Outlines the next stages in the review process and any procedural arrangements that could be pursued.

The Need to Review

- 1.3 Section 69 of the Planning and Compulsory Purchase Act 2004 [CPA Act] requires local planning authorities to carry out a review of their local development plan at times prescribed by the Welsh Government [WG]. Regulation 41 of the Town and Country Planning (Local Development Plan) (Wales) (Amendment) Regulations 2015 [Regulations] requires that a review of the LDP should commence “every four years from the date of its initial adoption”.
- 1.4 It should be noted that a review of the plan is an assessment of whether the plan is being implemented in line with the strategy. This is different from a revision of a plan, which is the formal process for producing a new or revised version of the plan. The Regulations require local planning authorities to undertake a review of their adopted development plan at least every 4 years. However, this does not mean that the plan will be revised every 4 years, as the review will consider whether a revision of the plan is necessary. If the review finds no grounds for the plan to be revised then no change will be made.

- 1.5 The Regulations require that the review must be submitted to WG in the form of a report, after it has been reported to and agreed by the Council.

Current Position - The Adopted LDP

- 1.6 The LDP was formally adopted on 23 November 2010. The LDP sets out the Council's landuse strategy for the fifteen years of the plan period, i.e. 2006 – 2021. It sets out the vision for the future and the aims and objectives that would deliver the vision. Most importantly the LDP sets out the policy framework to control and guide development for the plan period.
- 1.7 As the Council's primary landuse strategy it is important that it is kept up to date. It is a statutory requirement that all Adopted LDPs be subject to annual monitoring, to monitor whether the strategy is being implemented and every 4 years, or earlier if the annual monitoring indicates so, be subject of a review.
- 1.8 The LDP has been the subject of 8 Annual Monitoring Reports since its Adoption in 2010, the first Report being prepared and published in 2012. The second AMR Report, covering the period of 1 April 2012 to 31 March 2013, concluded that the Adopted LDP should be revised for two reasons:
- To allocate additional housing land to meet affordable housing and housing needs of the county borough, and
 - To make appropriate allocations to facilitate the 21st century schools programme.
- 1.9 A Review Report was prepared as part of this process in November 2014. This Report, however, was prepared in advance of the publication of the Regulations.
- 1.10 The revision of the LDP commenced in 2013 and was progressed through to Deposit Stage in 2016. However, following the Deposit Consultation Period the Council resolved to withdraw the replacement plan, with a recommendation of pursuing the early preparation of a Strategic Development Plan [SDP] for the Cardiff Capital Region. The LDP remains the development plan for Caerphilly County Borough.
- 1.11 The South East Wales Strategic Planning Group (SEWSPG) has held two workshops with the Cardiff Capital Region City Deal Leaders, Chief Executives and Planning Directors to discuss issues relating to the governance and content of the SDP. In January 2018 the Cardiff Capital Region Cabinet agreed the principle of preparing the SDP for the region and in June 2019 the Cabinet endorsed a report recommending the commencement of the SDP, which was to be presented to each of the 10 constituent local authorities for their agreement to commence the process. To date 8 of the authorities have presented the report to their respective Councils and all 8 have accepted the recommendations. The remaining 2 authorities will present the report to their Councils early in the new year. The report was presented to Caerphilly Council on 23 October 2019 and the Council agreed the recommendations.
- 1.12 The decision to withdraw the Replacement LDP in 2016 included four recommendations, namely:
- To consider the content of the report and in particular the implications associated with the alternative options for progressing work on the development plan for Caerphilly County Borough.
 - To work with all local planning authorities across the Cardiff City Capital Region to prepare a Strategic Development Plan in line with the signed City Deal Agreement at the earliest possible time.

- Subject to Ministerial Approval, formally withdraw the Deposit Replacement Caerphilly County Borough Local Development Plan up to 2031.
 - Seek an urgent meeting with the WG Minister to advise on the intention to withdraw the Deposit Replacement LDP and seek support for the preparation of the SDP as a matter of urgency.
- 1.13 As can be seen the recommendations clearly seek the early preparation of the SDP before commencing any further revision of the LDP. The Council considered a report on the SDP at its meeting on 23 October 2019 and agreed to commence the preparation of the SDP for the Cardiff Capital Region. As a result the recommendation seeking the early commencement of the SDP has been achieved. Consequently this recommendation no longer provides a reason to delay the revision of the LDP.
- 1.14 All of the AMRs, since 2013, have reached the same conclusion in respect of the implementation of the Adopted LDP, i.e. that the plan should be reviewed to address the housing provision position and also other matters relevant at the time of the preparation of each AMR, including the needs of the 21st Century Schools programme and the availability of land for economic development. The 2019 AMR, which was approved at the Full Council Meeting on 23 October 2019, also reached the same conclusion.
- 1.15 Notably the 2017 and 2018 AMRs have taken account of the Council recommendations in withdrawing the Replacement LDP, i.e. to seek the early preparation of the SDP, consequently neither of these AMRs recommended that a revision of the Adopted LDP should be commenced, as this would prejudice the early preparation of the SDP. Given that this requirement has now been met, the 2019 AMR recommended:
- R1 The 8th Annual Monitoring Plan has indicated that substantial progress has been made in implementing the Caerphilly County Borough Local Development Plan up to 2021.**
- R2 In recognition of the need to identify more land for employment and housing to support local need and regional aspirations the 8th Annual Monitoring Report recommends that a review of the Adopted LDP be commenced.**
- R3 In the period up to the adoption of a new Replacement LDP, the Council will continue to address the shortfall in the 5-year housing land supply through proactive action, including:**
- Considering proposals for new residential development on their relative planning merits on a site-by-site basis and have due regard for the need to increase the housing land supply in line with national planning policy and guidance;
 - Lobbying Welsh Government to establish funding mechanisms to incentivise sites in low viability areas and promote remediation of suitable brownfield sites for development;
 - Utilising the innovative funding model to bring forward Council owned sites with viability issues;
 - The identification of schemes through the Regeneration Project Board where funding opportunities could be exploited to deliver regeneration projects, including for housing and employment.
 - Prioritise affordable and new build Council housing on brownfield sites to help preserve our natural environment
 - Work to ensure new housing complies with high environmental standards to help address the climate emergency

Should the Adopted LDP be Revised?

- 1.16 As outlined above all of the AMRs since 2013 have concluded that a review of the LDP was required. However, the withdrawal of the Replacement LDP at its Deposit stage modified the position to one that sought early preparation of a SDP. This condition has now been met by virtue of the Council resolution of the 23 October 2019. With these requirements having been met, there are no other factors that would modify the findings of the Council AMRs.
- 1.17 Whilst previous AMRs have consistently identified the need to address housing delivery and to make provision for the 21st Century schools programme, recent AMRs have realised increasing numbers of the strategic policies reaching their trigger points for consideration through the AMR. Given that the LDP has only 2 years to run, it is only expected that policies will reach their trigger points, as things will have changed markedly since their drafting and Adoption. As a result the need for review extends beyond the two issues set out in the Council resolution withdrawing the Replacement LDP.
- 1.18 **Therefore, it is the conclusion of the Review Report that a full revision of the Adopted LDP should be commenced as a matter of priority.**

2. External Issues

External Issues (Legislative Change and other Matters)

- 2.1 Legislation and national planning guidance play an important part in the planning system. When a LDP is adopted it conforms to the latest legislation and guidance at that time. However, once the LDP is adopted it cannot be changed further and any subsequent changes to legislation or guidance cannot be accommodated within it. As a result when an adopted plan is reviewed a key consideration will be whether legislation or guidance has changed so significantly that it would necessitate a revision of the plan.
- 2.2 As a result the Review Report will need to consider the changes in legislation, guidance and any other material change in circumstances, to determine whether the context for the plan has changed so significantly that a revision to the plan is necessary.

Legislation

- 2.3 The period since the adoption of the LDP has seen significant changes in legislation, with new legislation being enacted, and existing legislation being expanded or amended. These changes are listed below in chronological order:

Energy Act 2013 and Prosperity for All: A Low Carbon Wales (2019)

- 2.4 The Energy Act 2013 (Energy Act) was introduced with two primary aims, namely introducing the provision for government to set decarbonisation targets and to provide the framework for the reform and control of the energy market.
- 2.5 The key impacts upon the development plan arising from this legislation relate to renewable energy and decarbonisation targets that are set by WG. In 2017 the WG Cabinet Secretary for Energy, Planning and Rural Affairs set out the ambition to achieve a carbon neutral public sector in Wales by 2030 and set a target of 70% of Wales' energy consumption to be generated from renewable resources.
- 2.6 In 2019 Welsh Government published Prosperity for All: A Low Carbon Wales, which is Wales' commitment to tackling climate change. This sets out 100 policies and proposals that will directly reduce emissions and support the growth of the low carbon economy, and sets the foundations for the transition to a low carbon society in Wales.
- 2.7 In addition to this in December 2019 Welsh Government published Prosperity For All: A Climate Conscious Wales, which is Wales' plan to address climate change adaptation. It assesses climate change risk, identifying areas that require more robust evidence to consider the risk, and sets out actions in relation to climate change that:
- Have already been taken,
 - Are required in the short term, or
 - Are required to be taken in the medium term.
- 2.8 Both the National Development Framework [NDF] and Planning Policy Wales Edition 10 [PPW] form part of the policy framework for tackling climate change and the Revision of the LDP will need to actively promote sustainable development and address climate change.
- #### **Housing (Wales) Act 2014**
- 2.9 One of the aims of the Housing Act was to assist in improving the supply, quality and standard of new housing in Wales. It also requires local authorities to undertake an assessment of the accommodation needs for Gypsies and travellers, through the

preparation of Gypsy and Traveller Accommodation Assessments [GTAA], which would consider the need for new permanent and transit provision.

The Planning Wales Act 2015 [Planning Act]

- 2.10 The Planning Act was enacted following a review of the planning system in Wales and sought to build on and enhance the existing system rather than setting out a new system. The Act sought to deliver reform to ensure that the system was fair, resilient and enabled development and strengthened the plan-led approach. The Act introduced a number of changes to the former system, including the following key changes:
- The Act makes provision for the preparation and revision of a National Development Framework for Wales [NDF].
 - The Act makes provision for Welsh Ministers to designate areas of Wales as strategic planning areas within which a SDP will be prepared.
 - The Act requires local planning authorities to consider a review of their Adopted Plans upon the publication of the NDF or the SDP for the area.
- 2.11 The Planning Act establishes the basis for the regionalisation of planning and transport, through its provisions for Strategic Development Plans and joint working. The Cardiff Capital Region requires a strategic level of planning to deliver its aims and objectives and the provisions within the Planning Act allow joint working between the local authorities to achieve this.
- 2.12 In June 2019 the Cardiff Capital Region Joint Cabinet (Joint Cabinet) endorsed a committee report recommending the commencement of the SDP, which was to be presented to all 10 local authorities in the region. To date the report has been reported to 8 of the 10 local authorities, all of whom have agreed the recommendation to commence the SDP. The remaining 2 authorities are expecting to take the report to their Councils early in the new year.

Well-Being of Future Generations (Wales) Act 2015

- 2.13 The aim of the Well-being of Future Generations (Wales) Act 2015 [Well-being Act] is to improve the social, economic, environmental and cultural well-being of Wales by changing the way local authorities and public bodies think, act and make decisions. It sought to ensure that sustainable development is at the heart of government and public bodies. The overall objective is to create a Wales where we want to live in, both now and in the future.
- 2.14 The Act sets out 7 goals that establish a shared vision for Wales. All public bodies, including local authorities are required to work towards achieving all 7 goals. The Act also seeks to ensure that public bodies apply the sustainable development principle by ensuring they have considered the five ways of working based on 5 elements.
- 2.15 The Act requires that public bodies work together in a more holistic fashion and also requires them to prepare statements or Well-Being plans, which sets out their collective action for the future.

Environment (Wales) Act 2016

- 2.16 The Environment (Wales) Act 2016 [Environment Act] sets out legislation in respect of the environment and climate change, and makes provision for a range of actions to deliver effective protection of the environment and to tackle climate change. The principal issue for development plans is the requirement for local authorities to maintain and enhance biodiversity.

Historic Environment (Wales) Act 2016

- 2.17 The Historic Environment (Wales) Act 2016 [HE Act] amends two existing pieces of legislation, namely the Ancient Monuments and Archaeological Areas Act 1979 and the Planning (Listed Buildings and Conservation Areas) Act 1990. The Act sets out a wide range of provisions that seek to deliver its three aims:
- to give more effective protection to listed buildings and scheduled monuments;
 - to improve the sustainable management of the historic environment; and
 - to introduce greater transparency and accountability into decisions taken on the historic environment.
- 2.18 The key issue for development plans is the requirement to provide more effective protection for Listed Buildings and Scheduled Ancient Monuments.

The Significance of the Legislative Changes

- 2.19 All of the legislation makes provisions for future actions, but do not make any of their provisions applicable to existing documents. As a result they do not have a direct implication for the LDP. However, the legislation brings in changes to both policy and procedure that need to be addressed as part of the planning process. Whilst there are no direct impacts, changes in procedure and policy may require the LDP Policy framework to be considered slightly differently than previously and this may give rise to confusion or conflict. The particular provisions within the legislation that could give rise to these issues and the key areas are:
- The Council has undertaken its GTAA, as required by the Housing Act and, whilst the findings for this assessment are similar to those used to inform the LDP, there is no guarantee that this position will not have changed when the GTAA is reviewed. This could easily result in additional requirements that the LDP has not made provision for.
 - The Planning Act has introduced new documents that will impact upon the national policy framework. The NDF at Welsh level and SDPs at regional level will include both policy and strategy provisions that could be in conflict with the LDP.
 - Similarly the Well-Being Act requires that a Well-Being Plan be prepared. Whilst this may not be a primary landuse document, development plans need to reflect the content of these plans. The LDP was drafted in conformity with the Council's Community Plan. However since then Community Plans have been superseded by Single Integrated Plans and now by Well-Being Plans. Given that development plans need to be in conformity with these plans when they are prepared, potential inconsistencies between a newly prepared Well-Being Plan and the LDP could undermine the policy framework.
 - In addition to the above, the Well-Being Act also introduces the 7 goals and 5 elements of decision making that need to be integrated into the development plan. Whilst the LDP meets all of these requirements, it is not demonstrated within the document itself. Given that the 5 elements of decision making are intended to be fundamental to the delivery of sustainable development, concern could be raised in respect of whether the LDP is delivering sustainable development in accordance with the Well-being Act.
 - The Biodiversity Duty for local authorities, in conjunction with the policy drivers for decarbonisation that cut across legislation, increases the importance of environmental functionality that will require increased ecosystem services management. This will need to be reflected within any revision of the LDP.
 - Both the Environment Act and the Historic Environment Act seek to provide effective protection of the natural and built environment. Whilst the protection and

enhancement of the natural environment is included in the LDP, the plan does not include specific historic environment policies on the basis that national policy sets out the policy for addressing the historic environment and repetition of national guidance in development plans should be resisted.

- 2.20 Whilst legislative changes do require different approaches in the preparation of LDPs, there are no specific changes that would directly require a review of the LDP be undertaken.

National Policy & Guidance

Planning for Climate Change (2010)

- 2.21 The Climate Change Strategy sets out the overarching principles for WG to realise a low carbon economy, limit greenhouse gas emissions and adjust to changes in our climate. The principal implication for the LDP relates to the aim of maximising renewable and low carbon energy generation. There are no direct implications for the LDP.

A Low Carbon Revolution – The Welsh Assembly Government Energy Policy Statement (2010)

- 2.22 The statement sets out what WG will do, and the contribution and actions that others will need to make, to realise the national targets for low carbon energy. The document expands on UK Targets for renewable energy generation and provides challenging targets for the Wales context. The document also considers each area of renewable generation, assessing its capacity to contribute toward the overall target. There are no direct implications for the LDP.

Wales Infrastructure Investment Plan (2012) and Project Pipeline Update 2019

- 2.23 The Wales Infrastructure Investment Plan 2012 committed the Welsh Government to improving the transparency and visibility of project funding through regular reporting on the pipeline of infrastructure projects. To date there have been 8 Pipeline Reports that have outlined progress and have set future aspirations, with the latest of the Pipeline Reports being published in 2019.
- 2.24 The 2019 Pipeline Report sets out large scale funding projects and smaller scale projects for each local authority area. The principal projects identified for Caerphilly County Borough are:

- Caerphilly 21st Century Schools;
- Coleg Y Cymoedd;
- Social Housing Grant;
- Highways Improvements;
- Welsh Housing Quality Standard (WHQS);
- Corporate Buildings;
- Mandatory Disabled Facilities Grant;
- Home Repair Grant – vulnerable persons (Private housing);
- Corporate Projects;
- Salix Street lighting Programme;
- European Regional Development Fund (ERDF) – Ty Du;
- ERDF – Lawns Industrial Estate – units.

National Development Framework (NDF)

- 2.25 The Draft NDF was published for consultation in August 2019. The NDF addresses issues and challenges at the national scale and provides the national policy framework for SDPs and LDPs which are prepared to provide the more local strategies. The NDF, when adopted, will be the highest tier in the Development Plan for Wales and all LDPs will need to be in general conformity with it.
- 2.26 The NDF sets out a policy framework based on two levels. Firstly it sets out policies that apply nationally and secondly it sets out policies on a regional basis for 3 regions (North Wales, Mid & South West Wales and South East Wales) that will apply only in those regions.
- 2.27 The Revision of the LDP will need to be in general conformity with the NDF.

Local Development Plan Manual: Edition 3, August 2015

- 2.28 The LDP Manual was amended to take account of the changes to the LDP preparation process, which were set out in the Planning Act. The LDP Manual is the process guide to preparing Local Development Plans in Wales and is not a policy document. As such the Manual specifically applies to emerging plans, rather than adopted ones and as such the changes in the document would need to be taken into account in any review of the LDP.
- 2.29 It should be noted that the Draft Development Plans Manual is in the process of being rewritten to reflect changes in legislation, and was the subject of a public consultation exercise which ended 30 August 2019.

Planning Policy Wales [PPW]: Edition 10 (2018)

- 2.30 PPW has undergone 7 sets of changes since the LDP was adopted in 2010. When the LDP was adopted PPW Edition 3 had just been published and had incorporated changes in respect of amendments to Rural Planning Policy. These changes were reflected in the LDP. The changes that have been made to PPW since the adoption of the LDP are:
- Edition 4 Feb (2011)
 - Include references to the Climate Change Strategy for Wales.
 - Reflect Version 3 of code for sustainable homes.
 - Policy changes following consultation on renewable and low carbon energy.
 - Edition 5 (Oct 2012)
 - Include the presumption in favour of sustainable development.
 - Changes to economic development policy to reflect WG research.
 - Edition 6 (Feb 2014)
 - Reflect changes due to revised Waste Framework Directive.
 - Updated to reflect newly published TAN23 Economic Development.
 - Edition 7 (July 2014)
 - Changes resulting from amendments to Part L of the Building Regulations.
 - Edition 8 (Jan 2016)
 - Changes to LDP process as a result of the review in to the planning system.
 - Sustainability section amended to reflect the Well-Being Act requirements.
 - New minerals chapter included incorporating previous MPPW (2008).
 - Edition 9 (Nov 2016)
 - Wider ranging changes to reflect the Planning (Wales) Act 2015 [Planning Act].
 - Edition 10 (December 2018)
 - Restructured to reflect The Well-being of Future Generations Act.

- 2.31 Whilst there have been significant changes to PPW since the adoption of the LDP, the changes have not compromised the policy framework within the LDP or its implementation. As a result the changes to PPW do not require a review of the LDP.

Good Practice Guidance for the Historic Environment

- 2.32 This is a suite of nine documents that have been published as part of the revisions brought in by the Historic Environment Act 2016. The documents set out good practice guidance on historic environment matters. This guidance is at a more detailed level than the policy framework in the LDP, providing good practice guidance on day to day process of managing the historic environment. As a result they do not impact on the LDP Policy Framework.

Natural Resources Policy 2017

- 2.33 Published in accordance with the Environment Act with a focus on the sustainable management of Wales' natural resources, maximising their contribution towards achieving well-being goals. The NRP sets out three National Priorities:

- delivering nature-based solutions;
- increasing renewable energy and resource efficiency; and
- taking a place-based approach.

- 2.34 The NRP also sets the context for Area Statements, which must be taken into account in development plan preparation. Natural Resources Wales is currently in the process of preparing the Area Statements, which are not yet complete, and any revised LDP will need to take these into account

- 2.35 Overall, whilst introducing significant procedural changes, the changes to National Policy and Guidance are not of such significance as to warrant a review of the plan.

Technical Advice Notes [TANs]

Technical Advice Note 21: Waste (February 2014)

- 2.36 This revision introduced 4 main changes:

- Revocation of Regional Waste Plans;
- Requirement to annual monitor waste activity;
- Introducing minimum levels of landfill capacity;
- Introduction of Waste Planning Assessments.

- 2.37 The changes to TAN 21 relate to the background information used to prepare developments plans rather than impacting directly upon the policy framework.

Technical Advice Note 23: Economic Development (February 2014)

- 2.38 This TAN was published for the first time in February 2014. The main issues in the TAN are:

- Requires robust evidence to inform plan preparation;
- Local Authorities should group together to prepare regional/sub-regional assessments of the commercial and industrial markets;
- Sets out stakeholders to include in the preparation of assessments and plans;
- Local authorities required to assess economic benefit of allocations and planning applications for economic development;

- Establishes tests for applications that cause harm to social or environmental objectives;
- Requires site allocations that will deliver economic development, whilst existing sites that are unlikely to deliver economic development should not be allocated.

Technical Advice Note 1 – Joint Housing Land Availability Studies (January 2015)

2.39 This revision to TAN 1 largely addresses procedural aspects of the preparation of the annual Joint Housing Land Availability Study [JHLAS] Report. These procedures do not affect the LDP itself, although the report sets out the current housing land supply for the local planning authority, which is a material consideration in planning decisions. The primary change is that the only method of calculating land availability is the residual method, removing the past building rates method from consideration.

2.40 In 2018 Welsh Government consulted on an amendment to TAN1, whereby Paragraph 6.2, which afforded significant weight to the required 5-year land supply would be dis-applied. This would mean that the lack of a 5-year land supply would be a material consideration in the consideration of applications, but the weight attributed to it would be determined by the local planning authority. On 18th July 2018 Welsh Government confirmed the dis-application of paragraph 6.2 of TAN 1.

2.41 In October 2019 Welsh Government published a consultation on proposals to remove the requirement for local planning authorities to provide a 5 year supply of land for housing, to revoke TAN 1 and to monitor housing delivery, rather than housing land supply, against a trajectory set out in LDPs. The consultation closed on 20th November and the outcome of this consultation is not yet known, but if these changes are implemented, it could result in significant changes in the way that housing delivery is considered in the future.

Technical Advice Note 12: Design (March 2016)

2.42 The Planning Act removed the requirement to submit Design and Access Statements [DAS] as part of a planning application. TAN 12 has been revised to include the requirement to submit a DAS as part of a planning application to ensure this requirement is maintained in Wales. This change affects development management rather than planning policy and so has no impact on the LDP.

Technical Advice Note 4: Retail and Commercial Development (November 2016)

2.43 This revision provides further detailed guidance on a range of retail issues including:

- Strategies and hierarchies;
- Sequential and needs tests;
- Retail impact assessment, including the requirement to submit one as part of a planning application for retail developments;
- Changes of use;
- Mezzanine floors;
- Indicators of vitality and viability.

2.44 This revision does not introduce any provisions that the LDP does not currently cover.

Technical Advice Note 24: The Historic Environment (May 2017)

2.45 This new TAN sets out guidance in respect of provisions set out in the Historic Environment Act. As the LDP relies on national guidance for its policy framework for considering historic environment developments, the publication of the TAN, whilst changing the framework, does not change the position in respect of the development plan. As a result the publication

of this TAN does not have any significant implications that would require a review of the plan.

Technical Advice Note 20: Planning and the Welsh Language (October 2017)

- 2.46 This amendment to TAN 20 has incorporated changes arising from The Planning Act. These include the provision for promoting places where community life can take place in Welsh, with seeking to encourage local authorities to view such development as vital to the future of the Welsh language.
- 2.47 Whilst expanding on previous guidance the implications are primarily for an emerging plan rather than an adopted one, so the implications from this update do not justify a review of the LDP.
- 2.48 Overall, changes to the TANs, whilst changing the policy guidance framework, do not significantly affect the LDP and therefore, are not themselves a reason to trigger the review

Other Matters

2011 Census

- 2.49 In preparing the LDP, the strategy was based on a moderate growth in population. Moderate growth was the mid-point between high growth, based on the net migration rate for Caerphilly County Borough reflecting the average for South East Wales, and low growth, based on balanced migration with the same number of people moving in to and out of the county borough.
- 2.50 Moderate Growth realised a population increase of 6,200 from 171,300 at the base date of the plan (2006) to a population of 177,500 at the end of the plan period (2021). The annual increase in population equated to 411 persons, 165 from net in-migration and 246 through natural change (births over deaths). Whilst the level of in-migration was higher than had been experienced in the years preceding 2006, it was a level that could reasonably be achieved during the plan period.
- 2.51 The publication of data from the 2011 Census indicated that the population for Caerphilly County Borough was 178,806. This figure was higher than the projected population at the end of the Adopted plan period and significantly higher than had been projected for 2011 (173,400). It was also notably higher than previous mid-year estimates [MYE] and the 2011 population for both the 2006 and 2008 WG population projections.
- 2.52 In light of the differences between the 2011 Census figures and earlier estimates, the MYE for 2002-2010 for Wales were revised. In Caerphilly's case, the MYE for each year has been revised upwards. Whilst the natural change and migration figures had increased slightly, the main reason for the differences between the old and revised Mid-Year Estimates is 'unattributable change'. The unattributable change accounts for 5000 people and the Office of National Statistics [ONS] has indicated that this may be due to a combination of potential inaccuracies in respect of:
- Internal migration, particularly due to problems in accurately estimating certain moves, such as young people finishing further education courses;
 - International migration, due to different methods of calculating immigration;
 - 2001 population estimates, which were based on the 2001 census;
 - 2011 Census estimates, as an estimate needed to be made for the number of people who didn't appear on a Census form;
 - Prisoner definitions, which changed.

- 2.53 Given that the differences between the old and revised MYEs cannot be fully explained, caution needs to be applied to any assumptions made in respect of population change through the plan period, as the population increase could have happened in the period 1991 – 2001 and had been under-enumerated in the 2001 Census, rather than the growth taking place between 2001 and 2011. This uncertainty makes it difficult to consider the implications of the 2011 Census and whether the expected level of population growth has been realised in the plan period.
- 2.54 The estimated population as of 30th June 2018 MYE was 181,019. The components of change since the 2011 Census indicate:
- Growth through natural change has been positive at an average growth of 256 people per annum;
 - The natural change growth is marginally higher than the assumptions in the LDP of 246 per annum;
 - Net migration (including unattributable change) has been variable with figures ranging between -180 (loss) and 305 (gain) net migrants per annum and amounts to just 63 people over the period, compared to a net migration figure of 165 people per annum in the LDP;
 - In several years since 2011 it has been the case that internal migration has been negative (i.e. more UK born citizens moving out of Caerphilly than moving in);
 - In most years the trend has been for positive migration figures for international migrants.
- 2.55 Welsh Government are in the process of preparing the 2018 based population and household projections and it is anticipated that these will be published in early 2020. These 2018 projections will form part of the evidence base for future housing requirements.
- 2.56 Overall, there has been population growth in the county borough over the plan period. However, the MYE identifies that younger age groups are decreasing, whilst older age groups, particularly those over retirement age, are increasing significantly. The loss of the younger age groups means that for the current and subsequent plan periods the workforce in the county borough will be reducing, whilst increasing numbers of retired people place an extra burden on resources that are funded by the economically active. As a result there is greater pressure on the decreasing numbers of people in employment to support an increasing number of people who are not in work. This is an issue that will need to be addressed through any review of the LDP. The difficulty in determining whether the population growth set out in the LDP is being achieved, and the unsustainable form of growth that is manifesting itself following the 2011 Census, raises significant concern over whether the LDP is delivering the strategy in terms of its expected population growth and demography. Given this, it is considered that a review of the LDP is required to consider and address these issues.

The Regionalisation Agenda

- 2.57 There has been a significant move towards a regional approach to addressing principal planning and transport issues. Transport has a history of being addressed regionally, through regional transport plans, and the former regional transport body South East Wales Transport Alliance (SEWTA) – superseded by the Cardiff Capital Region Transport Authority (CCRTA) as part of City Deal. However, strategic planning has been dealt with almost exclusively at a local authority level. As a result the consideration of planning at a more strategic regional level is a significant change to the position when the LDP was

adopted. Provisions for the preparation of SDPs and the inclusion of joint working between authorities in the Planning Act support and facilitate the regionalisation of planning.

- 2.58 There have been three recent elements that have reinforced the regional approach to planning and transport and these are:

The Valleys Taskforce

- 2.59 The Valleys Taskforce (Taskforce) was set up by the Welsh Government in June of 2016 to review and address economic issues across the South Wales valleys that is broadly located between the Brecon Beacons National Park and the M4, covering all of the South Wales valley areas. The remit of the Taskforce is to consider necessary actions to address economic issues across the whole of the valleys, and deliver real change within them. As such the Valleys Taskforce operates at a strategic, arguably wider than regional, level, considering related economic development, planning and transport issues across the area.

- 2.60 In addressing its remit the Taskforce published the first iteration of “Our Valleys, Our Future” in 2017. Our Valleys, Our Future is the Taskforce’s plan, covering the period up to 2021, addressing the issues through a number of actions grouped under 3 priority areas:

- Priority 1: Good quality jobs and the skills to do them
- Priority 2: Better public services
- Priority 3: My Local Community

- 2.61 The delivery plan sets out actions that are intended to be undertaken within the plan timeframe (up to 2021) so they are not exhaustive, as it is intended that the plan will be revised over time. A key outcome of the work of the Taskforce is the identification of Strategic Hubs, which will be the subject of focussed public sector investment targeted at attracting private investment and creating jobs across the region. Strategic Hubs have been identified at locations that are accessible within 45 minutes of people in the valleys by public transport.

- 2.62 Caerphilly/Ystrad Mynach has been identified as 1 of 7 Strategic Hubs in the VTF area and includes proposals for:

- Strategic employment and residential site;
- Employment hubs linked to strategic transport infrastructure improvements;
- Town centre redevelopment;
- Tourism and cultural development;
- Residential development.

City Deal and The South Wales Metro (Metro)

- 2.63 The South East Wales region is entering a significant period of change. In February 2016, the Council agreed that the authority (through the Leader) should formally sign a commitment to participate in the City Deal initiative, a £1.2 billion programme to regenerate the economic fortunes of the South East Wales region. Subsequently, in March 2016, the City Deal agreement was signed by the ten local authority Leaders, the First Minister for Wales and the Chief Secretary to the Treasury. The City Deal sets out a transformative approach to how the Cardiff Capital Region will deliver the scale and nature of investment needed to support the area’s growth plans, a key element of which is the delivery of significant public transport improvements that will facilitate the Region’s economic growth aspirations.

2.64 City Deal seeks significant economic growth throughout the Cardiff Capital Region (CCR), with the focus on Cardiff as the economic engine for the CCR. A key element in the proposals is the Metro, a new transport system for the region that will transform the way people travel around the region providing faster, more frequent and joined up services using trains, buses and rail. Together the City Deal and Metro has the potential to realise significant changes to the county borough in the near future and could bring wide spread changes to the county borough's economy that could be realised over a relatively short timeframe.

The Growth and Competitiveness Commission

2.65 The Growth and Competitiveness Commission (Commission) was established as part of the City Deal agreement between the UK Government, the Welsh Government and the ten local authorities of the CCR. The remit of the Commission was set out in the City Deal Agreement as follows:

- Review the evidence about the functional economic area and advise how best to generate Gross Value Added growth and support the ambitions of a dynamic capital region in a successful Welsh Economy.
- Examine the challenges and opportunities for economic growth and competitiveness and make recommendations for how the CCR can achieve its full growth potential, and contribute most to the Welsh economy.

2.66 In 2016 the Commission published its report and recommendations. It considered the spatial development throughout the Capital region, concluding that *“the Cardiff Capital Region is not homogeneous; it consists of diverse places each with distinctive histories, strengths, challenges and opportunities.”*

2.67 Its findings recommended *“With differences in economic performance and outcomes across the city-region there is a clear need to ensure that the region is organised spatially in a way that maximises the benefits for residents”*

2.68 The report recommended that the Capital Region develops a spatial perspective, complementing the economic strategy, that define the roles of::

- Cardiff and Newport as established hubs of business, commerce and institutions, each playing to their particular strengths;
- Cardiff Airport and the associated Enterprise Zones;
- The re-emerging towns such as Bridgend, Barry, Caerphilly and Pontypridd that are in transition to accommodating high value-added activity, renewed resident populations and university expansions; and
- The Valleys and rural towns which are becoming increasing important centres for local services, amenities and the foundational economy, and are developing their roles in tourism and leisure.
- The environment in the growth and regeneration of the valleys with the Valleys Regional Park being developed to secure a range of long lasting benefits associated with the environment and well-being.

2.69 In January 2018 the Joint Cabinet agreed in principle the preparation of a SDP for the Cardiff Capital Region City Deal area, and in June 2019 endorsed a report to be presented to each of the 10 constituent local authorities of the region seeking their agreement to commence work on the SDP. To date 8 local authorities have presented this report to their Councils and all 8 have agreed to commence work on the SDP. The remaining 2 authorities are due to present the report to their councils early in 2020.

Strategic Development Plan

- 2.70 A key issue to arise from the work undertaken in respect of the City Deal is the potential for a regional level of development plan, a SDP. The Planning Act makes provision for local authorities to work together to prepare regional plans to cover their combined areas, and the Well-being Act enshrines joint working within its methods of working. Both the Growth and Competitiveness Commission Report for City Deal and the Government's white paper 'Reforming Local Government: Resilient and Renewed' have addressed the issue of SDPs and identify their value for providing a landuse framework between the National Development Framework and Local Development Plans.
- 2.71 The Planning Act requires that SDPs are prepared by a single purpose body, a Strategic Planning Panel. With the emergence of regional governance arrangements, such as the Joint Cabinet for City Deal, it is possible to use these governance arrangements for the preparation of the SDP that covers the City Deal area.

Joint LDPs

- 2.72 The Planning Act introduced provisions for local authorities to work together to prepare joint LDPs. The provisions in the Planning Act are for voluntary joint working rather than mandated joint working, which would force authorities to work together.
- 2.73 In terms of planning there is broad general support for joint and regional working, especially for plan preparation. When the Council withdrew its Replacement LDP in 2016, it did so with the recommendation that the early preparation of an SDP for the region be sought. With City Deal and The Valleys Taskforce identifying projects and schemes at the regional level, a regional plan, providing the strategic basis for the delivery of these projects is the logical way forward. Whilst a number of authorities have commenced reviews of their LDPs, they are all at different stages in the preparation process and, as a result, are not being prepared jointly with other authorities, despite ongoing pressure from WG for joint working. Opportunities for the preparation of joint LDPs are extremely limited. This is due to a number of factors, including:
- Not all local authorities are undertaking LDP Reviews;
 - Those authorities that are undertaking reviews are at different stages during the preparation process and are working to different timescales;
 - The strategies with the emerging LDPs are markedly different that would make joint preparation very difficult;
- 2.74 The preparation of a SDP would require that all LDPs be subject to review, although these may be "light touch" dependent upon how up-to-date LDPs are. The delivery of the SDP could, therefore, provide a critical point where joint working is not only possible, but preferable, given the time and resources required to prepare the various tiers of development plan.

Conclusion

- 2.75 Whilst there have been significant changes since the adoption of the LDP, the changes have not directly affected the existing policy framework and consequently there is no requirement to review the LDP arising from the policy based changes.
- 2.76 The Well-being Act has made radical changes to how local authorities, and the public sector as whole, act, interact and deliver their services. However, the changes are generally procedurally based and, as a result, are not retrospective. Consequently the Well-being Act does not directly impact on LDP policy, only affecting the processes for implementing it.

2.77 However, whilst it is noted that the need to review the LDP does not arise from the changes, the situation has changed significantly since the LDP was adopted and these changes will need to be taken into account and addressed through the LDP Review process.

3. Annual Monitoring

- 3.1 It is a statutory requirement for all local planning authorities to monitor the delivery of their LDP through annual monitoring reports (AMR). The main aim of the AMR is to assess the extent to which the Strategy and Strategy Policies of the LDP are being achieved. It, therefore, has two primary roles; firstly to consider whether the policies identified in the monitoring process are being implemented successfully; and secondly to consider the plan as a whole against all of the information gathered to determine whether a complete or partial review of the plan is necessary.
- 3.2 In order to consider whether the strategy is being implemented successfully, the LDP strategic policies, which should deliver the strategy, are monitored by considering a number of indicators related to each policy. As the strategic policies are complex, more than one indicator is required to monitor each policy, with each indicator monitoring a specific element within the overall policy context. Some of the indicators monitor the delivery of the policy over the plan period and whether it meets its anticipated trajectory and others monitor how far a policy is being delivered from its expected norm. Where policies have deviated significantly from their expected norm and reach their trigger point, the AMR includes a consideration of whether that policy is not being delivered appropriately and whether it is sufficient to require a review of the LDP. In addition, there is also a requirement to monitor the effects that the implementation of the LDP is having on the environment under the requirements of the European Directive on the Assessment of the Effects of Certain Plans and Programmes on the Environment [SEA Directive]. This is monitored through indicators derived from the sustainability indicators set out in the Strategic Environmental Assessment/Sustainability Appraisal [SEA/SA]. The SEA/SA monitoring is also included in the AMR each year.
- 3.3 This section will consider the issues arising from the most recent AMR, which was published in October 2019 and covered the period 1 April 2018 to 31 March 2019.

Strategic Policies and LDP Objectives

- 3.4 Whilst there are 8 previous AMRs, the most recent AMR (2019) is the most relevant for the Review Report as it provides the most up to date position in respect of the Adopted LDP. It should be noted that the 2013 AMR, produced for the period 1 April 2012 – March 31 2013 concluded that, whilst the LDP Development Strategy remained sound, the need to address housing land supply and the requirement for new sites for the 21st Century Schools programme would require a change to the Adopted policy and a revision of the plan should be undertaken.
- 3.5 The revision of the Adopted Plan was commenced in 2013 and Preferred Strategy and Deposit Replacement LDP documents were published and consulted on. At the meeting of the Full Council on 19 July 2016 the Council resolved to withdraw the Replacement LDP (subject to Ministerial approval) and seek support for the early preparation of the Strategic Development Plan (SDP) for the Cardiff Capital Region. As a result the council withdrew the revision to the Adopted LDP and retained the current Adopted LDP to determine the future use of land and building in the county borough. In doing so it is important to understand those policies that are being effective and understand which policies are not.
- 3.6 The Adopted LDP sets out 22 Strategic Policies that are intended to deliver the plan strategy and realise the plan vision. It is these policies that are monitored to determine whether the strategy is being implemented. The 2019 AMR found that, for the first time since its adoption, over half of the strategic policies are identified as not delivering as expected. Eleven of the policies have been identified as not delivering as expected but do not require interventions, whilst 2 of the policies are identified as failing to deliver and interventions are required. Table 1, below, sets out the relative performance of the

Caerphilly County Borough Local Development Plan – Review Report

Strategic Policies, whilst Appendix 1 sets out the performance of the policies and an explanation of what action is required and why.

Strategic Policy	Performance	
SP1	Development in the HOVRA	
SP2	Development in the NCC	
SP3	Development in the SCC	
SP4	Settlement Strategy	
SP5	Settlement Boundaries	
SP6	Place Making	
SP7	Planning Obligations	
SP8	Minerals Safeguarding	
SP9	Waste Management	
SP10	Conservation of Natural Heritage	
SP11	Countryside Recreation	
SP12	Development of the Valleys Regional Park	
SP13	Leisure Centre in the HOVRA	
SP14	Total Housing Requirements	
SP15	Affordable Housing Target	
SP16	Managing Employment Growth	
SP17	Promoting Commercial Development	
SP18	Protection of the Strategic Leisure Network	
SP19	Transport Infrastructure Improvement	
SP20	Road Hierarchy	
SP21	Parking Standards	
SP22	Community, Leisure and Education Facilities	
KEY		
	Policy is being met or exceeded. No intervention required.	
	Policy is not delivering as anticipated but is delivering sufficiently and does not require intervention measures.	
	Policy is failing to deliver as anticipated and intervention measures should be considered.	

Table 1: Policy Performance (2019 AMR)

3.7 Table 1, above, identifies two Strategic Policies that are not being implemented as anticipated and are deviating to a point that intervention measures should be undertaken. The policies, SP14 - Total Housing Requirements and SP15 – Affordable Housing Target both relate to the delivery of housing to meet the needs to the projected population in 2021. These policies are failing due to an accumulation of the same factors, specifically:

- low house building rates,
- risk-averse investment, and
- very low housing land supply figures.

3.8 To fully consider whether the plan strategy is being implemented, consideration also needs to be given to whether the LDP Objectives are being delivered. Appendix 2 sets out the performance of the policies against the LDP Objectives. The LDP contains 24 Objectives that set out what the LDP will deliver by the end of the plan period. Appendix 2 identifies that 14 of the 24 Objectives are being delivered as anticipated, indicating that the majority

of the LDP strategy is being delivered as anticipated. It then identifies 7 Objectives that are not being delivered as anticipated, but have been subject of progress towards their delivery. These Objectives do not require intervention measures as continued progress could realise their delivery by the end of the plan period.

- 3.9 Finally Appendix 2 identifies 3 Objectives that are not being delivered as anticipated. Objective 9, which addresses the delivery of housing, has been identified as not being delivered. Whilst just over 50% of the total housing requirement has been delivered to date, this is behind the anticipated rate, as only two years of the plan period remain. Furthermore, the Council does not have the required five-year housing land supply. This is a material consideration in the determination of housing applications and has resulted in a number of housing applications being allowed on appeal in locations that are contrary to the LDP.
- 3.10 Objective 17 which addresses Caerphilly's role as a commercial and employment centre and Objective 18, on providing and protecting a diverse portfolio of employment land for a variety of employment uses, have also been identified as not delivering, on the grounds of the small amount of land granted planning permission for employment use and no allocated employment sites being developed for employment use during the monitoring period.

General Findings of the Policy Monitoring

- 3.11 In order to fully consider whether the LDP is being implemented appropriately, the monitoring framework for the LDP monitors progress on the delivery of the policies and also monitors factors that could indicate that the evidence base that informed the preparation of the LDP could be out-of-date and would need to be revisited, e.g. the viability evidence that informed the affordable housing targets. There are 80 indicators in the monitoring framework and together they provide an overview of the current position in respect of the LDP. The main findings of the 2019 AMR are:
- The annual house building rate in this AMR has fallen this year from 284 to 190 units (based on 2018 Joint Housing Land Availability Study figures).
 - The housing land supply figure has increased from 2.1 years to 2.3 years using the residual method, following the approval of several major housing applications. *(It should be noted that the AMR uses the data from the previous year's JHLAS, due to the fact that the JHLAS is generally agreed after the preparation of the data for the AMR Report. Therefore, the 2019 AMR uses the 2018 JHLAS information that actually covers the period 1 April 2017 to 31 March 2018. The 2019 JHLAS has recently been agreed and the housing land supply has decreased to 2.0 years. This is still well below the 5-year requirement. This figure will be reflected in the 2019 AMR)*
 - The average house price for the county borough increased by 2% from £129,928 to £132,469.
 - The annual unemployment rate decreased from 6.2% to 5.2%.
 - The number of residents in employment increased from 80,700 to 81,900.
 - A further 12 hectares of employment land was granted planning permission.
 - Of the principal town centres, only Caerphilly and Risca-Pontymister have a vacancy rate of lower than 10% and both towns saw their vacancy rates decrease to the lowest levels since the LDP was adopted. Blackwood, Bargoed and Ystrad Mynach have all seen an increase in vacancy rates.
 - In the three principal towns with football counters (Caerphilly, Blackwood, Bargoed) there has been an increase in football in both Caerphilly and Blackwood. However, the previous AMR year data included a period of six weeks where the football

counters were out of action so the data is not directly comparable. The figures in Bargoed have decreased, but this is to be expected as there is now only one footfall camera within the town rather than two.

- There was a further increase in visitor numbers to countryside recreation facilities to 1.5 million visitors per annum, and customer satisfaction has increased from 75% to 85%.

SEA/SA Monitoring

- 3.12 It is a statutory requirement that, as part of its preparation, the LDP is the subject SEA/SA. The SEA Directive requires that the LDP is the subject of Strategic Environmental Assessment and national legislation requires that LDPs are also subject of Sustainability Appraisal. As well as requiring SEA assessment of the LDP during its preparation, the SEA Directive also requires that the effects of the implementation of the plan on the environment be monitored annually, and it is incorporated into the AMR Report.
- 3.13 SEA monitoring is different to the LDP monitoring as it monitors the state of the environment rather than the performance of the LDP. The state of the environment is affected by many things, only some of which are within the remit of the LDP. Consequently when preparing the LDP the SEA/SA scopes out the state of the environment to identify relevant issues. These issues are then narrowed down to a series of indicators which provide information on the issues that have been identified and 25 sustainability objectives, setting out the target to be reached by the end date of the LDP, are identified. The indicators are used to assess the LDP, whilst the Sustainability Objectives are the basis for the monitoring of the state of the environment over the plan period.
- 3.14 Whilst the SEA monitoring is undertaken each year, the indicators are considered against their respective targets and whether progress is being made to achieve them. Therefore, for the purposes of this report, the key consideration is how the state of the environment at the last AMR differs from that at the start of the period, as this provides the long term changes and overall trends that are occurring, rather than yearly changes which can be greatly affected by issues with the data.
- 3.15 The overall results show a balanced outcome – whilst the overall number of double negatives has increased since last year, there are now single negatives. All of the indicators that are recorded as negative this year have previously been negative in at least one other AMR report. None have been consistently negative since the start of the plan period; there has been significant variation across the years. The annual results are set out in the Table at Appendix 3.

Issues Arising From Annual Monitoring

- 3.16 There are key issues that have been identified through the AMR process – the failure of the housing policies in delivering housing, including affordable housing, and the significant concerns around the future availability of land for employment to meet the needs of investors, linked to the wider regional aspirations for economic growth and prosperity.

4. Evidence Base

- 4.1 Underpinning the LDP is a wealth of information forming the LDP evidence base, which sets out the background position and reasons for the LDP strategy and its policy framework. The evidence base pulls information from a wide range of sources and changes in this information may not be directly reflected in the performance of the LDP. However, such changes could have fundamental implications for the policy framework and, as a result, changes to the evidence base need to be considered to determine whether they are of significance to the LDP, and the consideration of whether there is a requirements to Review the plan.
- 4.2 As the Council has resolved to undertake a full review of the LDP the whole of the evidence base will need to be reviewed and updated. Whilst the whole of the evidence base will need to be reviewed, consideration is given below to the principal issues relating to the land use topics and what needs to be done in respect of all relevant parts of the evidence base.

Population and Housing

Population Projections

- 4.3 The WG 2003-based sub-regional population and household projections were the ‘starting point’ that informed the population and household assumptions in the LDP. However, at the time of the preparation of growth scenarios PPW indicated that local authorities were able to deviate from these projections where they could justify their own policy based projections. The LDP is based on a position of moderate growth.
- 4.4 Since the LDP was prepared, a number of other sets of projections have been published by Welsh Government - 2006-based, 2008-based, 2011-based and most recently, the 2014 based population and housing projections.
- 4.5 It should be noted that the projections are trend based so do not make allowances for the effects of local or central government policies or socio-economic factors on future population levels, distribution and change or household composition and only indicate what may happen in future should the trend-based assumptions become true.
- 4.6 In respect of the 2011-based projections, the then Minister for Housing and Regeneration wrote to local authorities highlighting the need for caution in the use of the projections, particularly as the trend based nature of them would include assumptions based on the previous five year trends. Welsh Government has confirmed that the principles of this letter is still relevant for the 2014-based projections, highlighting that the housing requirements in the LDP must be based on all sources of evidence rather than relying solely on the projections.
- 4.7 The 2014 population projections show a low level of growth in the period up to 2030, before the population begins to decline. The population growth is projected to be due to natural change, with a negative level of migration (more international and internal migrants expected to move out than in). Furthermore, the projections indicate that there will be a significant increase in the number of people who are aged 65 and over. Conversely, the economically active population and population aged 15 and under are both projected to decrease.
- 4.8 The projections show a declining population with a significant decrease in working age population. This is significantly different from the population projections used to inform the LDP. Any review of the LDP will need to consider and address these issues

- 4.9 Since the LDP was adopted, Planning Policy Wales (PPW) has been subject to several revisions with respect to Population and Housing. PPW recognises that the household projections are based on population projections. From the projections perspective, the emphasis has changed from the housing projections forming the "starting point for assessing housing requirements" to "forming a fundamental part of the plan's evidence together with other key issues such as what the plan is seeking to achieve, links between homes and jobs, the need for affordable housing, Welsh language considerations, the provisions of corporate strategies and the deliverability of the plan." Any review of the LDP will need to consider a range of factors in determining the level of future growth.
- 4.10 Two key elements of the evidence base that underpin the housing topic are the Local Housing Market Assessment and the Gypsy and Traveller Accommodation Assessment. Both of these assessments will need to be refreshed to provide up to date and robust evidence for the LDP Review.

Affordable Housing Targets

- 4.11 The affordable housing policies in the LDP were informed by an Affordable Housing Viability Assessment [AHVA], which tested notional 1 hectare sites in a number of market areas and made assumptions about: the mix of houses, type of affordable housing, sales values, development costs, developer profit and land values. Two of the key elements in this assessment were land values, which are a cost to development viability, and house prices, which are revenue for development viability. Changes in these two values can have very significant implications for development viability and for the level of affordable housing that can be achieved through the planning system.
- 4.12 Land values are historically difficult to monitor, as the purchase values for land are not disclosed and are variable due to a large number of factors. As a result the monitoring framework does not include indicators related to land values. House prices, on the other hand, are known and published and the monitoring framework includes an indicator on house prices. Interestingly house prices have increased significantly to the point that the Indicator triggered for the first time in the 2017 AMR. In order to ensure that the affordable housing target was reasonable, the AVHA was the subject of sensitivity testing, which determined the effects of fluctuations in the assumptions that underpin the assessment. The sensitivity testing included a change in house prices and the trigger for this indicator was set at the ends of the sensitivity testing, where changes to house prices did not undermine the target. The fact that this indicator has triggered at the high end of the scale means that increases in house prices have occurred that could undermine the affordable housing target (i.e. in some areas the amount of affordable housing that it would be viable to deliver could be higher than the targets in the plan). However, it must be noted that there are many other factors that could mitigate against the rise in house prices, meaning that the target is still appropriate.
- 4.13 The Affordable housing target, along with its supporting viability evidence, will need to be reviewed and re-assessed as part of any review of the LDP.

The Regionalisation Agenda

Regional Issues

- 4.14 Given that the WG projections are only part of the evidence base, and are not intended to determine growth levels, or even a spatial distribution of growth, there is scope for a regional context that would set overarching parameters that, cumulatively, local plans would need to realise. This would allow the strategic level to consider the regional spatial distribution of growth, which would reinforce both City Deal and the Valleys Taskforce aspirations.

- 4.15 PPW advises that “Local Housing Market Assessments provide the evidence base supporting policies to deliver affordable housing through the land use planning system”. Guidance on producing local housing market assessments requires that consideration for housing issues should be based on the broad housing areas, rather than local authority administrative boundaries. Housing markets are not restricted to local authority boundaries and cover large areas, often located within two or more authorities.
- 4.16 Acting on a regional scale would assist in the consideration of the housing markets across the CCR which could result in a more homogenous system of affordable housing targets across the region. Such consideration, however, could be undermined by local Community Infrastructure Levy charges that could drastically affect site viability between local authority areas within the same housing market area, unless CIL was also regionalised. This would be unlikely, however, as not all councils have moved to adopt Charging Schedules for CIL and it would be unlikely that those authorities would move to a regional CIL now.

Joint Working

- 4.17 Currently the population and housing projections that underpin the adopted plans are based on local assumptions that are influenced by local circumstances and the aspirations of different administrations. Whilst joint working across local authorities is possible, there are significant issues of compatibility of objectives and aims between authorities that could render such work problematic, especially where authorities have differing views of the level of growth that should be accommodated.
- 4.18 The position is similar in respect of housing. Whilst housing market areas do extend across local authority boundaries, they are not reflective of them. As a result whilst adjoining authorities may share some housing market areas, they also share others with other authorities. A joint approach can only partially address the issue of cross border issues.

Employment

Employment Development

- 4.19 The LDP allocates 101.9 hectares of land for employment uses of which 25.7 hectares have been developed for employment purposes. Whilst only 25.5% of the allocated land has been developed, Oakdale Plateau 1 continues to be the focus of interest for potential occupiers and Ty Du in Nelson has recently been granted planning consent for mixed-use development and is expected to commence on-site in early 2020.
- 4.20 The adopted LDP allocates three sites in the Caerphilly Basin. To date, one of these sites has been built out (Western Industrial Estate) and a further site (Caerphilly Business Park) has been partially developed. The land available for new employment development within the Caerphilly Basin is, therefore, very limited. Whilst there are opportunities for redevelopment on existing industrial estates, the lack of any significant sites for employment growth is a concern from a strategic perspective, due to the identification of Caerphilly and Ystrad Mynach, as a ‘strategic hub’ by the Ministerial Taskforce for the South Wales Valleys.
- 4.21 Employment land does remain in other parts of the County Borough, including at Oakdale Plateaux 1, 2 and 4, Heads of the Valleys, Hawtin Park North, Duffryn South and Trecenydd. There is also land for smaller scale development and redevelopment within existing industrial estates. However, in light of the developments that have taken place during the plan period to date, the diversity and range of allocated sites that remain are limited and it would be timely to reconsider whether these continue to meet the needs of the business community. The decrease in permissions for B1/B2/B8 employment this year, together with the low rates of delivery over the past three years, raises concerns that there is no longer the range and diversity of sites to meet future needs. This is critical in respect

of regional aspirations, where City Deal strives to deliver 25,000 jobs in the region; the allocation of land is needed to facilitate this.

- 4.22 Key elements of the evidence base in respect of employment are a larger than local assessment of the economic market and an assessment of existing employment land and forecasts of future employment land requirements. Both of these will need to be revisited as part of the LDP Review.

Economic Structure

- 4.23 By comparison to the CCR and Wales as a whole, the county borough has a relatively low proportion of its residents employed in managerial and senior professional occupations. Conversely a higher proportion of the residents in the county borough are employed in mid-level jobs.
- 4.24 Thirty percent of the county borough's workforce is employed in the public sector (public administration, education and health) which is lower than the rate for South East Wales. Manufacturing, on the other hand, employs 22.9% of the workforce, which is over double the rate for South East Wales. The county borough has particularly strong manufacturing sub-sectors, namely food, plastics and paper products.
- 4.25 Any review of the LDP will need to reflect the economic structure when identifying and allocating sustainable employment sites for future economic growth.

Commuting

- 4.26 Caerphilly county borough has one of the highest out-commuting rates in Wales with just under 41,000 trips for employment outside of the county borough, most of which use the car as their mode of travel. Monitoring data identifies an overall trend of increasing levels of out-commuting, with out-commuting exceeding 50% of total residents travel to work in the 2016, 2017 and 2019 AMRs. There is also a significant in-commute every day, the 2019 AMR figure being 17,400 trips into the county borough from other authorities.
- 4.27 The level of commuting, and the fact that the vast majority uses the car, has major implications for the county borough's strategic road network. Caerphilly Basin is quickly approaching severe congestion and potential gridlock, whilst the Mid-Valley strategic routes suffers delays and increasing congestion through Maesycwmmmer.
- 4.28 From an employment perspective a key factor influencing the need to travel outside of the county borough, is the number of jobs available for the economically active resident population. The 2019 AMR identifies the job density (number of jobs per head of economically active population) of just 0.56, effectively just over one job per 2 people. This shortage in jobs requires the county borough's economically active to travel outside the county borough for employment.
- 4.29 It should be noted, however, that the job density for the county borough has been rising since its low of 0.47 in 2003, indicating that the position is slowly being rectified. However, further increases will be required to assist in alleviating the issues of commuting traffic within and outside the county borough. Any review of the plan will need to consider increasing the employment land provision in the county borough through the allocation of attractive and viable sites that can be delivered during the plan period.

The Regionalisation Agenda

Regional Issues

- 4.30 Planning Policy Wales advises "*Effective planning for the economy requires local planning authorities to work strategically and co-operatively steering development and investment to the most efficient and most sustainable locations, regardless of which local authority area*

they are in.”, whilst TAN 23 – Economic Development advises “*Local planning authorities are encouraged, therefore, to work jointly in regional groups, which ideally already exist, to prepare regional economy evidence bases, including an analysis of the dynamics of the regional commercial and industrial property market, followed by an economic strategy*”. Both of these references indicate that a more regional approach to considering future economic development needs to be adopted in future plan preparation.

- 4.31 TAN 23 also requires that local authorities undertake a study that considers “*individual local planning authorities’ position in the region and nationally and also include high level data on non B class uses falling within other employment categories to ensure a picture of the whole economy is presented*”. This requires LDP strategies to reflect the regional economic pattern and to establish policies that have regard to it. Given this, there is already a regional requirement for economic development.

Joint Working

- 4.32 In keeping with the “larger than local” approach to planning for economic development put in place by TAN 23, SEWSPG has established a methodology for the undertaking of employment land reviews across South East Wales, ensuring a common approach to employment surveys. This will enable a regional evidence base to be established with employment sites assessed and evaluated in accordance with a single set of parameters, which will have clear advantages from the point of view of preparing a SDP. However, there are differing levels of resources across the ten LPAs, both in terms of staffing levels and expertise in undertaking such work (some have not, to date, undertaken employment surveys), and this will have implications in terms of establishing a single evidence base and in terms of employment forecasting for the region, especially bearing in mind the requirements of PPW 10 which stipulates that reviews include assessments of anticipated employment change by sector and land use, and targets on land provision for employment uses showing net change by sector.
- 4.33 Caerphilly, in conjunction with Monmouthshire, Newport, Torfaen and Blaenau Gwent, have jointly procured a larger than local economic review, which will provide the basis for the wider economic analysis for the LDP review.

Transport

The Strategic Highway Network and Congestion

- 4.34 The Transport Background Paper to the LDP states that “. . . *without legislative intervention or the introduction of fiscal measures, car travel will continue to be the dominant transport mode for the majority of people who live and work within the county borough*”. This remains true. Following a slight reduction in traffic between 2010 and 2013, traffic levels have again continued an upward trend, resulting in increasing congestion levels and congestion continues to be the principal transport issue for the development plan. In order to appropriately plan for future transport needs it is important that there is a thorough understanding of the current position and where interventions are required.
- 4.35 In order to effectively plan for the future a more robust evidence base is required. Whilst Planning applications deliver localised transport assessments, which provide useful information to feed into the strategic picture, a fuller and better understanding of the strategic network and its linkages is important to inform any future plan.

Air Quality

- 4.36 One of the main implications arising from increasing traffic and congestion is worsening air quality. The County Borough already has two Air Quality Management Areas (AQMA) and increasing traffic and congestion is likely to increase the number of areas that exceed minimum air quality standards.

- 4.37 Whilst Action Plans for both of the AQMAs have been produced and are being implemented, general measures to address traffic management and measures to seek the reduction in vehicular traffic also need to be pursued to realise the required improvement in air quality generally. Increased use of public transport and active travel are important measures, but so are traffic management schemes that seek to address traffic movements where they are giving rise to air quality issues.

Rail

- 4.38 Responsibility for rail transport is vested with WG (Transport for Wales [TfW]) and the new rail franchise operator Keolis-Amey. As part of the City Deal and Metro further expansion of the rail transport system is proposed... It should be noted that the improvements to the rail service in the county borough will increase capacity and service levels, but this increase is not sufficient in itself to address the congestion and commuting issues facing the county borough and other measures will also be required to deliver meaningful change.

Bus

- 4.39 Local authorities are an important element in the delivery of bus services throughout the region, being responsible for administering subsidies to routes to aid viability. There is a need to increase connectivity between bus and rail services, improve linkages between them and provide a more comprehensive and integrated transport system and this will need to be reflected through any new development plan.

Active Travel

- 4.40 The Council has published its Active Travel Integrated Network Map, which sets out existing and proposed active travel routes. The Council is continuing to work on delivering the proposed active travel routes.

- 4.41 Moving forward active travel will form a key element of the transport infrastructure. Whilst strategic rail and bus transport will provide transport for distances, there are many journeys that do not end at the rail or bust stop. The most effective mode of transport for these trips is via active travel. Moving forward any new plan will need to consider how to provide active travel opportunities to continue bus and rail journeys to their ultimate destination.

The Regionalisation Agenda

Regional Issues

- 4.42 Transport at a regional level will be considered through City Deal and the Metro, through the Regional Transport Body that will be set up to facilitate it. It will be necessary to integrate bus and active travel modes into the regional transport system to ensure that the objectives for City Deal are delivered.

Regional Working

- 4.43 The South East Wales Region has a history of joint working, through regional officer groups to the former SEWTA regional transport body. When SEWTA was wound up in 2014 Regional Transport Plans were dropped and Local Transport Plans brought in to replace them. In response to this the Council, in conjunction with Blaenau Gwent, Merthyr Tydfil, Rhondda Cynon Taf and Torfaen Borough Councils, jointly prepared and published the South East Wales Valleys Local Transport Plan, which sets out the transport plan for each of the contributing authority areas.
- 4.44 Further to this the 10 authorities comprising the Cardiff Capital Region have agreed to work jointly in delivering the Metro through a regional body.

Natural Heritage

Biodiversity

- 4.45 There is a Biodiversity Duty that requires local authorities to protect and enhance biodiversity as part of their decisions. This is a key driver for sustainable development and well-being and as such will need to be at the heart of any plan revision.
- 4.46 There is a defined hierarchy of nature conservation protection sites, with European designations being most protected, followed by national designations with local designations given the least stringent protection.
- 4.47 Aberbargoed Grasslands Special Area for Conservation [SAC] is the county borough's only designated European site of nature conservation importance. There are 13 nationally designated Sites of Special Scientific Interest [SSSI] within the county borough; 8 of these are designated on nature conservation interest and 5 on their geological interest. Both the European and national sites are defined and identified outside of the remit of the development plan and therefore have no evidence base implications for the plan review.
- 4.48 The LDP identifies and allocates 190 Sites of Importance for Nature Conservation [SINC]. SINCs are identified and given their protection through the adoption of the LDP... Given that SINCs are the least protected sites in the protection hierarchy, they are at risk from agricultural operations and from proposed development. Consequently, SINCs can easily be adversely affected and fall below the requirements for designation over the plan period. Similarly some sites can continue to improve as habitats and become eligible for designation over time. A review of the status and quality of sites will need to be undertaken to inform any review of the plan.

Landscape

- 4.49 The LDP allocates 6 Special Landscape Areas [SLA], which seek to protect important landscapes from damage from development. These designations were evidenced using Landmap as the basis for the designations that remains valid today. A review of the LDP may require changes to existing settlement boundaries and consequential changes to SLAs may be required. Any changes will be minor and at the edges of the SLAs.
- 4.50 The LDP also allocates 4 Visually Important Local Landscapes [VILL], which are important for their aesthetic landscape value. A review of the LDP may require changes to existing settlement boundaries and consequential changes to VILLs may be required.
- 4.51 The council are in the process of preparing a Landscape Strategy for the county borough and this will feed into any revision of the LDP.

Green Infrastructure

- 4.52 The Council is in the process of preparing its Green Infrastructure Strategy that will address the issues of Green Infrastructure. In addition consideration will also need to be given to the issue of green wedges and the potential for coalescence of settlements. Both of these will feed into any revision of the LDP

Geology & Geomorphology

- 4.53 Caerphilly County Borough has five sites that qualify for protection as a Regionally Important Geological Site [RIGS]. However these sites are not specifically designated as RIGS as they are also nationally designated as SSSIs, which carries greater protection than the RIGS designation would. Given the hierarchical nature of the protection designations, the higher SSSI designation provides greater protection than the RIGS designation would, so the SSSI designation is retained for these sites. This position has not changed and will not need to be revisited as part of any review.

The Regionalisation Agenda

Regional Issues

- 4.54 Since natural heritage issues are not defined by administrative boundaries they should be addressed strategically, through consultation and collaboration with adjoining planning authorities.

4.55 The Valleys Regional Park (VRP) concept drives and promotes activities related to the environment and heritage and associated tourism activities across the South Wales Valleys. Its activities are already delivered through a strategic cross-boundary collaborative and regional approach. In addition to a funded package of enhancements the VRP supports design principles that help protect the natural heritage of the Valleys, increase its resilience and improve usage.

Joint Working

4.56 A report has been carried out looking at future options for the next phase of the VRP and this will be of major importance across the CCR in respect of natural heritage matters.

4.57 In terms of natural heritage, there is a history of joint working, through both regional and national officer groups. Regionally, the continued designation of biodiversity and mindscape sites is required, however, standard criteria is required for such designations. Green Infrastructure policies should be considered at regional level and key local green network features, and particularly linkages, should be maintained and enhanced throughout the region.

Retailing

4.58 The Shopper Attitude Survey (SAS) is undertaken to establish: where and how often residents are shopping for their food (convenience) and non-food purchases (comparison / bulky comparison); reasons for visiting centres; their attitude towards the centres and means of transport used'. The survey includes both a telephone survey and an on-street survey. (Caerphilly county borough is split into 6 retail catchment areas defined by fitting census small area boundaries to 20 minute drive time isochrones for each centre). The survey sample includes postcode areas from within each of the 6 catchment areas across the county borough in order to be capable of producing residents' behaviour patterns by individual settlements.

4.59 In Caerphilly County Borough the data from the SAS in addition to population and expenditure data purchased from Experian (industry standard that consultants also use) is used to carry out all the retail calculations in respect of retail capacity. The Shopper Attitude Survey and retail analysis will need to be revisited as part of the LDP Review.

4.60 Retail and Commercial Centres are increasingly becoming 'hubs' for investment with funding forthcoming from City Deal and the Metro as well as being identified as locations for investment by the Valleys Taskforce. The nature of town centres is changing, with their increasing prominence as service centres, economic development hubs and major employers and to a lesser extent retail. The future vitality and viability of town centres is very much dependent upon their ability to adapt and to serve the needs of their immediate catchment.

4.61 There is scope across the region to work jointly together to establish regional evidence and align local evidence gathering methodologies. In recognition of this, a decision was made by SEWSPG to undertake work relating to specific topic areas that would underpin the evidence base of any 'new' emerging plan. A Retail Task and Finish Group was established at the request of SEWSPG. The purpose of this group was for practitioners to:

- Identify best practice;
- Align an LDP evidence base as it relates to retail across the 10 Local Planning Authority Areas;
- Establish a common methodology for each LPA to use in undertaking annual retail monitoring to determine current retail provision ;

- Propose a methodology for undertaking a regional retail capacity study;
- Identify the potential for collaborative working;
- Highlight the resource implications of all of the above.

4.62 The first retail paper that proposed a standardised methodology for surveying existing retail provision was agreed by SEWSPG in May 2017. The second retail paper intended to devise a methodology to undertake a Retail Capacity Assessment for the region and the resource implications and potential cost savings in undertaking this work collaboratively is yet to be reported but could have implications for work in respect of the retail evidence base.

The Regionalisation Agenda

Regional Issues

4.63 Leaders within the CCR have committed to producing a SDP for the region in order to drive growth in appropriate locations and to provide the critical mass necessary to support a strong and diverse economy. Whilst the scope of the SDP is yet to be determined there is a strong likelihood that this will include defining a Retail Hierarchy for the region.

Joint Working

4.64 Whilst a common methodology has been agreed by SEWSPG partners for monitoring existing retail provision and aligning the retail evidence base across the CCR, further work needs to be progressed in respect of undertaking retail capacity assessments and the merits of undertaking this work collaboratively.

Leisure

4.65 Welsh Government requires local authorities to create a framework for allocating adequate land for provision of sport, recreation and leisure facilities. This can only be reasonably achieved by undertaking local assessments of need and audits of existing provision.

4.66 PPW recognises the Fields in Trust Standards [FIT Standards], which were introduced to replace the National Playing Fields Association [NPFA] six acres standard, as a useful benchmark for assessing the need for sports and recreational provision. A Play sufficiency assessment was undertaken in 2013 to inform the now withdrawn Replacement LDP, however there have been changes in the interim period that will require this assessment to be updated.

Natural Green Space

4.67 The former Countryside Council for Wales (now part of Natural Resources Wales) developed the “Greenspace Toolkit” that sets targets for access to green space for set distances from a person’s home.

4.68 The Council, in conjunction with 4 other authorities, undertook an assessment of the county borough that identified that the county borough was well provided with larger green spaces at distance, reflecting the large area of open uplands and common above the linear settlements along the valley floor, with less provision at the shortest distances, particularly provision within 400m. This position still remains and it is unlikely that further assessment is warranted.

Open Space and Outdoor Recreation and Leisure

4.69 A review of outdoor recreation and an audit of open space were undertaken as part of the preparatory work for the now withdrawn Replacement LDP. Both assessments identified areas where provision was needed and where protection of facilities were heightened due to under provision. The Council approved its Sports and Active Recreation Strategy in November 2018. Any revision of the LDP will need to take account of this Strategy.

The Regionalisation Agenda

Regional Issues

- 4.70 All LDPs contain policies for the provision and protection of open space and recreation within their areas. Whilst there is some discrepancy in the background evidence that has been used to reach targets, generally, the FIT standards are used.
- 4.71 Some LPA's have used consultants and have looked at both public and private leisure provisions within their respective LDPs, as well as incorporating Leisure facilities into their Retail studies as the two subjects can overlap.

Joint Working

- 4.72 Whilst there is some collaborative working to plan for the delivery of sport and physical activity, generally, leisure issues such as play parks, skate parks and sporting facilities are localised to communities rather than large areas of population.
- 4.73 However, larger leisure activities such as leisure centres, cinemas and golf clubs have a much bigger impact that reach beyond local authority boundaries. Leisure Centres are the council's only commercial leisure provision, although the council also owns and operates tourism attractions, such as BMI, Llancaiach Fawr and Country Parks, that also operate on a commercial basis.. Other larger leisure activities tend to be provided by the private sector.

Community Facilities

- 4.74 Community Facilities cover a wide range of services, some of which are delivered by the Council, whilst others are provided by either other public bodies (e.g. Aneurin Bevan Health Board) or by the private sector/third parties. As a result the evidence underpinning the community facilities element of the LDP is heavily reliant upon input from other bodies and organisations.
- 4.75 Whilst the Council monitors the delivery of its provision of community facilities, changes in the need and provision of those facilities not provided by the Council will need to be identified by the respective provider having regard for the planned level of population and household growth. As a result it will be necessary to update the evidence in respect of those elements of the community facilities provision.

The Regionalisation Agenda

Regional Issues & Joint Working

- 4.76 The Well-being of Future Generations Act requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, and to prevent persistent problems such as poverty, health inequalities and climate change. Most importantly the Act requires that all public bodies work together to deliver services, rather than individually and in isolation. To deliver this change each local authority within the CCR is required to establish a Public Service Board to oversee the integrated delivery of services across the public sector. Each PSB is a separate entity and the legislation does not require them to work together. However they do work together on mutually relevant issues. Most PSB partner organisations, apart from the local authorities, cover a footprint wider than a single PSB area and this encourages joint working. In Gwent the 5 local authorities and their PSB partners work jointly through the Gwent Well-being Assessment Group (GSWAG), and partners across the whole Cardiff Capital Region City Deal work together on joint initiatives related to that strategic programme of work.

Waste

- 4.77 Planning for waste management is performed on a regional basis in Wales, with the preparation of Regional Waste Plans and the procurement of major new waste facilities being achieved through regional consortia. A significant implication of the regional approach to waste management provision is that the requirements of an individual local authority can be met within another local authority's area, or through a combination of facilities throughout the region.
- 4.78 The planning system has a role in implementing the revised EU Waste Framework Directive [rWFD] that aims to prevent and reduce the impacts of the generation and management of waste, whilst improving the efficiency and use of resources. Article 28 of rWFD requires member states to prepare waste management plans, fulfilled by PPW and TAN 21 Waste, and article 16 requires the establishment of a network of waste management facilities to address the recycling and disposal and use of waste.
- 4.79 PPW 10 sets out the role that the circular economy has to play in the reduction of waste and its importance in the waste hierarchy. The LDP review will need to address the issue of waste minimisation and the role of the circular economy in addition to setting out the waste management requirements for the county borough.
- 4.80 As part of facilitating the provision of sustainable waste management, the identification of suitable locations for such development should be considered as part of plan preparation, recognising that the most appropriate locations will be those with the least adverse impact on the local population and the environment and with the best potential to contribute to a broad infrastructure framework. TAN 21 Waste provides further guidance in respect of addressing waste issues through development plans.

The Regionalisation Agenda

Regional Issues

- 4.81 As outlined above waste management is already addressed on a regional basis through regional consortia.

Joint Working

- 4.82 Given that waste management is addressed through regional consortia means that each local authority is already working jointly with the others within its region.

Renewable Energy

- 4.83 In 2011, the Council completed a 'Renewable Energy Baseline Assessment' (REBA), which examined the potential within the county borough to generate renewable energy. In accordance with National Guidance, the authority has updated its Renewable Energy Baseline Assessment (REBA) in 2015 following the approach set out in 'Renewable Energy: A toolkit for Planners'. The 2015 Assessment identifies:
- The current renewable energy capacity within the County Borough; and
 - The future potential to harness renewable energy within Caerphilly County Borough Council;
- 4.84 The assessment concentrated on the following renewable energy technologies:
- Onshore Wind;
 - Biomass;
 - Energy from Waste;
 - Landfill Gas;
 - Anaerobic Digestion (animal and food);

- Hydro power;
 - Building Integrated Renewables (BIR); and
 - Solar Farms.
- 4.85 The updated 2015 REBA study identifies the following as potential opportunities within Caerphilly:
- **Wind energy**, however cumulative visual impact is likely to limit the exploitation of this resource. Detailed feasibility work of specific sites would be required to confirm the viability of specific sites.
 - **Solar PV**, both building integrated and ground based. Further survey work would be required to identify viable projects as well as a landscape sensitivity and capacity study. Again, the cumulative impact is likely to limit the exploration of this resource.
 - There are potential opportunities for heat networks in respect of proposed larger development sites across the County Borough.
- 4.86 As part of regional work undertaken for assessing the requirements of Wind Turbine developments across the County Borough, Gillespies LLP were commissioned to carry out a landscape sensitivity and capacity study for the county borough. This document highlights the various typologies of wind turbines, against the assessments within LANDMAP and against known constraints. The guidance does not however consider the environmental impact of development. The guidance also sets out the minimum requirements and standards of information to be submitted with a landscape and visual impact assessment (LVIA). The guidance has been adopted as Supplementary Planning Guidance to the LDP.
- 4.87 On 4th June 2019 Caerphilly County Borough Council formally declared a climate emergency as a Notice of Motion and as a result of this, the Council has committed to becoming net zero carbon by 2030. Following engagement with residents and key stakeholders, officers are in the process of developing a 'Net Zero Carbon Plan' which will focus on four broad categories being Reduce, Produce, Offset and Buy. The Net Zero Carbon Plan will also include a detailed action plan to enable the Authority to achieve the 2030 target.
- 4.88 The evidence base for renewable energy will need to be updated and consideration will also need to be given to the Draft NDF, which identifies Priority Areas for renewable energy and sets out the national policy for renewable energy generation

The Regionalisation Agenda

Regional Issues

- 4.89 Regionally the vast majority of authorities have undertaken a REBA study, as required by Welsh Government in their toolkit. Whilst there is a strong desire to include renewable energy policies in LDPs and to not hinder their development through generic renewable energy policies, the designation of Strategic Search Areas has focussed such provision. However there are no Strategic Search Areas within Caerphilly and this may have a negative effect in scheme being progressed. The Draft NDF has proposed Priority Areas for onshore wind and solar energy generation that include areas within the county borough. The SDP for the region will need to take account of these as part of any regional policy strategy for renewable energy generation.

Joint Working

- 4.90 Welsh Government has set targets for the generation of renewable energy. Planning Policy Wales: Edition 10 requires local authorities to identify targets for renewable energy in their

development plans. However, renewable energy targets would be better addressed at a regional level.

- 4.91 In producing a regional evidence base, as there is a need for LPA's to translate findings onto a map, regional working would help solidify the locations of where renewable energy generation would take place.
- 4.92 Whilst there is a general consensus across all LPA's for the need to increase renewable energy generation through appropriate proposals and allocations, it would require the identification of strategic search areas across the region. A regional evidence base that is well established and has regional buy in would assist in securing sites that may be of contention.

Minerals

- 4.93 Energy minerals have largely been considered through Local Development Plans, prepared in accordance with national guidance. Aggregates, on the other hand, have been considered regionally since the early 1970s, when the Regional Aggregates Working Parties (RAWP) were set up to advise the government on aggregates demand and supply issues. The South Wales Regional Aggregates Working Party (SWRAWP) covers the whole of South Wales, including Caerphilly County Borough. The SWRAWP undertakes an annual survey of aggregate sales and reserves, and produce the Regional Technical Statement, which sets out how aggregates demand will be met over the next 15 years, although this is reviewed every 5 years.
- 4.94 During the preparation of the LDP minerals activity was high, as a result of the buoyant economic climate. This was reflected in all future projected need for both energy minerals and aggregates, which formed the basis for the preparation of the minerals policies contained within the LDP. Whilst the Adopted LDP proposed no energy mineral requirements, the annual projected production for aggregates was around 800,000 tonnes per year. Since the first AMR Report Policy SP8 Minerals Safeguarding has consistently realised its trigger point because annual minerals production had fallen to just over 400,000 tonnes per year. However, the SWRAWP annual surveys identified that demand for aggregates had dropped significantly and that is why aggregate production also fell, as aggregates are only worked where a demand exists for them. The SWRAWP annual surveys also identified that the demand for aggregates across South East Wales was being met. As a consequence the level of production has fallen throughout the plan period for the LDP but this is a direct reflection of falling demand, which is otherwise being catered for.

The Regionalisation Agenda

Regional Issues

- 4.95 Regional issues are addressed through the RAWP and the second Regional Technical Statement was subject of public consultation from September to November 2019. The LDP Review will need to take account of this.

Joint Working

- 4.96 As outlined above, local authorities, along with other stakeholders, are already working jointly and progressively through the RAWP.

What Changes Are Required to the LDP?

- 4.97 The Adopted LDP was adopted in November 2010 and, as such, the policy framework and evidence base in support of the framework are 10 years old. Whilst the Replacement LDP was progressed to Deposit stage, neither the evidence supporting this plan nor the policy framework it proposed were the subject of scrutiny through an Examination. The withdrawal of the Replacement LDP means that, whilst the evidence base was updated, the policy

framework is still dated and any future revision of the Adopted LDP will require a fundamental reconsideration of all aspects of policy. This is necessary because:

- The national policy framework within Wales has changed significantly since the Adoption of the LDP in 2010 which have introduced a number of new and additional requirements to plan preparation;
- The Well-being Act has introduced a new way of working for public bodies and this needs to be embodied in any review of the LDP;
- The requirement to deliver sustainable development will need to be at the heart of the any review of the plan in accordance with the Well-being Act
- The increased pressure for joint working will impact upon how the evidence base is updated and will include more larger than local authority-wide assessments;
- The demography of the previous plan is based on Census figures that are 20 years old. Any review of the plan will require significant updating of these figures, which are at the heart of any development plan;
- The economic circumstances have changed dramatically from the period when the plan was adopted. Any review of the LDP will need to take account of the current and future economic environment;
- Leaving the European Union. Any review of the LDP will need to take account of the potential impacts of Brexit, not least the impacts that this will have on land use planning, specifically: migration, rural diversification and on funding streams that development proposals could be reliant upon;
- Any review will need to take account of the regionalisation agenda, in particular:
 - The implications and opportunities arising from City Deal, The Metro and the Valleys Task Force.
 - The implications arising from the preparation of a Strategic Development Plan for the Cardiff Capital Region.

4.98 Given the above, **ALL** of the content of the LDP will need to be reconsidered due to changes in circumstances and policy requirements that have occurred since the adoption of the LDP in 2010. These include:

- LDP Vision, Issues and Objectives: The Vision, Issues and Objectives of the LDP were borne out of the Council's Community Plan. However since then Community Plans have been replaced by Single Integrated Plans, which themselves have recently been replaced by Well-being Plans. As the basis used for the LDP Vision, Issues and Objectives no longer exists, then these need fundamental reconsideration as part of the LDP review.

5. Options and Conclusions

5.1 The previous chapters have outlined the position in respect of the LDP, how it is performing and what an evidence base for any plan review would need to consider. Moving forward it is necessary to consider a number of factors before determining what course of action is appropriate for the Council. There are three broad areas that need to be considered, which are:

- Is a Review of the Adopted Plan necessary;
- What form of review should be undertaken;
- The scope for joint working;

Is a review of the Adopted plan necessary?

The 2019 Annual Monitoring Report

5.2 The 2019 AMR sets out the full position in respect of the current position in respect of the Adopted LDP and whether a review of the plan is required. The 2019 AMR has identified that 2 housing policies, namely: SP14 Total Housing Requirements; and SP15 Affordable Housing Target, its associated Objective (9) and two employment objectives (17 & 18) are not being delivered.

5.3 Since 2013 the housing indicators have identified that insufficient housing has been developed in the county borough. This was one of the two reasons for the commencement of a revision to the LDP in 2013, which was subsequently withdrawn. Whilst some housing proposals have been approved on appeal, this is insufficient to address the shortfall in housing. It is accepted that a review of the LDP is required to fully address this position.

5.4 Concern in respect of the Employment Objectives has been raised in the 2019 AMR. The concern revolves around the issue that the City Deal and Metro and the Valleys Taskforce have identified Caerphilly and Ystrad Mynach as a focus for regional growth and investment, whilst the employment land in both towns is severely restricted. The lack of any significant sites for employment growth is a concern from a strategic perspective, due to the identification of Caerphilly and Ystrad Mynach, as a 'strategic hub' by the Ministerial Taskforce for the South Wales Valleys.

5.5 Whilst employment land exists elsewhere in the county borough, it does not provide the platform to realise the potential of the strategic hubs at Caerphilly and Ystrad Mynach and as such, would compromise the ability to deliver the two Objectives. Given these issues the 2019 AMR concluded that a review of the LDP is required.

The Position in Respect of the SDP for the Region

5.6 When the Council resolved to withdraw the Replacement LDP in July 2016, and its subsequent ratification of the withdrawal of the plan in October 2016, it was on the basis that the Council would seek the early preparation of a SDP. As a result, whilst all AMRs since the 2013 AMR have identified that a review of the LDP was required, the resolution to pursue an early commencement of the SDP outweighed that need.

5.7 In January 2018 the Cardiff Capital Region Cabinet agreed the principle of preparing an SDP for the region and in June 2019 the Cabinet endorsed a report recommending the commencement of the SDP, which was to be presented to each of the 10 constituent local authorities for their agreement to commence the process. To date 8 of the authorities have presented the report and all 8 have accepted the recommendations. The remaining 2 authorities will present the report to their Councils early in the new year. The report was presented to Caerphilly Council on 23 October 2019 and the Council agreed the recommendations.

- 5.8 Since the Council has agreed to commence the preparation of a SDP for the region, the resolution from the 2016 decision to withdraw the Replacement LDP has now been met. As a result the resolution to pursue the early commencement of the SDP is no longer a reason not to commence a review of the LDP.

LDP Drop Dead Date

- 5.9 One of the key issues driving the need to review the LDP is the fact that the LDP will expire on 31st December 2021 (note: 7 of the region's 10 local authorities have LDPs that expire in 2021). The effect of this is that, under the Planning Act, the LDP will not form the local development plan for the county borough after the expiry date, and there will be no plan coverage if a revision or new plan is not in place. Whilst SEWSPG and the WLGA have repeatedly campaigned for WG to relax the expiry date to allow the policy frameworks to maintain coverage whilst the SDP is prepared and adopted, WG have not amended the position.
- 5.10 As a result the LDP will cease to be in effect, and will have no weight in planning decisions, after 31 December 2021. As a result a review of the LDP is required in order for there to be plan coverage for the county borough after the drop dead date.

Is a review of the Adopted LDP required - Conclusion

- 5.11 Given the above, the 2019 AMR concluded that a review of the LDP was required and should be commenced immediately.

What form of review should be undertaken?

- 5.12 There are potentially 2 forms of review that could be undertaken in respect of the plan.

LDP Lite

- 5.13 The Planning Wales Act 2019 sets out the provisions for the preparation of Strategic Development Plans. In addition to this the Act sets out the provisions for local authorities within the area covered by an SDP to undertake a short form of LDP review termed an LDP Lite. The LDP Lite would benefit from the overarching strategy and strategic policies set out in the SDP. As a result the LDP Lite would comprise allocations and local development control policies.
- 5.14 Given the reduced content and the fact that the LDP Lite would not require the Preferred Strategy stage, due to the SDP Strategy, the LDP Lite would be quicker to prepare than a full review. However, an LDP Lite is directly related to the SDP and would therefore need to be prepared after the SDP, although it might be possible to commence the preparation of an LDP Lite when the SDP has reached a stage of relative certainty, i.e. submission for examination. Commencing preparation of an LDP Lite before the SDP is adopted runs the risk that the LDP Lite may be found not to be in conformity with the SDP if changes are made to the SDP as part of the examination process. This would require additional work to address the issue and would increase the preparation time for the LDP Lite.
- 5.15 Whilst the process for preparing the LDP Lite would be shorter, the fact that the preparation of the LDP Lite would need to be delayed until the SDP has reached an advanced stage means that the LDP Lite would, at best, be adopted in 2026, or even later if there are delays in preparing the SDP. That would mean the county borough would be without LDP coverage for at least 5 years.

Full LDP Review

- 5.16 By comparison a full review of the Adopted LDP would require the full process, including the Preferred Strategy stage. The full review process is more expensive and longer than the LDP Lite process and WG expects LDP Revisions to take three and half years to prepare and adopt. If the decision is taken to commence a full review it is anticipated that a revised

LDP could be adopted in early 2024. This would mean that the period without local development plan coverage would be just over 3 years.

- 5.17 It should be noted that care would need to be taken with the preparation of a full review of the LDP to ensure that it remains in conformity with the emerging SDP as it is progressed, albeit slightly behind the LDP. If the new Replacement LDP is not in general conformity with the adopted SDP, then a further review of the LDP would be required, albeit in the form of the LDP Lite.

Review Form - Conclusion

- 5.18 The principal issue in respect of the form of the review is the length of time that the county borough would be without plan coverage. The lack of local development plan coverage will not only result in a lack of a policy framework to control speculative planning applications, but, more importantly, it is likely to have a significant adverse effect on investment decisions. The certainty that development plans provide are a key element in such decisions and the period without coverage could have a significant impact on investment into the county borough, at a time when the City Deal, Metro and Valleys Task Force programmes are targeting growth and investment in the county borough.
- 5.19 Given this it is essential that the period without local development plan coverage is minimised and, therefore, a full review of the Adopted LDP should be undertaken.

The Scope for Joint Working

- 5.20 It is a requirement of the Review Report that it considers the potential for:
- preparing a joint LDP with other authorities, and/or
 - Working together to procure evidence for the evidence base

Joint LDP Preparation

- 5.21 There is general support from all authorities in the CC Region for joint working towards the preparation of a SDP. However, there are a number of issues that impact on the potential for undertaking joint reviews at a local level.
- 5.22 The principle behind preparing Joint Plans is that a comprehensive and joined up approach is taken towards cross-boundary issues. This would require that the two authorities that could prepare joint plans would need to have a common boundary that would generate cross boundary issues. Whilst it is more than possible that two physically separated authorities could have relates and connected issues, the fact that there would be a further authority(ies) that would not be party to the joint plan, would mean that the issues could not be addressed appropriately due to the lack of overall coverage. As a result it would be inappropriate to consider authorities without a physical boundary with the county borough for Joint Plan preparation. This would rule out Monmouthshire County Council, The Vale Of Glamorgan County Borough Council and Bridgend County Borough Council.
- 5.23 A key issue when considering the remaining 6 authorities that do share a boundary with Caerphilly, is that they are all at different stages of plan preparation. Both Newport and Cardiff City Councils have Adopted plans with plan periods that do not expire until 2026. Newport has not formally announced that it is going to undertake a review of their plan and as such cannot be included for consideration for joint plan preparation. Cardiff, however, resolved to commence a review of their plan in November 2019.
- 5.24 Whilst the remaining 5 authorities have commenced a review of their plan, they are all at different stages in the plan preparation process. Table 2 below sets out the respective positions of each authority in their plan preparation.

Caerphilly County Borough Local Development Plan – Review Report

Authority	Adoption	Review	Expiry	Stage of Review
Blaenau Gwent	2012	2016	2021	Preferred Strategy Consultation January 2020
Bridgend	2013	2017	2021	Deposit Consultation Summer 2020
Caerphilly	2010	2014	2021	Full Review Commenced 23 October 2019, Submitting DA Spring 2020
Cardiff	2016	2020	2026	Resolved to commence a Review of their plan in November 2019
Merthyr	2011	2015	2021	Examination held Sept/Oct 2019
Monmouthshire	2014	2019	2021	Preferred Strategy early 2020
Newport	2015	2019	2026	Latest AMR identifies no evidence a review is required.
RCT	2011	2015	2021	Review Commenced, submitting DA May 2020
Torfaen	2013	2017	2021	Preferred Strategy early 2020
Vale of Glamorgan	2017	2021	2026	Recently adopted, Monitoring Report not due till October 2020

Table 2: Status of LDPs and current position in Respect of Review

5.25 The consideration of the potential for joint plan preparation with each adjoining authority is set out below:

- Blaenau Gwent County Borough Council:** Blaenau Gwent is looking to commence their Preferred Strategy consultation early in the new year. This is significantly ahead of Caerphilly (it would take a minimum of 12 months for Caerphilly to reach the Preferred Strategy consultation stage) and delaying the Blaenau Gwent plan preparation would undoubtedly lead to the plan not being delivered in accordance with their agreed Delivery Agreement, which Welsh Government would not allow.
- Brecon Beacons National Park (BBNP):** BBNP is looking to commence their Deposit consultation mid-way through 2020. This is significantly ahead of Caerphilly (it would take a minimum of 2 years for Caerphilly to reach the Deposit consultation stage) and delaying the BBNP plan preparation would undoubtedly lead to the plan not being delivered in accordance with their agreed Delivery Agreement, which Welsh Government would not allow
- Cardiff City Council:** Cardiff recently resolved to undertake a review of their Adopted LDP. Cardiff published its Draft Review Report on 14 January 2020, which states “The existing LDP benefitted from a bespoke regional collaborative exercise to help inform the Plan strategy involving all Local Authorities and other key stakeholders in South East Wales. This process worked well and is considered the most effective way of addressing cross-boundary matters. Given this a similar approach is proposed again to help inform the LDP review.” This position provides collaboration for cross-boundary issues, but not for joint preparation of LDPs. Caerphilly will work with Cardiff in respect of cross-boundary issues.
- Merthyr Tydfil County Borough Council:** Merthyr are at the end of their plan preparation process, having undergone their Examination in 2019. As such it is not possible to jointly prepare with Merthyr as they have passed the point of being able to appropriately amend their emerging LDP.

Monmouthshire County Council: Monmouthshire is looking to commence their Preferred Strategy consultation early 2020. This is significantly ahead of Caerphilly (it would take a minimum of 12 months for Caerphilly to reach the Preferred Strategy consultation stage) and delaying the Monmouthshire plan preparation would undoubtedly lead to the plan not being delivered in accordance with their agreed Delivery Agreement, which Welsh Government would not allow.

- Torfaen County Borough Council: Torfaen is looking to commence their Preferred Strategy consultation early in the new year. This is significantly ahead of Caerphilly (it would take a minimum of 12 months for Caerphilly to reach the Preferred Strategy consultation stage) and delaying the Torfaen plan preparation would undoubtedly lead to the plan not being delivered in accordance with their agreed Delivery Agreement, which Welsh Government would not allow.
- Rhondda Cynon Taf (RCT) County Borough Council: RCT resolved to commence the preparation of Replacement LDP in October 2019, just a few days before Caerphilly resolved to prepare a new plan for their area. Consequently the two authorities are at generally the same stage in the preparation process and it would be possible to prepare a joint plan from a procedural point of view.

The basis for preparing a joint plan is that the plan preparation time is reduced due to the fact that that authorities would be addressing like issues in two plans that would only require a single drafting, rather than duplication across the plans. In order for a joint plan between RCT and Caerphilly to be appropriate there would need to be significant similarities in cross boundary issues and between each authority's aspirations for their areas.

Officers from RCT and Caerphilly met to discuss joint working in July 2019. At that meeting cross-boundary, strategy and policy issues were discussed. In terms of cross-boundary issues, whilst the two authorities share a large physical boundary, the interaction between the communities in the two authorities is less strong. The principal interaction the authorities have is in terms of transport, with a significant amount of commuting traffic moving from Caerphilly to RCT and back each day. However, whilst the traffic moves between the authorities the majority of this traffic has destinations outside of RCT and so the interaction is actually with other authorities in the main.

The other main cross-boundary matters relate to minerals and to landscape designations. In terms of Minerals the Regional Aggregates Working Party for South Wales (SWRAWP) is the regional body that addresses the issues of minerals need and production. Recently the second Regional Technical Statement, which sets out the current position for each authority and the future requirements for mineral for each, was published for consultation. To this end there is no need for joint working as this is already taking place under a separate body. In terms of landscape designations, the principle Special Landscape Areas are generally in accordance with those in the other authority (subject to coherence differences – which are identified as part of the designation process). As a result there are no cross-boundary issues that would require addressing.

It is fair to say that local housing market areas and economic regions do operate across local authority boundaries and it is important that these are considered in the preparation of development plans. However, whilst RCT and Caerphilly share some common housing and employment market areas, they are also covered by distinctly differing areas, many of which are shared by other authorities. Given this preparing a joint plan would only address part of the position of each local authority, with many more issues being authority specific, which joint working would not resolve. Given this a joint plan would raise as many issues as it would solve in addressing these issues. It would however, make sense for a more regional approach to be

undertaken to assess such issues, but this would require significantly more than 2 authorities to be involved and, as outlined above, this is not possible at the current time.

In terms of each authority's strategy there is also a marked difference here. As outlined above, Caerphilly will need to totally reconsider its strategy and this opens up a wide range of options for its focus. RCT on the other hand is well placed to broadly continue with their existing strategy, delivering large scale development sites that are already in the pipeline. Whilst ultimately, there may well be issues of commonality between the two strategies, the fact that Caerphilly will be considering a wide range of alternatives, and RCT will not, would mean that a joint plan would ultimately be two separate plans inside one cover, which indicates that the plans should stand alone in the first instance.

Given the time and effort that would be required to engender support from both authorities the preparation of a joint plan would undoubtedly take longer than preparing two individual plans, noting that one of the main considerations for Caerphilly to undertake a full review is the need to minimise the time taken in plan preparation to ensure as little time as possible is left without plan coverage.

Given the above it is considered inappropriate for RCT and Caerphilly to prepare a joint LDP.

Joint Working

- 5.26 Caerphilly is actively looking at working jointly with those authorities that are committed to a LDP Review. At the time of drafting this Review Report Caerphilly are working with Monmouthshire, Newport, Torfaen and Blaenau Gwent on a larger than local economic market assessment and are about to commission a renewable energy study. In addition Caerphilly are in discussion with other authorities on options for joint procurement of IT support packages and will actively look for any other opportunities to work collaboratively with the other authorities.
- 5.27 In addition to this SEWSPG is actively looking at opportunities for collaboration across the region on a wide range of potential evidence base areas. At the present time SEWSPG are investigating the potential for joint procurement of a development viability tool for use across the region and making this available for developers and land owner so that there can be an accepted standard basis for discussions on site viability in development plans.
- 5.28 Both SEWSPG and Caerphilly will seek to maximise their use of the opportunities for joint working and collaboration as plan preparation progresses.

Conclusion

- 5.29 This Review Report concludes:
- I. In agreement with the 2019 AMR Report that a review of the Adopted LDP is required
 - II. In agreement with the council resolution of 23 October 2019 that a full review of the LDP should be commenced immediately
 - III. It would be inappropriate to undertake a joint plan with another local authority due to the significant difference in progress on plan preparation and in respect of the issues and strategies for the review process.
 - IV. That Caerphilly and SEWSPG should continue to maximise the opportunities to use joint working and collaboration in plan preparation moving forward.

6. Next Steps and Arrangements

- 6.1 The Draft Review Report will be subject to an 3-week consultation period (commencing on Monday 24 February 2020 and concluding on Monday 16 March 2019) in order to obtain stakeholder views on the matters set out in this report.
- 6.2 Following this a report of consultation responses and the final amended Review Report will be reported to Council in April to seek agreement for the document to be submitted to Welsh Government before 23 April 2020.

Appendix 1: Strategic Policy Performance and Actions

Policy	Issue	Comment	Consideration	Action Required
SP1				The policy is being delivered as anticipated No action required
SP2	Factor 3	Out commuting as a percentage of total commuting of residents of the county borough.	The trigger point for this factor is for out-commuting to exceed 50%. This current rate is 52.7%, which is an increase of 4.7% from last year. The policy has triggered three times in the last 4 years.	The figures are taken from the Annual Population Survey, which provides information on commuting patterns by local authority in Wales. This is a sample survey subject to natural variances. This results in natural fluctuations in the results, which could explain why only 3 years out of 8 have triggered. As the previous year was below the trigger and there has been significant variation, this is not considered to be a matter that requires immediate action and should be monitored further. No immediate action required. Will need to consider further if next year's AMR also triggers.
SP3	Factor 2	Percentage of total new housing development on Brownfield land.	Only 61% of new housing development was on brownfield land, which was below the	There has been a decrease in the number of housing completions on brownfield sites compared to No immediate action required. Will need to consider further if next year's AMR

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
			trigger point of 88%.	<p>previous years. This is mainly due to the development of two greenfield sites that were allocated in the LDP. The other greenfield completions were primarily on small sites (less than 5 dwellings) that were infill sites within the defined settlement boundary, which accords with the strategy aim of consolidating development within existing settlement boundaries.</p> <p>Whilst the policy has triggered, the fact that the greenfield sites that have been developed have been within settlement limits means that the policy itself is not failing. However, future AMRs will record completions on greenfield sites allowed on appeal.</p>	also triggers.
SP4	Factor 1	Annual footfall in 3 of the principal town centres.	Footfall has decreased in Bargoed and is below the	Bargoed has seen a decrease in footfall, but this	No further action required.

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
			<p>target. Caerphilly and Blackwood have seen an increase in footfall over the last year, but Caerphilly is still below the target.</p>	<p>is expected as the town now only records footfall in one location, rather than in two locations, as was previously the case. Blackwood and Caerphilly have seen an increase in footfall, but this is compared to the previous year when data was not available for 6 weeks due to a footfall monitor replacement programme.</p>	
Factor 2	Vacancy Rates in the 5 principal town centres.		<p>Vacancy rates in Bargoed are over 20% for 5th consecutive year. Increased by 2.1% above last year's results.</p>	<p>The vacancy rate in Bargoed continues to be above 20%, increasing by 2.1% to 22.9% when compared to 2018 figures. Bargoed has been the subject of major regeneration work and has suffered due to the recession. However, there continues to be developer interest in the town, which may return Bargoed below the trigger point, but this may not be immediate.</p>	No further action required.

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue	Comment	Consideration	Action Required	
			There has been a small increase in vacancy rates in both Ystrad Mynach and Blackwood over the monitoring period, although in both towns the figure is lower than 15%, so within an acceptable monitoring level.		
	Factor 3	Percentage of residents satisfied with their town centres.	Caerphilly only (5th year but no revision for 5 years). Under the trigger by 3%	Caerphilly is the only centre to trigger and this undoubtedly relates to the lack of redevelopment that has taken place in the centre due to the economic downturn. The data has not been updated for 5 years so is now outdated.	No further action required.
	Factor 4	Percentage of money spent in County Borough retail centres as a total of total spend.	Non-Bulky goods only (5th year but 5 years since last data revision). Significantly under the trigger.	Retail spend has declined throughout the county borough in line with the recession. This position has been exacerbated by the regeneration works in Bargoed and the lack of redevelopment in Caerphilly.	No action at the current time.

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				<p>The data has not been updated for 5 years so is now outdated. Whilst this issue will need to be monitored closely in the future, it is not yet an issue that would require a review of the plan.</p>	
<p>SP5</p>	<p>Factor 1</p>	<p>Number of applications for urban forms of development (not defined by criterion C, Policy CW15) located outside of settlement boundaries either approved by CCBC or allowed on appeal</p>	<p>This is the third year that this Factor has triggered. This year, it has triggered both in relation to the number of applications approved in the monitoring year (5 applications), and on the trigger of three consecutive years where urban development outside of the settlement boundary has been approved.</p>	<p>The number of application approved for urban forms of development outside the settlement has decreased from 20 last year to 5 this year. This includes the approval of reserved matters applications in relation to 2 major housing sites that were approved at appeal and 3 minor housing sites (single dwellings in appropriate locations).</p> <p>The change in policy stance to dis-apply the “considerable weight” applied to the lack of a 5 year land supply could change the future consideration of</p>	<p>No further action required. Will need to consider further if next year’s AMR also triggers.</p>

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				applications so may reduce the number of speculative out of settlement applications approved in the future and this will need to be monitored in future AMRs.	
SP6				The policy is being delivered as anticipated	No action required
SP7				The policy is being delivered as anticipated	No action required
SP8	Factor 2	Average yearly usage of aggregates by the construction industry (averaged across the preceding 3 years)	Triggered in every year of the monitoring, apart from where data was not available.	Minerals production is intrinsically aligned to minerals use (minerals are not produced if there is no market for them). Mineral use has reduced dramatically as a result of the economic downturn and has not yet recovered in any substantive way. As a result mineral production has dramatically reduced to reflect this. No action required. Given that there is not a shortfall in production over usage, the fact that the Factor	No further action required.

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue	Comment	Consideration	Action Required
			triggers is not significant.	
SP9			The policy is being delivered as anticipated	No action required
SP10	Factor 2	Number of approved applications that result in loss of Area of SINC/LNR to development	<p>Triggered for the fifth year in a row, but, because it is based on a 3 year cumulative trigger, it has actually failed for the past 7 years.</p> <p>The number of applications approved has fallen from 12 to 3.</p>	<p>This Factor, like many others, is based upon an absolute trigger that does not take account of the nature of the applications that are being permitted. Whilst 3 applications have recorded loss of SINC/LNR land, there is no qualification as to whether the applications actually result in any damage to this land.</p> <p>The three proposals that have been granted permission within SINC's include two single dwelling schemes – one within the curtilage of an existing dwelling, and one on the edge of a settlement, plus an industrial use. In each case, there was considered to be no harm to the SINC.</p> <p>No action currently required, although careful consideration should be given to subsequent triggering and consideration for remedial action may be required.</p>

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				Two of the Indicators address landscape designations, one relates to VILLs and the other relates to SLAs, neither of which have triggered this year, although both have triggered in previous years.	
SP11				The policy is being delivered as anticipated	No action required
SP12				The policy is being delivered as anticipated	No action required
SP13				The policy is being delivered as anticipated	No action required
SP14	Factor1	Annual building rate	This indicator has triggered for the third year running, as the average completions are well below 50% of the average annual requirement.	The 2019 result is significantly under the trigger level of 288 units for this Factor. The housing completions figure have decreased from last year (284 to 190) and it is a matter of concern that completions are significantly below 50% of the annual requirement. The low level of completions is due, in part, to the legacy of	Action required to improve overall housing delivery.

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				<p>the economic recession where the number of submitted housing applications decreased significantly. There remains viability issues for developing in certain parts of the County Borough</p>	
<p>SP15</p>	<p>Factor 1</p>	<p>Yearly affordable housing unit numbers delivered through the planning system as a percentage of total housing units (based on units built)</p>	<p>Triggered for the 7th consecutive year for the 10% and 25% areas, with figures way below the trigger level. It also triggered this year in the 40% area</p>	<p>Affordable housing is not being delivered at the required rates, but this is a corollary of general house building being low due to the economic climate. Low levels of development viability also impact on the level of affordable housing delivered and this, in conjunction with potential reductions on capital grant funding could result in further reduction in the provision of affordable housing.</p>	<p>Action required to improve affordable housing delivery.</p>
	<p>Factor 2</p>	<p>Average House Price (over the base Viability Study 2009 level)</p>	<p>Triggered for the third year as house prices continue to increase.</p>	<p>The Factor has triggered for the third time. It is now almost £13,500 above</p>	<p>No action currently required.</p>

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				<p>the maximum sensitivity test used to set the affordable housing targets. In theory, the increase in house prices should mean that development should be more viable, and more affordable housing is delivered, but there are a number of factors that need to be considered on a site-by-site basis that influence this. Overall, there is a need to improve affordable housing delivery, and the increase in average house price would support this, rather than being a matter of concern.</p>	
<p>SP16</p>	<p>Factor 3</p>	<p>Number of employees in part time employment as a percentage of total employees in employment</p>	<p>Triggered for the seventh consecutive time.</p>	<p>This has effectively triggered every year, with the exception of the first year when a lack of data availability prevented it from being monitored.</p> <p>The monitoring</p>	<p>No action currently required.</p>

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				<p>framework was set out before the economic downturn and sets out triggers that are more reflective of the more buoyant economic climate. The economic downturn has undoubtedly been the reason that the percentage of part time workers has increased (with less full time employees and increasing part time employees). As a result the triggering factor is reflecting the economic conditions which are largely outside of the control of the development plan and, therefore, does not indicate that the policy is failing.</p>	
<p>SP17</p>	<p>Factor 3</p>	<p>Area of Class B1 employment uses permitted within Commercial Opportunity Areas, as a percentage of total designated area</p>	<p>Blackwood and Caerphilly have both triggered, as there has been no B1 office development within the defined areas with 5 years (Blackwood) and 3 years</p>	<p>The indicator relates to the granting of permission for class B1 office uses within the Commercial Opportunity Areas identified within each of the principal</p>	<p>No action currently required.</p>

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
			<p>(Caerphilly). This is the sixth year in a row that Caerphilly has triggered and the fourth year for Blackwood.</p>	<p>towns. Blackwood and Caerphilly have both triggered. The Commercial Opportunity Areas in both towns have relatively low vacancy rates and are occupied by a range of uses, although not B1 office use. There have also been office developments elsewhere in both towns, which is positive. It is not therefore considered that the lack of office development in itself is a sign of the failure of the policy.</p>	
<p>SP18</p>	<p>Factor 2</p>	<p>Numbers of planning applications that provide new formal play areas through S106 agreements</p>	<p>Triggered for the seventh consecutive time.</p>	<p>The monitoring framework was set out when development levels were high and the trigger level for this Factor was set against high levels of planning gain. Since the economic downturn the number of submitted planning applications has reduced significantly</p>	<p>No action currently required.</p>

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				<p>and, as a corollary, the numbers of facilities secured through S106 agreements to those applications have similarly decreased.</p> <p>Therefore the Factor is triggering as a direct result of the economic downturn and would be expected to rise when the economy starts to recover. The economic conditions are largely outside of the control of the development plan so the triggering of the Factor is not a significant indicator that the policy is failing.</p>	
<p>SP19</p>	<p>Factor 1a</p>	<p>Number of Schemes identified in Policy TR5 delivered through Obligations and agreements.</p>	<p>Triggered for the first time.</p>	<p>This indicator considers the number of schemes that have been delivered in respect of Policy TR5 Transport Improvement Schemes in the Northern Connections Corridor. None of the five schemes</p>	<p>No action currently required.</p>

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				<p>identified within the LDP have been delivered for a period of 7 years. This is in itself not a failure of the plan, but relates to the limited financial resources to fund schemes. The schemes that have been prioritised are those within the most significant congestion issues.</p>	
<p>SP20</p>	<p>Factor 2</p>	<p>The Number of Monitored Links That Are Above CRF level that do not have planned improvements</p>	<p>Triggered for the second time, but has in fact triggered every year, but has not been recorded due to the trigger being over a 3-year period and that no data was available for the 2014 AMR.</p>	<p>Four of the 17 monitored links are above their nominal design capacity, but 3 of the links have proposals in the LDP to address the issue.</p> <p>One of the links is not subject to proposals for improvement and therefore triggers the policy.</p> <p>There were improvements ongoing at the Pwllypant roundabout during the monitoring period and this would have had a consequential effect on the wider</p>	<p>No action currently required.</p>

Caerphilly County Borough Local Development Plan – Review Report

Policy	Issue		Comment	Consideration	Action Required
				<p>Caerphilly Strategic highway network. The improvement scheme has now been completed and the impacts of this will need to be considered through future monitoring as it is likely that congestion will reduce overall. Therefore, the triggering of this indicator is not considered to indicate that the policy is failing.</p>	
SP21				<p>The policy is being delivered as anticipated</p>	<p>No action required</p>
SP22				<p>The policy is being delivered as anticipated</p>	<p>No action required</p>

Appendix 2: Strategic Policy Performance Against LDP Objectives

LDP Objective	Commentary	Performance
1. Accommodate sustainable levels of population growth.	The 2011 Census identified that the county Borough has already accommodated the population levels that had been predicted for the end of the plan period. Whilst the projected population levels have been met, the associated housing development required to ensure that this population is accommodated in the most sustainable way has not been delivered as expected.	
2. Ensure that the County Borough is well served by accessible public open space and accessible natural green space.	The policies protecting and enhancing open and natural green space are performing well and the objective is being met.	
3. Ensure the effective and efficient use of natural and built resources while preventing the unnecessary sterilisation of finite resources through inappropriate development.	The policy framework is delivering appropriate development. Whilst policy SP10 is raising issues over development in designated SINCS, SLAs and VILLs, this development is very limited in scale and, on balance, is acceptable within those areas. As such the objective is being met overall.	
4. Ensure that the environmental impact of all new development is minimised.	SEA/SA monitoring of the environment is seeing significant overall positive effects from the plan. Protectionist and enhancing policies for the natural environment are also working and the objective is being met.	
5. Improve energy, waste and water efficiency while promoting environmentally acceptable renewable energy to maintain a cleaner environment and help reduce our impact on climate change.	Many of the measures used in addressing these issues are outside the scope of the LDP. However the policy framework is contributing toward the overall objective and the SEA/SA Monitoring is seeing positive effects in respect of those issues that are currently monitored, even though the rate of improvement may be low.	
6. Encourage waste management based on a hierarchy of reduce, reuse, recovery (including material recycling, energy recovery and composting) and safe disposal.	Many of the measures used to realise the hierarchy lie outside of the remit of the LDP. However the policy framework assists in delivering sustainable waste management and the SEA/SA Monitoring is realising positive effects in respect to certain elements of waste.	
7. Encourage the re-use and / or reclamation of appropriate brownfield and contaminated land and prevent the incidence of further contamination and dereliction.	The majority of allocated brownfield sites in the NCC and SCC have been reclaimed and redeveloped. The policy framework is controlling development to ensure that further contamination does not take place. The objective is being met.	
8. Concentrate new development in appropriate locations along existing and proposed infrastructure networks that	This principle underpins the development strategy for the LDP and the allocations have taken this issue fully into account. This issue is also a consideration set out in the policy framework	

Caerphilly County Borough Local Development Plan – Review Report

<p>are accessible to pedestrians, cyclists and to public transport in order to sustain and complement the role and function of individual settlements.</p>	<p>against which development proposals are considered. This objective is being met.</p>	
<p>9. Ensure an adequate and appropriate range of housing sites are available across the County Borough in the most suitable locations to meet the housing requirements of all sections of the population.</p>	<p>As outlined in objective 1 the projected population for the plan period has already been reached but only just over 50% of the required housing provision has been delivered. Whilst these low levels of housing development can be attributed to the economic climate leading to low development rates in the early part of the plan period, there are only two years left of the plan period there is insufficient time remaining to address the significant shortfall. Furthermore, affordable housing is also not being delivered at the levels required. As a result, this objective is not being met.</p>	
<p>10. Ensure that all new development is well designed and has regard for its surroundings in order to reduce the opportunity for crime to occur.</p>	<p>Design is a key consideration in respect of development proposals and is an important element of the policy framework. SEA/SA monitoring raises no issues in respect of design and crime related indicators are realising positive outcomes. This objective is being met.</p>	
<p>11. Identify, protect and, where appropriate enhance, valuable landscapes and landscape features and protect them from unacceptable development.</p>	<p>The plan has allocated landscapes for protection and these are protected through the policy framework. The SEA/SA monitoring realises positive outcomes for some landscape indicators, but there are some areas of concern in respect of some elements of the landscape and this needs to be monitored going forward.</p>	
<p>12. Identify, protect and enhance sites of nature conservation and earth science interest and ensure the biodiversity of the County Borough is enhanced.</p>	<p>Policy SP10 – Conservation of Natural Heritage has triggered as part of this monitoring assessment. Whilst the amount of land being lost is very small, this remains an issue moving forward for the plan although, given the small areas of land in question, the objective is not being met as proposed at the moment.</p>	
<p>13. Create appropriate new landscape and ecological features and habitats as an integral part of new development wherever appropriate.</p>	<p>This has realised some positive results in both the LDP and SEA/SA monitoring processes. This objective is being met.</p>	
<p>14. Manage, protect and enhance the quality and quantity of the water environment and reduce water consumption.</p>	<p>This issue has not received any negative impacts from the SEA/SA monitoring in the early part of the plan period, although the data has not been available for the previous 3 AMRs.</p>	
<p>15. Reduce the impact of flooding by ensuring that highly vulnerable development is directed away from areas of</p>	<p>SEA/SA monitoring has realised negative results for this issue for consecutive years. However, the indicators are based against a zero comparison and small areas can be affected by development</p>	

Caerphilly County Borough Local Development Plan – Review Report

<p>risk wherever possible.</p>	<p>and be acceptable as it is the use of the land that determines whether a site should not be utilised. Whilst small areas of land liable to flooding are subject to development, the proposed development is not unacceptable and, whilst the monitoring results are negative, the objective is largely being met (as highly vulnerable development is not being permitted in the flood zones).</p>	
<p>16. Reduce congestion by minimising the need to travel, promoting more sustainable modes of transport and making the most efficient use of existing transport infrastructure.</p>	<p>The imbalance between population and residential/employment development is having knock-on effects for this issue, which has realised negative results recently. Out-commuting as a proportion of total work related travel has increased this year and the figure now exceed the trigger point. Other indicators, such as the number of schools with travel plans, show some positive moves towards achieving this objective.</p>	
<p>17. Capitalise on Caerphilly's strategic position further developing its role as a commercial and employment centre in the heart of the Valleys City Region with strong links to the Heads of the Valleys area and as the smart alternative for locating development to Cardiff and Newport.</p>	<p>Employment development has been slower than anticipated due to economic conditions in the earlier part of the plan period. However, the 2019 AMR indicates lower rates of development this year compared to previous years. There has been no development on allocated EM1 employment land for employment use in this monitoring year. Furthermore, the amount of land granted permission on EM1 land has been the lowest rate since 2012. In terms of protected employment sites, development of floorspace has decreased significantly since last year and has been at one of the lowest rates seen in the plan period. Whilst the floorspace granted permission on EM2 employment land has increased slightly compared to last year, there is significant concern about the level of economic development taking place in the County Borough and the availability of attractive sites.</p>	
<p>18. Provide and protect a diverse portfolio of employment land for a variety of employment uses, focusing in particular on higher value employment opportunities and sites to meet local need, including waste management facilities.</p>	<p>Whilst a number of employment sites have been developed over the plan period, it is important that there continues to be a diverse portfolio of sites available to meet demand. As above, there is concern about the take up of employment land in the County Borough, as low take up rates raises concern about the suitability of the sites that remain undeveloped within the LDP.</p>	
<p>19. Encourage the development of high quality, all season tourist attractions and tourist accommodation that complements the natural and</p>	<p>A total of 6 of the 9 allocations have been delivered, at least in part. As such this objective is being met.</p>	

Caerphilly County Borough Local Development Plan – Review Report

	built environment of the County Borough.		
20.	Maximise the efficient use of the existing infrastructure and encourage the necessary improvements to the network to sustain necessary levels of development at appropriate locations across the County Borough.	Rail related developments have progressed well. Highway improvements have not been delivered as expected, although this is due to the low levels of development that is taking place, which provides funding for these improvements. Overall progress is being made but the objective is not being delivered as anticipated.	
21.	Protect and provide a wide range of community and health facilities which are appropriately located and easily accessible, and which meet the needs of all sections of the population.	The majority of allocations in the LDP either have either been delivered or have planning permission. This objective is being met.	
22.	Maintain the vitality, viability and character of the County Borough's town and village centres and re-establish them as a focus for economic activity and community pride.	Policy SP4, which focusses on the principal town centres, has triggered as part of this assessment in respect of all four factors. Whilst this is a sign that the objective is not being delivered as well as anticipated, particularly in Bargoed, where there is a high vacancy rate, the indicators have been influenced by incomplete and out of date data.	
23.	Maintain, enhance and develop a hierarchy of town and village centres which are easily accessible, and which meet the needs of all sections of the population.	Policy SP4, which focusses on the principal town centres, has triggered as part of this assessment in respect of all four factors. Whilst this is a sign that the objective is not being delivered as well as anticipated, particularly in Bargoed, where there is a high vacancy rate, the indicators have been influenced by incomplete and out of date data.	
24.	Protect and enhance the overall quality of the historic natural and built environment of the County Borough	SEA/SA monitoring has consistently realised strong positive outcomes for the historic environment with the policy framework protecting assets and the number of buildings at risk being reduced overall. The objective is being met.	

Key

	The Objective is being met
	The Objective is not being delivered as anticipated but progress towards it is being made
	The Objective is not being delivered

Appendix 3: Appendix 2: SEA/SA Monitoring Overview

Objective	2011	2012	2013	2014	2015	2016	2017	2018	2019
To reduce the average resource consumption of each resident	X	DNA	NM	NM	NM	NM	NM	NM	NM
To improve the condition of housing and ensure the range of housing types are accessible to meet the needs of residents.	+	+	+	+	++	X	+	X	X
To reduce the incidence of crime	+	X	X	+	+	+	+	X	O
To improve educational achievement	XX	X	+	+	X	X	O	XX	XX
To allow equal opportunities for all	NM	NM	NM	NM	NM	NM	NM	NM	NM
To increase the percentage of people of working age in employment	XX	++	O	O	XX	+	+	X	+
To increase the wealth of individuals in CCBC	DNA	X	X	+	O	O	X	X	+
To ensure a sufficient range of employment sites are available	DNA	X	X	++	O	O	DNA	+	X
To improve the health of individuals	XX	X	O	++	O	+	XX	O	+
To retain the population of county borough to at least current levels and attain a more balanced demographic structure?	DNA	+	+	++	X	X	O	X	O
To allow all residents easy access to leisure facilities	DNA	+	++	+	++	++	++	+	O
To reduce air, noise, light and odour pollution and ensure air quality improves.	+	O	O	X	+	+	XX	O	XX
To protect the landscape value of the most important landscapes in the county borough and maintain a clean and accessible environment to encourage a greater sense of belonging.	DNA	X	O	O	X	+	++	O	X

Caerphilly County Borough Local Development Plan – Review Report

Objective	2011	2012	2013	2014	2015	2016	2017	2018	2019
To protect the cultural identity of the county borough	DNA	+	X	O	+	+	O	++	+
To protect and enhance important historic assets	+	++	++	O	+	+	+	++	+
To protect aquifers and improve the quality and quantity of the water in our rivers and to reduce water consumption	++	O	DNA	O	++	+	DNA	DNA	DNA
To minimise the number of developments affected by flooding	X	O	O	+	X	X	X	X	X
To make the most efficient use of land and to reduce contamination and safeguard soil quantity, quality and permeability.	+	X	O	O	XX	O	X	X	X
To protect geologically important sites and improve their accessibility	++	++	++	++	++	++	++	++	++
To reduce the amount of waste produced and increase the reuse of materials	+	+	+	+	DNA	++	+	O	+
To enhance the biodiversity of the county borough	O	O	O	+	O	O	X	+	+
To reduce the total amount of CO ₂ produced within the county borough each year	X	DNA	X	NM	NM	NM	NM	NM	NM
To reduce congestion by minimising the need to travel, encourage alternatives to the car and make best use of the existing transport infrastructure.	X	O	O	+	+	+	O	+	+
To increase the proportion of energy gained from renewable sources.	DNA	+	+	X	++	X	X	X	+
To improve the performance of material assets within the county borough	O	X	O	O	+	O	+	X	O



SPECIAL COUNCIL – 20TH FEBRUARY 2020

SUBJECT: CAERPHILLY HOMES - #BUILDINGTOGETHER

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

-
- 1.1 The attached report, which outlines the vision to build new homes and increase housing supply in the county borough following the completion of the Welsh Housing Quality Standard in 2020, was considered by the Housing and Regeneration Scrutiny Committee on the 26th November 2019, Cabinet on the 15th January 2020 and Caerphilly Homes Task Group on the 16th January 2020.
 - 1.2 The recommendations set out in paragraphs 3.1 to 3.14 of the Scrutiny report were unanimously endorsed by the Housing and Regeneration Scrutiny Committee and Cabinet subsequently unanimously approved recommendations 3.1 to 3.11 and 3.14 under executive powers. Cabinet also endorsed recommendations 3.12 and 3.13 and these now require Council approval as they relate to previous borrowing approvals and a proposal for new borrowing of £14m.
 - 1.3 Council is therefore asked to consider and approve the following recommendations: -
 - i) That any unused borrowing from the £61m originally earmarked for WHQS be transferred to support the delivery of the new build programme.
 - ii) That further borrowing of £14m is agreed to kick start the new build programme and other proposals contained in the attached report.

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Appendices:

Appendix 1 Cabinet Report 15th January 2020.



CABINET – 15TH JANUARY 2020

SUBJECT: CAERPHILLY HOMES – #BUILDINGTOGETHER

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

- 1.1 The attached report was considered by the Housing and Regeneration Scrutiny Committee on 26th November 2019. The report outlined a vision to build new homes and increase housing supply in the county borough following the completion of the Welsh Housing Quality Standard in 2020. Scrutiny members were invited to comment prior to the presentation of the report to Cabinet.
- 1.2 The scrutiny committee was advised that the Caerphilly Local Housing Market Assessment has identified a requirement of 282 units per annum over a period of 5 years in order to meet local demand. Members were advised that this is made up of 169 social housing rented units and 113 intermediate units and were informed that there is a particular need for one bedroom accommodation.
- 1.3 Members noted that although there is currently a surplus of older person's accommodation throughout the county borough, the current provision does not meet the needs in terms of size, facilities and surrounding environment. This would need to be taken into account with any planned programme of development in order to ensure suitable accommodation is available for the anticipated growth in demand from older persons.
- 1.4 The scrutiny committee were informed of the research already undertaken in terms of the way forward by looking at what has already been done in other areas, discussions with industry experts on good quality and precision engineered homes and an ambition to produce zero carbon homes, in line with Welsh Government expectations. The report outlines plans for 400 new homes in the first instance which is considered a realistic target as these proposals will take time to develop.
- 1.5 Members highlighted the target for affordable housing targets for the county borough areas in the LDP and questioned whether the targets for the north of the county borough should be higher. The scrutiny committee were advised that demand is higher in the south and this is reflected nationally with population growth surrounding larger urban areas, because of employment and shorter transport links. The scrutiny committee stated that the council has a responsibility to consider the needs of the north of the county borough. Officers stated that each site would be looked at and individual solutions applied.
- 1.6 The scrutiny committee sought reassurance that brown field sites would be given priority for development. Members stated the benefit of protecting green field sites because they absorb carbon and also highlighted the environmental impact of the use of cement in construction. Officers confirmed that brown field sites would be given priority, as well as consideration of planting schemes to offset any impact on the environment and the use of modern methods of construction. Members asked if these modern methods of construction have long term resilience, the scrutiny committee were reassured that these methods have

been utilised for a considerable time and include timber frame construction.

- 1.7 The need to support communities in the wider sense was discussed, and the benefits that these developments could have in terms of employment and training for residents.
- 1.8 Members asked if the use of consultants and the associated costs could be avoided and the work carried out by the newly proposed Caerphilly Homes *#BuildingTogether* Development Team. The scrutiny committee were advised that at the present time there is no one with the commercial experience working within the council who could carry out this role. However the aim going forward is to develop those skills within the team. In addition it was noted that the costs for the use of consultants would be met by the HRA and not the Council General Fund.
- 1.9 The scrutiny committee asked how we can ensure mixed tenure on the developments. Members were advised that it will depend on the site, and the needs at the time, however the common allocations policy as well as working with RSL's using the policy framework would be the basis for any decisions. Therefore allocation of property will be if they meet the criteria. Members were advised that this has already been done in other areas and that mixed tenure is seen as the way forward.
- 1.10 Members were advised of the work already underway in some areas and members sought reassurance that discussion with ABUHB was not delaying the development of the Ty Darren site in Risca. Members were advised that an informal response has been received and the council is actively seeking a formal statement of intent.
- 1.11 The scrutiny committee noted that this is a 5 year plan and asked what the plan is afterwards. Members were advised that it is anticipated that this is the start of a rolling programme which will be reviewed periodically to ensure that any changing needs are incorporated into plans.
- 1.12 Following consideration and discussion the Housing and Regeneration Scrutiny Committee unanimously agreed to recommend to Cabinet that:
- (i) Cabinet agree to the development, subject to planning approval, of the HRA site in Nelson in order to access AHG (Affordable Housing Grant) prior to the end of March 2020 via a direct award to a partner Registered Social Landlord.
 - (ii) Cabinet agree to the development of the HRA sites in Bedwas and Trecenydd subject to viability testing and planning approval as set out in the report.
 - (iii) Cabinet agree the principle of Caerphilly Homes acquiring new build affordable homes, via Section 106 Agreements in areas of housing need, subject to financial viability in terms of the Housing Business Plan.
 - (iv) Cabinet that the purchase via Section 106 Agreements of up to 10 affordable units per development be delegated to the Head of Service in conjunction with the Cabinet Member for Homes and Places. Section 106 Agreements involving more than 10 affordable units will be the subject of a report to Cabinet.
 - (v) Cabinet agree to proposals for General Fund land to be considered and appropriated to Caerphilly Homes for the development of affordable housing, subject to suitability and affordability. Further reports will be submitted as and when required on specific site proposals requesting appropriation from the General Fund to Caerphilly Homes for housing purposes.
 - (vi) Cabinet approve that where HRA land is sold for new development, 100% of the capital receipt is kept within the HRA and recycled to finance the Council's new build programme. Where there is no commitment to develop the land, there is an option to

- retain 25% of the receipt within the HRA and 75% utilised to repay debt (as in previous years with regards to Right to Buy sales).
- (vii) Cabinet support the exploration of innovative and commercial opportunities to facilitate the delivery of new affordable homes including the possibility of market sales, which on some sites may be necessary to ensure viability.
 - (viii) Cabinet approve the engagement and commissioning of consultants and a development partner via recognised and compliant public sector procurement instruments i.e. via the SCAPE and Welsh Procurement Alliance framework agreements (further explained in 5.5/6). Each separate procurement arrangement will be undertaken with support and advice from the Council's Procurement Team and will be subject to separate reports being brought forward as appropriate.
 - (ix) Cabinet approve the use of Modern Methods of Construction (MMC) including modular or partially modular homes together with a 'fabric first' approach to deliver the most energy efficient homes possible and respond to the zero carbon agenda.
 - (x) Cabinet approve the commissioning of an independent consultancy via a compliant framework agreement to undertake viability assessments of all suitable HRA land in order to develop a catalogue of commercially viable sites that can be developed over a 5 year period and form the basis of the Council's new build strategy. This information will be used as the basis to develop 'shelf ready' schemes in preparation for the announcement of new Welsh Government funding in 2021.
 - (xi) Cabinet approve the creation of a Caerphilly Homes Development Team to develop and drive forward the new #BuildingTogether programme as noted in 5.32 and 5.33.
 - (xii) Cabinet approve the submission of a report to Council which includes a request to borrow a further £14M to kick start the new build programme and other proposals contained in this report. Further details are contained in section 10.
 - (xiii) Cabinet approve that any unused borrowing from the £61m originally earmarked for WHQS be transferred to support the delivery of the new build programme. Further details are contained in section 10.
 - (xiv) it be noted that further reports will be submitted as and when required and details of specific schemes are known in order to advise members and where necessary seek Cabinet approval.

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Appendices:

Appendix A Report to Housing and Regeneration Scrutiny Committee 26th November 2019 – Agenda Item 10



HOUSING AND REGENERATION SCRUTINY COMMITTEE – 26TH NOVEMBER 2019

SUBJECT: CAERPHILLY HOMES – #BUILDINGTOGETHER

**REPORT BY: CORPORATE DIRECTOR OF SOCIAL SERVICES AND
HOUSING**

1. PURPOSE OF REPORT

- 1.1 This report outlines a vision to build homes that are in places where people want to live, work and enjoy themselves; to build and add to cohesive communities and in doing so create sustainable opportunities for training and employment.
- 1.2 The report also sets out how Caerphilly Homes (Housing Services division of Caerphilly County Borough Council) intends to increase its supply of housing.
- 1.3 The views of the Housing and Regeneration Scrutiny Committee are being sought prior to the report's consideration by Cabinet.

2. SUMMARY

- 2.1 The Caerphilly Local Housing Market Assessment has identified a requirement for a total of 282 units per annum over a period of 5 years in order to meet local demand. This includes 169 social rented units and 113 'intermediate' units (56 low cost home ownership and 57 intermediate rent).
- 2.2 In terms of property size, by far the greatest requirement is for one bedroom accommodation however, the pattern of need varies between wards and housing market areas. There is a higher need for accommodation in the south of the borough than there is in the north. The assessment also highlights a surplus of older person's accommodation throughout the county borough. This is based on the location, type and quality of the existing provision, which in some instances no longer meets the needs and aspirations of older people. With national statistics showing that people are living longer and that the number of older people is expected to grow, there is a pressing requirement for alternative accommodation that is more flexible and better suits their needs now and for the future.
- 2.3 Having committed to investing approximately £260 million to improve the condition of our existing council homes to ensure all meet the Welsh Housing Quality Standard by 2020, this report sets out the ambitious long term investment plans of Caerphilly Homes to build and acquire a new generation of homes that meet a growing local need for new social and affordable housing.

- 2.4 The programme, branded *#BuildingTogether* aims to deliver 400 affordable homes between 2020 and 2025. This aim links directly with the Council's commitment contained within the Corporate Plan 2018-2023 and Wellbeing Objective 3 which aims to address the supply, condition and sustainability of homes throughout the county borough.
- 2.5 Recognising the need for additional affordable homes to meet an increasing demand, a commitment to build and increase the number of homes within the Council's portfolio is a corporate commitment.
- 2.6 In 2015 the Welsh Government ended the Housing Revenue Account subsidy system for Council homes thereby introducing new powers for Councils to keep their rental income and generate growth which, in Caerphilly, continues to be reinvested in homes to deliver the Welsh Housing Quality Standard by 2020 and will now also be invested into the Caerphilly Homes *#BuildingTogether* development programme to deliver the Council's commitment of providing additional affordable homes.

3. RECOMMENDATIONS

- 3.1 Members are asked to recommend that Cabinet agree to the development, subject to planning approval, of the HRA site in Nelson in order to access AHG (Affordable Housing Grant) prior to the end of March 2020 via a direct award to a partner Registered Social Landlord.
- 3.2 Members are asked to recommend that Cabinet agree to the development of the HRA sites in Bedwas and Trecenydd subject to viability testing and planning approval as set out in the report.
- 3.3 Members recommend that Cabinet agree the principle of Caerphilly Homes acquiring new build affordable homes, via Section 106 Agreements in areas of housing need, subject to financial viability in terms of the Housing Business Plan.
- 3.4 Members recommend to Cabinet that the purchase via Section 106 Agreements of up to 10 affordable units per development be delegated to the Head of Service in conjunction with the Cabinet Member for Homes and Places. Section 106 Agreements involving more than 10 affordable units will be the subject of a report to Cabinet.
- 3.5 Members recommend that Cabinet agree to proposals for General Fund land to be considered and appropriated to Caerphilly Homes for the development of affordable housing, subject to suitability and affordability. Further reports will be submitted as and when required on specific site proposals requesting appropriation from the General Fund to Caerphilly Homes for housing purposes.
- 3.6 Members recommend that Cabinet approve that where HRA land is sold for new development, 100% of the capital receipt is kept within the HRA and recycled to finance the Council's new build programme. Where there is no commitment to develop the land, there is an option to retain 25% of the receipt within the HRA and 75% utilised to repay debt (as in previous years with regards to Right to Buy sales).

- 3.7 Members recommend that Cabinet support the exploration of innovative and commercial opportunities to facilitate the delivery of new affordable homes including the possibility of market sales, which on some sites may be necessary to ensure viability.
- 3.8 Members recommend that Cabinet approve the engagement and commissioning of consultants and a development partner via recognised and compliant public sector procurement instruments i.e. via the SCAPE and Welsh Procurement Alliance framework agreements (further explained in 5.5/6). Each separate procurement arrangement will be undertaken with support and advice from the Council's Procurement Team and will be subject to separate reports being brought forward as appropriate.
- 3.9 Members recommend that Cabinet approve the use of Modern Methods of Construction (MMC) including modular or partially modular homes together with a 'fabric first' approach to deliver the most energy efficient homes possible and respond to the zero carbon agenda.
- 3.10 Members recommend that Cabinet approve the commissioning of an independent consultancy via a compliant framework agreement to undertake viability assessments of all suitable HRA land in order to develop a catalogue of commercially viable sites that can be developed over a 5 year period and form the basis of the Council's new build strategy. This information will be used as the basis to develop 'shelf ready' schemes in preparation for the announcement of new Welsh Government funding in 2021.
- 3.11 Members recommend that Cabinet approve the creation of a Caerphilly Homes Development Team to develop and drive forward the new *#BuildingTogether* programme as noted in 5.32 and 5.33.
- 3.12 Members recommend that Cabinet approve the submission of a report to Council which includes a request to borrow a further £14M to kick start the new build programme and other proposals contained in this report. Further details are contained in section 10.
- 3.13 Members recommend that Cabinet approve that any unused borrowing from the £61m originally earmarked for WHQS be transferred to support the delivery of the new build programme. Further details are contained in section 10.
- 3.14 Members are asked to note that further reports will be submitted as and when required and details of specific schemes are known in order to advise members and where necessary seek Cabinet approval.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 In recognition of the increasing demand for affordable housing this reports sets out the progress made by Caerphilly Homes to date in relation to increasing the number of Council homes.
- 4.2 The development of a Council home building programme will help to meet the needs of the 4,500 applicants currently on the Common Housing Register waiting list, future applicants and also contribute to reducing the incidence of homelessness and rough sleeping.

- 4.3 It will support the local housing market and provide new opportunities for apprenticeships, training and employment. The development of additional affordable homes will help stimulate and grow the local foundational economy through the creation of local supply chains, the delivery of community benefits and create and add value to existing communities thereby increasing cohesion and resilience.
- 4.4 The building of new affordable Caerphilly Homes to meet an ever increasing need for affordable homes is a corporate commitment.

5. THE REPORT

- 5.1 As a consequence of entering the final stages of the Welsh Housing Quality Standard (WHQS) investment programme, Cabinet approved the Caerphilly Homes Asset Management Strategy (AMS) on the 12th September 2018.
- 5.2 The AMS not only included proposals for ensuring that the WHQS was maintained post 2020 but also included a number of options for increasing Council house supply.
- 5.3 Progress made to increase Council house supply to date includes the following activities:

Property Acquisitions

- 5.4 Bids for the acquisition of 5 empty former Council properties under the Affordable Housing Grant (AHG) programme were submitted to Welsh Government in December 2018. Notification of funding award was received from Welsh Government in March 2019.
- 5.5 Colleagues in Property Services assisted with the valuation and negotiations on the purchase price and the five properties were successfully purchased prior to the 31st March 2019 in order to comply with the AHG deadline.
- 5.6 Further bids for AHG funding have been submitted to contribute towards the cost of improvements necessary to bring these properties up to an acceptable standard. In order to qualify for the AHG funding the properties need to be improved to Development Quality Requirements (DQR) Part 2 (Requirements for existing and rehabilitated dwellings built by housing associations).
- 5.7 A further 5 properties were purchased in September 2019 following submission of AHG applications by a revised deadline for which we are awaiting notification of an award, and again further bids have been submitted to contribute towards the cost of improvements.
- 5.8 The AHG funding covers 58% of the purchase and improvement costs and is paid in the form of a revenue stream over a 29 year period. The remainder of the cost is funded by the Council.
- 5.9 The AHG request for the acquisition of the 10 homes and associated refurbishment is therefore currently £739,330 in total, however the full amount of £1,274,708 will need to be provided up front as a capital cost by the HRA with the AHG element being provided as an annual revenue income stream of £39,633 by Welsh Government over a 29 year period.

- 5.10 In addition to the above, conversion works are underway at Hafod Y Bryn and Tredegar Court to create additional units of accommodation utilising Affordable Housing Grant (AHG) funding which will provide an additional 3 units of accommodation for older persons.
- 5.11 6 additional acquisitions have also been identified for purchase and discussions are ongoing with colleagues from Welsh Government to utilise the Affordable Housing Grant (AHG) to do so.

Bedwellty School Site – Llanmoor Homes

- 5.12 Llanmoor Homes have approached Caerphilly Homes regarding a development on the former Bedwellty School site. This development will provide Caerphilly Homes with the opportunity to acquire 8 housing units for transfer to the Council housing stock (2 of which will be for low cost home ownership). The development is in an area of housing demand and the purchase of these properties at the Supplementary Planning Guidance LDP 1 (SPG) transfer values is currently affordable in terms of the Housing Business Plan. Terms of the transfer would be in line with the Section 106 Agreement.
- 5.13 Further opportunities for such acquisitions will come forward as part of the planning and development process and as a consequence members are asked in 3.3 to recommend that Cabinet approve the principle of Section 106 acquisitions which may include low cost home ownership homes as well as social rented housing, accepting that this needs to be balanced against other Housing commitments and be financially viable in terms of the Housing Business Plan. A further explanation of the Section 106 process is contained within 5.42.

HRA Land Developments

- 5.14 The following sites are currently at the early stages of being progressed and will be subject to planning approval:-
- 5.15 Nelson – an area of HRA land that will lend itself to the development of 4 one bedroom social rented flats with individual entrances. There is a lack of this type of accommodation in the Caerphilly Homes stock portfolio and these new units will help address the high level of need identified in the 2018 Local Housing Market Assessment.
- 5.16 This site directly adjoins another site that is planned to be developed by an RSL and therefore there are clear benefits in pursuing the option of the RSL developing the plans, building the properties and project managing the scheme on behalf of Caerphilly Homes as an intrinsic part of their planned development. Our partner RSL's already have the necessary skills and resources in place and early discussions have been positive. Initial discussions have been held with Procurement Services to look at options to support a direct award to the RSL in order to progress this site with development contracts being signed prior to 31st March 2020 in order to allow the Council to access AHG funding. A detailed report outlining the procurement arrangements will be presented to the Director of Social Services and Housing shortly in line with Council's Standing Orders.
- 5.17 Members are asked to recommend approval by Cabinet retrospectively of the joint development of this site with the RSL designing, planning, constructing and project managing the development of this site on behalf of Caerphilly Homes, subject to satisfying procurement regulations. Retrospective approval is sought in order to

expend Affordable Housing Grant (AHG) funding within the timescale required by Welsh Government.

- 5.18 Llanfabon Drive, Bedwas and The Crescent, Trecenydd.
Initial feasibility studies suggest that 8 one bedroom social rented flats with individual access can be developed on each of these HRA sites, with draft designs anticipated for consideration by December 2019.
- 5.19 Caerphilly Homes has engaged, via the OJEU compliant SCAPE Framework agreement, a development partner who will now assist in undertaking a feasibility study on both sites together with initial designs.
- 5.20 Caerphilly Homes will work closely with the development partner to explore options to deliver innovative, energy efficient housing via a 'fabric first' approach on both sites subject to affordability and the potential to access Welsh Government grant funding. It is anticipated that designs and 'shelf ready' proposals will be prepared in readiness for an announcement by Welsh Government of new funding arrangements from 2021.

General Fund Land Developments

- 5.21 Chartist Gardens – It is anticipated that this site will be wholly developed by Pobl and provide both 66% affordable housing (social rent and shared ownership) and market sales. This development is being reported separately by Property Services.
- 5.22 Ty Darren, Risca - Members will recall the report on 'Remodelling Sheltered Housing Schemes' which included proposals to demolish three schemes in the Eastern Valley and develop a new scheme on the above site which would be fit for purpose and as far as possible 'future proofed'.
- 5.23 A site investigation report has been commissioned for this site and on receipt a full feasibility study will be conducted to confirm the financial viability of the proposals. Architectural Consultants have been engaged via OJEU compliant the Welsh Procurement Alliance framework agreement to provide a cost estimate for the development appraisal, viability assessment and design options. The site is currently owned by the General Fund and has been recently valued by the District Valuer at £825,000. The site would need to be appropriated under s.122 of the Local Government Act 1972 from the General Fund to Caerphilly Homes. Clarification regarding the value attributed to the site and whether that value is based on the site being developed for market sale properties rather than housing for social rent will be sought.
- 5.24 Caerphilly Homes intention, subject to a viability assessment, would be to develop the site in a way that encourages positive ageing thereby delivering the Council's ambition to increase its supply of Council homes which specifically meet tenant needs.
- 5.25 Discussions are ongoing with the Health Board who own the adjacent site, to determine if there is scope for a partnership approach and the provision of a community health focused hub facility.
- 5.26 This scheme is not anticipated to progress for approximately two years, which will allow time to complete the remodelling of our existing schemes and also complete WHQS works, as this will then help to inform the level and type of facility required at Ty Darran. A further report on the proposed development will be brought forward at

the appropriate time.

- 5.27 A summary of all delivery proposals for affordable housing including those to be delivered by Registered Social Landlords is provided in Appendix 2.

Future Plans *#BuildingTogether*

- 5.28 Members are asked to note that a development strategy which sets out the Council's ambitious plans to build new housing for the first time in over 20 years is currently being developed.
- 5.29 The strategy, entitled *#BuildingTogether* will outline a vision to build homes that are in places where people want to live, work and enjoy themselves; to build and add to cohesive communities and in doing so create sustainable opportunities for training and employment.
- 5.30 It will propose that a variety of homes will be built over the lifetime of the strategy (2020-2025), including accommodation for older people that supports positive aging and are future ready; accessible homes that take account of the needs of their inhabitants; homes that are energy efficient and homes that consider modern methods of design and construction.
- 5.31 The strategy intends to set a framework for the delivery of a new generation of 'Future Ready' homes delivered via a variety of delivery options.

***#BuildingTogether* Resources**

- 5.32 Currently the resources to deliver new affordable housing in-house do not exist so alternative arrangements need to be put in place. To assist with the process minor structure changes have been made within Caerphilly Homes in order to create a dedicated Manager to assist with the aim of increasing and developing new homes, compile a development strategy and to review various delivery options that may be available.
- 5.33 A further appointment will need to be made to focus on compiling the HRA land asset review and to oversee and advise on the suitability of proposed development from a Planning, Highways, Engineering, Drainage and ecological perspective. A Project Manager will also be required to liaise with contractors and oversee the delivery of proposed development schemes. Members are asked to support the recommendation noted in section 3.11 to create a new Caerphilly Homes *#BuildingTogether* Development Team.

***#BuildingTogether* Funding & Affordability**

- 5.34 The Welsh Government funding and finance regime is changing. 2020/21 is the final year for grants such as the Social Housing Grant (SHG) and the Affordable Housing Grant (AHG)(2019/20) and indications from colleagues at Welsh Government suggest that the next round of grant funding from Welsh Government to facilitate the development of new affordable homes will not be available until 2021 although there may be a fourth year of the Innovative Housing Programme (IHP) up to 2021.
- 5.35 Earlier this year the Welsh Government commissioned an independent Review of Affordable Housing. The Minister for Housing and Local Government has announced that she accepts all but one of the 22 recommendations contained in the report and that Welsh Government officials will now begin work on examining each

recommendation and determining how best it might be implemented. The Review, its recommendations and how those recommendations are interpreted will have a significant impact on the way in which affordable homes are developed and their affordability.

- 5.36 The Review and its recommendations seek to provide a new opportunity to make ground breaking improvements to the supply and quality of affordable housing and includes a recommendation for Welsh Government to provide longer-term certainty for local authorities wishing to start or continue an ambitious new Council home building programme.
- 5.37 The changes are also likely to result in challenges in relation to affordability, quality and design together with a requirement to deliver zero carbon homes.
- 5.38 With the new funding arrangements yet to be in place until 2021, it will also be difficult to determine the funding available in the short term to support the building of new homes. It is anticipated that an announcement will be made by the Minister before Christmas regarding the proposed 5 year rent policy. This will inform the HRA budget for 2020/21 and provide a clearer indication of the HRA budget likely to be available to support the programme in the future.

#BuildingTogether Outline Delivery Plan

- 5.39 The following diagram outlines the proposed delivery strategy that will be adopted by Caerphilly Homes as part of its #BuildingTogether programme:



- 5.40 In order to meet its delivery ambitions, Caerphilly Homes will utilise a number of different options to deliver new homes for social rent during the period 2020-2025.
- 5.41 The diagram above illustrates the range of options that will help increase the number of homes that are available via Caerphilly Homes and help deliver a diverse range of

options that are best suited to local need and future requirements. By utilising a variety of different mechanisms to deliver additional homes it will also better manage any risk (the proposed Development Strategy will be underpinned by a Risk Register and full Equality Impact Assessment); create economies of scale and help sustain and develop the local supply chain so to create additional employment and training opportunities within the locality.

Section 106

- 5.42 There is a specified target included in the Caerphilly County Borough Local Development Plan (LDP) for the delivery of affordable homes which differs depending on the location of the site. Where there is evidence of housing need the Council will seek to negotiate an affordable housing contribution based on the following targets:
1. 40% in the Caerphilly Basin area (excluding Aber Valley);
 2. 25% in the Northern Connections Corridor (excluding Newbridge);
 3. 10% in the Rest of Caerphilly County Borough (including Aber Valley and Newbridge);
 4. No requirement in the Heads of the Valleys Regeneration Area.
- 5.43 These are targets and will not always be achieved as they are dependent on the financial viability of each site, which is determined on an individual basis. If there is evidence of need and viability there are occasions where these targets are exceeded.
- 5.44 The Council in its role as the Local Planning Authority specifies to the developer the number and type of affordable homes that should be provided as part of the Section 106 contribution with the mix of homes being derived from an assessment of housing need within the locality (Local Housing Market Assessment 2018). The transfer cost of these properties to the social landlord is specified within the Supplementary Planning Guidance LDP1 (SPG). This SPG was first adopted by the Council in 2011, however Appendix 3 of the document is updated on an annual basis under delegated powers to reflect changes in transfer value. See Appendix 1.
- 5.45 The percentage of affordable housing to be provided by a developer is set out within the Section 106 Agreement. Within the agreement the Council can specify a preferred Registered Social Landlord zoned to develop affordable housing in the county borough to whom the developer must transfer the affordable housing.
- 5.46 Recent changes have resulted in Caerphilly Homes being included as a preferred landlord. This will enable Caerphilly Homes to purchase a number of Section 106 properties over the 5 year period of the strategy to contribute towards the overall target of 400 new homes.
- 5.47 The delivery of low cost home ownership homes (LCHO) may be included in the Section 106 agreements negotiated as well as homes for social rent.

RSL Collaboration

- 5.48 Caerphilly Homes is proud of its partnership history with our zoned local Registered Social Landlords. In relation to housing developments, United Welsh Housing Association, Pobl and Linc Cymru have collectively worked with us to increase the number of new affordable homes provided throughout the borough. Wales and the

West are also a zoned Registered Social Landlord in the county borough but are not currently actively developing.

- 5.49 In the recently published 'Independent Review of Affordable Housing Supply' a recommendation is made for Council's across Wales to enter into new partnership arrangements with Registered Social Landlords and the private sector. The Minister for Housing and Local Government is expected to announce the form of partnering arrangements that Welsh Government are wishing to see between Councils and Registered Social Landlords in their area shortly.
- 5.50 Caerphilly Homes will be seeking a closer partnering arrangement with the zoned RSL's in order to utilise the skills and knowledge of the RSL's to help build new Caerphilly Homes on our behalf. This may take the form of a Memorandum of Understanding (MOU) and/or a Partnership Protocol under the umbrella of an Affordable Homes Partnership which would be progressed in collaboration with Procurement and Legal Services.

Dynamic Purchasing System (DPS)

- 5.51 A Dynamic Purchasing System (DPS) is an electronic system used to purchase goods, works or services. Unlike a traditional framework it allows potential suppliers to join at any time. It is an open market solution designed to provide buyers (in this case, Caerphilly Homes) with access to a pool of pre-qualified suppliers (developers). Caerphilly Homes has already utilised a DPS on its WHQS programme with some success. It is particularly attractive to local small and medium sized businesses and relates in the main to smaller parcels or packages of land but a specific DPS to support our development proposals would need to be established.
- 5.52 In the context of the Caerphilly Homes development programme, available land could be packaged and released to potential suppliers on a design and build basis via a DPS. This would provide opportunities for developers to advise the Council on the number and type of units that could be accommodated in specific areas and potentially stimulate innovation and creativity.

Framework Arrangements

- 5.53 In order to develop new homes at pace and scale, Caerphilly Homes is exploring the option of working with a development partner. A development partner could bring a number of added benefits including the ability to work with Caerphilly Homes to undertake feasibility studies and architectural drawings in order to arrive at a standard design arrangement which could be configured differently according to the constraints and opportunities of each site. This would bring greater economies of scale, enhanced quality and also greater efficiency through the creation of a standard pattern book.
- 5.54 The selection of a development partner could be determined by the use of the SCAPE National Construction Framework Agreement, owned by SCAPE Procure Ltd, a public sector built environment specialist entirely owned and controlled by 60 UK local authorities who offer a suite of OJEU compliant frameworks and design solutions to other local authorities.
- 5.55 The Welsh Procurement Alliance (WPA) have developed a framework agreement which could be utilised to identify a potential development partner however, in contrast to the SCAPE arrangement it would mean that Caerphilly Homes would

have to appoint cost consultants and architects separately before working with an approved supplier.

Property Acquisitions

- 5.56 In an attempt to increase the number of affordable homes for social rent Caerphilly Homes may be willing to offer up to market value to acquire empty properties or properties that have been advertised for sale on the open market. The property must be sold with vacant possession and each party will be required to pay their own legal and valuation fees. A value for money assessment will be carried out and Caerphilly Homes will seek the best value price that does not exceed the home valuation report.
- 5.57 In order to respond to identified housing needs, Caerphilly Homes will show preference to purchasing 1 or 2 bedroom properties unless there is a business reason for purchasing a larger home i.e. that there are families with specific needs on the waiting list that require a larger home. All applications will be determined on the basis of business need.
- 5.58 Progress has already been made in relation to purchasing 10 additional homes with a further 6 purchases potentially in the pipeline. The purchases and refurbishment costs will be submitted to Welsh Government as an application for grant funding with a number already approved. The Affordable Housing Grant (AHG) will contribute towards 58% of the costs, but is payable as a revenue income stream with the full costs initially having to be financed by the HRA. This is explained further in section 10.

Other

- 5.59 Modern Methods of Construction (MMC) or homes that are created off-site are often highlighted as the answer to the UK's housing crisis. Homes that are built in factories, off-site and then assembled on site are quick to assemble, cost efficient and leave a much smaller carbon footprint than traditional housing. Homes using MMC are built off site are precision manufactured, energy efficient homes that are built with high levels of quality control.
- 5.60 The construction methods are often more sustainable than traditional methods and the materials utilised more energy efficient. The homes can also be assembled on site quickly (some within as few as 5 days) and can provide opportunities for the creation of a local factory to assemble the units and employment, skills and training for local people.
- 5.61 MMC homes could offer Caerphilly Homes the ability to build new Council homes on constrained or unconventional sites because the units can be lowered by crane. In addition, modular homes can easily be adapted to changing needs or circumstances with some that can be easily moved from one location to another.

In House

- 5.62 If Caerphilly Homes chooses to utilise the WPA framework to develop homes on some of its smaller, garage or infill sites, there is a possibility that the in house team could be utilised to fit out the house structures that are erected on site. The team already have the skills, having proven their abilities via the WHQS programme. Their attention to quality and to customer service has been applauded during the programme and could be applied within a new build context. This would provide a

planned and measured work programme for the in house team during the 5 year strategy period.

- 5.63 It would also provide additional options to upskill the in house team and to create new apprenticeship pathways in partnership with Coleg Y Cymoedd and Coleg Gwent and add value to the PSB Apprenticeship programme. An application for funding via the Welsh Government's Foundational Economy Challenge Fund has been successful with £100,000 allocated to develop a skills and apprenticeship programme specifically related to Modern methods of Construction (MMC).
- 5.64 The in house new build arrangement would run alongside any DPS or Development Partner arrangement that may also be in place thereby creating a number of work streams to underpin the *#BuildingTogether* programme, spreading risk and creating new and innovative opportunities for the Council's own workforce.

Planning

- 5.65 Planning will provide advanced notification of potential development sites and those where the use of Section 106 Agreements would apply, so these can be considered and, where feasible, factored in to future development plans and the HRA Business Plan.
- 5.66 In addition Housing Strategy Officers will continue to advise Planning on housing need for the area, to ensure that any developments undertaken privately or by RSL's, still contribute to meeting housing need and the requirements of the Local Housing Market Assessment and our Common Housing Register.
- 5.67 In a recent letter to local authorities (dated 8th July 2019), the Minister for Housing and Local Government noted that 'up to date Local Development Plans are the cornerstone for housing delivery by identifying the best sites for new homes'. She noted the most recent version of Planning Policy Wales requires local planning authorities to follow place making principles and adopt a people centred approach to planning, designing and managing communities to promote people's 'health, happiness and well-being, all of which must be central considerations when preparing LDPs and determining planning applications. Members will be aware that on the 23rd October 2019, Council resolved to commence work on a Replacement LDP for the county borough and this will be critical to the delivery of new homes and new affordable homes.

Conclusion

- 5.68 Following the completion of the WHQS programme and the removal of the borrowing cap by Welsh Government the HRA will be in an improved financial position which provides opportunities to invest in increasing the housing stock, in addition to maintaining the existing stock.
- 5.69 This report sets out how the supply of affordable housing, including social housing within our county borough can be increased in order to meet increasing demand, as well as the specific requirements of many of those applicants who are listed on our Common Housing Register.
- 5.70 Options within the report include acquisition of existing properties, acquisition of new build homes via Section 106 Agreements, Unilateral Undertakings and the development of new homes through partnership working, frameworks or other contract arrangements. A development table has been included as Appendix 2.

- 5.71 Caerphilly Homes will need to consider rent levels and charges for all new homes as these may differ from the rents attributed to our existing stock, however the new rent policy is yet to be finalised by Welsh Government. Ensuring rents remain affordable will be a key consideration.

6. ASSUMPTIONS

- 6.1 The Housing Business Plan whilst accounting for the delivery of the proposals contained within this report, also considers a number of assumptions which could impact on the extent to which the proposals can be met. Some of these assumptions include inflationary increases in relation to salaries, materials, office accommodation, transport etc. and also rent increase levels, ongoing maintenance of the existing stock, Major Repairs Allowance (MRA) allocation, interest rates and other potential funding restrictions.
- 6.2 Commercial terms and specifications for the new housing via Section 106 Agreements are assumed to result in properties being purchased at SPG rates and development proposals assume no issues are found with the site investigations or planning approval.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 ***The Corporate Plan (CCBC, 2018-2023) - Well-being Plan Objective 2: Enabling Employment – Use investment in developing new homes to increase the number of skilled, qualified workers and tackle worklessness by providing apprenticeship, training and work placements with our in-house workforce and building contractors.***
- 7.2 ***The Corporate Plan (CCBC, 2018-2023): Well-being Objective 3: “Address the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people’s well-being.”***
- 7.3 ***Caerphilly County Borough Local Development Plan up to 2021: Key Objective 9 – “Ensure an adequate and appropriate range of housing sites are available across the County Borough in the most suitable locations to meet the housing requirements of all sections of the population.”***
- 7.4 ***Caerphilly Homes Service Plan (2018-2023), Priority Objective 2: “Increase the provision of new, affordable homes to meet identified needs, promoting ‘Lifetime Homes’ principles for grant funded delivery, and, where appropriate, supporting Welsh Government’s Innovative Housing Programme (IHP)”.***

Welsh Government Policies

- 7.5 ***Improving Lives and Communities: Homes in Wales (Welsh Government, 2010)***, which sets out the national context for improving homes and communities, including the energy efficiency of existing homes.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 The underlying principles of the affordable housing new build programme concerns the provision of good quality, affordable homes, that are energy efficient and reduce fuel costs for the occupant, are constructed using materials which contribute to the

carbon reduction agenda, help to promote the sustainability of the communities in which they are built, contribution to positive health and wellbeing goals, and assist the Council in meeting its targeted recruitment and training objectives. The programme links to all of the 7 well-being goals in The Well-being of Future Generations (Wales) Act 2015, although some slightly more tenuously than others.

- 8.2 Our preferred approach to how the programme will be taken forward is consistent with the five ways of working as defined within the sustainable development principle in the Act:
- 8.2.1 **Long-term** - Housing is a long-term asset. We know that the homes we build today will be in use for many generations. These homes will, therefore, not only cater for the housing needs currently identified by the 2018 Local Housing Market Assessment but also for the emerging housing needs of future generations. We know over this time period that communities won't stand still and this is why we intend to build these homes based on the principles outlined in paragraph 8.1.
- 8.2.2 **Prevention** - The additional homes delivered through the new build programme will help to reduce the high level of housing needs in the borough. Failure to meet these needs could result in people living in overcrowded or unsanitary housing conditions and result in people becoming homeless or rough sleeping. The new build programme will positively impact on the objectives of other public sector organisations. There is a vast amount of literature which shows that poor housing is a key determinant of poor health. Providing good quality, affordable homes clearly links to the wider health improvement agenda. The way the homes are constructed links to the energy efficiency and carbon reduction agendas, and creating recruitment and training opportunities links to the worklessness agenda.
- 8.2.3 **Collaboration** - Section 5 of this report outlines the range of service areas and organisations that the Housing team will collaborate with to achieve the successful outcome of this programme.
- 8.2.4 **Involvement** - There may be an opportunity for tenants and prospective tenants to have an input to the development programme particularly during the design and specification stage. Post occupation surveys would be carried out to influence the nature of future developments. Local communities will also have the opportunity to comment on any proposed developments as part of the planning process.
- 8.2.5 **Integration** - The strategy looks to integrate property and environmental improvements that will benefit and transform lives and communities throughout the county borough. It further brings together a variety of stakeholders to deliver long term sustainable benefits for lives and communities including Social Services & Health.
- 8.2.6 Housing Services and our outlined priorities, contributes to a minimum of 6 out of the 7 well-being goals within the *Well-being of Future Generations Act (Wales) 2015*, including:-
- A prosperous Wales
 - A resilient Wales
 - A healthier Wales
 - A more equal Wales
 - A Wales of cohesive communities
 - A globally responsible Wales

9. EQUALITIES IMPLICATIONS

- 9.1 A screening form has been completed which has suggested that a full EqIA will need to be undertaken for each of the individual programmes and developments. A full EqIA will also be developed to underpin the Caerphilly Homes Development Strategy.
- 9.2 Equalities monitoring data is collected on the Common Housing Register application form and is regularly reviewed and analysed. Our assessment of housing need considers need by protected characteristic including age, disability, the gypsy and traveller community and carers under the Equality Act 2010.

10. FINANCIAL IMPLICATIONS

- 10.1 Achieving the WHQS programme has been the Caerphilly Homes priority over the need to directly increase housing supply. However, as we near the final stages of completing the programme, we can now investigate options to increase our stock and its financial impact.
- 10.2 The recent approval of AHG to part fund the buy back of 5 properties has been included in the business plan and does not require further borrowing to implement. The funding (£562k) will be taken from the HRA capital receipts reserve where we have retained 25% of our Right to Buy (RTB) sales. The AHG funding of £17k per annum over the next 29 years will in theory replenish 58% of the £562k capital used. Since the abolition of RTB's in January, there is no further opportunity to gain additional income in this way. The reserve is £4.7m, so would only be suitable to fund smaller projects.
- 10.3 To fund the larger type projects mentioned in this report would require borrowing in addition to the borrowing needed to complete the WHQS programme. The WHQS programme is currently projecting a borrowing requirement of £45m. This is mainly as a result of the change of the internal deadline from March 2020 to June 2020, where the programme has been extended into another financial year. Council originally approved £61m in October 2011 and although the projections are currently showing some headroom, it would be prudent to extend this approved limit to ensure there is adequate borrowing opportunity to commence our commitment to increase housing supply therefore approval would need to be sought to increase the level of borrowing to allow proposals within the report to proceed.
- 10.4 Scenarios have been tested against the latest plan and show that increased borrowing remains affordable. Since the removal of the HRA borrowing cap restriction, the affordability indicator is the test to ensure prudential borrowing. This is however based on all assumptions in the business plan remaining stable such as rent increases, interest rates and cost rises.
- 10.5 On the assumption that the WHQS borrowing remains at £45m by the end of the programme and therefore remains within its approved level of £61m, it will be necessary to seek approval for any remainder to be utilised to fund an affordable housing development programme along with approval for further borrowing up to £75m in total to fund the projects identified at this stage.
- 10.6 Increased borrowing to £75m would include funding towards achieving the WHQS programme up to £61m and a further £14m (plus any unused borrowing from WHQS) to be allocated for the draft development programme.

- 10.7 Further financial testing can be confirmed once projects have been approved and clearer costs identified, but the £14m plus any unused allocation should be adequate for the current draft proposal assuming the level of assumptions within the current business plan remain consistent, and the costs within the draft development programme do not deviate significantly. If there is any available resource within the HRA then this could also be allocated towards affordable housing before the final borrowing commitment is undertaken (as is currently the practise with the WHQS programme).
- 10.8 Further development programmes would require additional borrowing and would be subject to a further report as and when identified.
- 10.9 The borrowing rates from the Public Works Loan Board (PWLB) (The Councils lender) had fallen significantly over the past few years but recently the PWLB have increased their rates by 1% for all new loans. This appears to be as a deterrent for LA's to borrow for commercial enterprises which the Treasury sees as a high risk. However, this rate is still competitive although is likely to increase the costs previously estimated and there is uncertainty about future increases.

11. PERSONNEL IMPLICATIONS

- 11.1 A minor restructure has already been initiated within Caerphilly Homes to create a dedicated resource to focus on opportunities for increasing Council house supply and the establishment of a development strategy. It is clear however that if the proposals within this report are to be progressed, additional resources will be required to support the delivery of new affordable homes by Caerphilly Homes.
- 11.2 Additional resource requirements are outlined in 5.32 and 5.33.

12. CONSULTATIONS

- 12.1 Consultation responses have been reflected in this report.

13. STATUTORY POWER

- 13.1 Local Government Act 1972 and the Housing Wales Act 2014

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Appendices:

Appendix 1	Supplementary Planning Guidance
Appendix 2	Draft Affordable Housing Programme

Appendix 1

Fixed Values for the transfer of units from a developer to the LA or an RSL

Discounted Fixed Values for Social Rented Units (Updated September 2018)

Unit Type	Type	Values
1 Bed *1 Person	Flat	£43,028
1 Bed *2 Person	Flat	£39,105
2 Bed 3 Person	Flat	£53,593
2 Bed *3 Person	House	£65,373
2 Bed *4 Person	House	£65,356
3 Bed *4 Person	House	£69,249
3 Bed *5 Person	House	£69,250
4 Bed *6 Person	House	£81,561
4 Bed *7 Person	House	£81,562
2 Bed *3 Person	Bungalow	£70,570

The table above identifies the values at which affordable housing should be transferred from a developer to either the LA or an RSL. These figures have been generated by capitalising the rental income i.e. the amount of borrowing that the net rent to the RSL or LA will support.

As these values are derived from the Table and Guidelines rents, which apply throughout the County Borough, there is no differentiation in values across the housing market viability areas and therefore these values should be used for all geographical locations.

Maximum Values for Intermediate Housing

The maximum prices that intermediate housing (for either intermediate rent or LCHO) have been derived from the latest Hometrack information (September 2018) on intermediate rents. This reflects Welsh Government's Rent First model which indicates intermediate rent levels were 80% of market rent. The income is calculated by annualising the weekly cost and multiplying it by 4 (using a quarter of gross income as the indicator of what is affordable). The affordable cost of the property is then derived by assuming a mortgage based upon a 3.5 times multiplier. This reflects the guidance in the LHMA Guide (2006).

These values are provided on an area-specific basis, equating to the viability areas defined.

Sub-market and property size	Weekly cost of intermediate housing	Implied price of intermediate housing
Caerphilly Basin		
1 bed	£82	£59,696
2 bed	£103	£75,105
3 bed	£117	£85,176
4 bed	£146	£105,997
Northern Connections Corridor		
1 bed	£80	£57,876
2 bed	£93	£67,903
3 bed	£102	£74,317
4 bed	£149	£108,229

Lower Islwyn and Aber Valley		
1 bed	£69	£49,941
2 bed	£89	£64,792
3 bed	£101	£73,649
4 bed	£149	£106,288
Heads of the Valleys Regeneration Area		
1 bed	£75	£54,782
2 bed	£77	£55,874
3 bed	£89	£64,468
4 bed	£115	£83,808

Appendix 2

Draft Affordable Housing Programme

Action/Site	Developer	Estimated Cost	Arrangement	Units (no. of new affordable homes)
Short Term (2019/20-2020/21)				
Purchase of Buy Back Properties and refurbishment costs – Tranche 1.	CCBC	£562,512 Overall cost (AHG @ 58% = £326,257)	Buy Back	5
Tranche 2 property acquisitions	CCBC	£712,196 overall cost (AHG @ 58% = £413,073)	Buy Back	5
Tranche 3 property acquisitions	CCBC	£500,000 overall cost (AHG @ 58% = £290,000)	Buy Back	4
Development of Bedwelty School Site (Llanmoor Homes)	CCBC	£500,000 for 8 properties in total	Section 106	8 (6 for social rent & 2 LCHO)
Development of Trecenydd and Bedwas	CCBC	Overall costs for both £2m. IHP funding to be sought if available	New Development (ND)	16
Hafod y Bryn, Risca	CCBC	£52,000	Conversion	1
Tredegar Court, Crosskeys	CCBC	£86,000	Conversion	2
Bereavement services properties	CCBC	£200,000		2
Cwrt Pen Capel, Caerphilly	Linc	£4.25m		38
Former Police Station, Caerphilly	Linc	£3m		34
Land at Newport Road, Pontymister	Linc	£1.4m		18
Hawtin Meadows, Pontllanfraith	Pobl	£2.93m		47
Chartist Gardens Village, Pontllanfraith	Pobl	£4.4m		83
Former Red Lion Public House, Blackwood	Pobl	£1.1m		17
Ton y Felin, Croespenmaen	Pobl	£1.9m		35
Coronation Road, Blackwood	Pobl	£660,000		7
Ty Mawr, Croespenmaen	Pobl	£3.6m	N/A	31
St Mary's Church, Pontllanfraith	Pobl	£713,000	N/A	7
Sir Ivors Road, Pontllanfraith	Pobl	£1.6m		20
Former Concrete Works, Deri	UWHA	£520,000		9
Former Cwm Ifor Primary School, Caerphilly	UWHA	£2.5m		19
Former De Winton Public House, Llanbradach	UWHA	£1.42m		14
Former Llanbradach Church Site, Llanbradach	UWHA	£800,000		10
Wingfield Crescent, Llanbradach	UWHA	£2.63m		30
Former Colliery Site, Penallta Road	UWHA	£4m		48
Former Ambulance Station, Nelson	UWHA	£450,000		5
Development of Nelson site	CCBC/ UWHA	£500,000 overall cost (AHG @ 58% applied for = £290,000, hence cost to Council £210,000.	Partnership	4

Medium Term (2021/22-2023/24)				
Development of Ty Darren (positive ageing accommodation including energy efficiency measures and new technology)	Caerphilly Homes	£5.5m overall (estimated)	WPA	40 (potential)
Coronation Road, Blackwood	Pobl	£655,000	N/A	7

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SPECIAL COUNCIL – 20TH FEBRUARY 2020

SUBJECT: TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2020/2021

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

-
- 1.1 The attached report which detailed the Council's Annual Strategy for Treasury Management, Capital Finance Prudential Indicators and the Minimum Revenue Provision Policy for 2020/2021, was considered by the Policy and Resources Scrutiny Committee on 14th January 2020. Members were asked to consider and comment on the report contents ahead of its presentation to the special meeting of Council on 20th February 2020.
 - 1.2 In accordance with legislative requirements, Welsh Government guidance and Codes of Practice, the Council is required to approve a Treasury Management Strategy on an annual basis, to set out its borrowing and investment strategies for the forthcoming year. The Council is also obliged to approve and publish a number of indicators relevant to Capital Finance and Treasury Management and to prepare an Annual Minimum Revenue Provision Policy Statement.
 - 1.3 The scrutiny committee sought clarification with regard to the requirement to borrow £32.3m for the General Fund to support the 2020/21 capital programme and £52.0m for the HRA WHQS and Affordable Homes programme. It was confirmed that a recommendation for approval to borrow must be included in the report to Council to ensure that the Treasury Manager has the authority to arrange external loans when it is appropriate to do so. Wherever possible the Council maximises internal borrowing in lieu of loans by using cash balances on a short-term basis as this is cheaper than raising external debt. However, internal cash balances will need to be replenished in the future so the approval to borrow must be obtained to allow loans to be entered into when required.
 - 1.4 Members sought assurance with regard to the interest rate forecasts set out in Appendix 2 of the report and asked what is taken into account and the level of accuracy. Members were advised that factors such as the current economic climate, GDP and the Base Rate were considered. Members were also reminded that there is also further opportunity to receive more information in respect of Treasury Management at the Members' Treasury Management Seminars which are arranged annually. It was suggested that Arlingclose Ltd, the Council's Treasury Management Advisers, should be asked to attend the next Seminar planned for May 2020.
 - 1.5 The scrutiny committee asked for clarification with regard to the recommendation to invest a minimum of £20m into long-term Strategic Pool Funds as detailed in Appendix 9 of the report, with the aim of generating additional investment income of £718k. Members were advised that this proposal reflects previous requests of the Scrutiny Committee to improve investment returns wherever possible.

- 1.6 Subsequent to the meeting of Policy and Resources Scrutiny Committee Council is asked to note that an amendment is required to the first table in Appendix 6 of the attached report. This is due to the proposed increase in the Council Tax for 2020/21 now being reduced to 4.70%. The figures that have been amended are highlighted in the table below: -

Appendix 6 - Prudential Indicators - Capital Finance

Ratio of Financing costs to net revenue stream	Budget 2020-21	Budget 2021-22	Budget 2022-23
General Fund	£000	£000	£000
Principal repayments	2,548	2,956	3,080
Interest costs	8,829	9,080	8,969
Debt Management costs	49	42	41
Rescheduling discount			
Investment income	(1,518)	(1,443)	(1,368)
Interest applied to internal balances	813	812	825
Total General Fund	10,720	11,447	11,548
Net revenue stream	355,081	358,322	361,710
Total as percentage of net revenue stream	3.02%	3.19%	3.19%
Housing Revenue Account			
Principal repayments	2,481	2,971	3,412
Interest costs	6,301	6,942	7,121
Rescheduling discount			
Debt Management costs	33	34	37
Total HRA	8,815	9,948	10,570
Net revenue stream	50,515	51,537	52,568
Total as percentage of net revenue stream	17.45%	19.30%	20.11%

- 1.7 Following consideration and discussion the Policy and Resources Scrutiny Committee by the majority present and in noting that there were two abstentions supported the recommendations as set out in paragraphs 3.1 to 3.10 of the report
- 1.8 Council is asked to consider the recommendations subject to the amendments to Appendix 6 as set out in paragraph 1.6 of this covering report.

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Appendices:
Appendix Report to Policy and Resources Scrutiny Committee 14th January 2020 – Agenda Item 9



POLICY AND RESOURCES SCRUTINY COMMITTEE – 14TH JANUARY 2020

SUBJECT: TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2020/2021

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To submit for consideration prior to its presentation to Council the Authority's Annual Strategy for Treasury Management.
- 1.2 To submit for consideration prior to its presentation to Council a dataset of Prudential Indicators relevant to Treasury Management and Capital Finance. The report also cross-references to the report by the Corporate Director of Education and Corporate Services on Revenue and Capital Budgets ["the budget report"] also considered in this meeting.
- 1.3 To submit for consideration prior to its presentation to Council the Minimum Revenue Provision (MRP) policy to be adopted by the Authority for 2020/2021.
- 1.4 Appendix 7 is based on an indicative capital programme.

2. SUMMARY

- 2.1 The revised (2017) "Code of Practice for Treasury Management in the Public Services" provides that an Annual Strategy be submitted to Members on or before the start of a financial year to outline the activities planned within the parameters of the Treasury Management Policy Statement and the Treasury Management Practices.
- 2.2 The Local Government Act 2003 (the '2003 Act') also requires the Authority to set out its Treasury Management Strategy for borrowing for the forthcoming year and to prepare an Annual Investment Strategy, which sets out the policies for managing its investments, giving priority to the security and liquidity of those investments.
- 2.3 Under Section 15 of the '2003 Act', the Welsh Government (WG) issued guidance on local government investments which is incorporated within the report. Definitions of Local Government investments are given in **Appendix 1**.
- 2.4 Under the provisions of the Local Government Act 2003, The Local Authorities (Capital

Finance and Accounting) (Wales) Regulations 2003 and subsequent amendments [The Capital Regulations], and the CIPFA's "The Prudential Code for Capital Finance in Local Authorities" [the Code], the Authority is obliged to approve and publish a number of indicators relevant to Capital Finance and Treasury Management.

- 2.5 With effect from 1st April 2008, WG introduced the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 [the "Amendment Regulations"] which requires the Authority to prepare an Annual Minimum Revenue Provision Policy Statement. This report sets out what the Authority needs to do in order to comply with this requirement.

3. RECOMMENDATIONS

- 3.1 That the Annual Strategy for Treasury Management 2020/21 be considered and noted by the Policy and Resources Scrutiny Committee prior to Council approval.
- 3.2 That the strategy be reviewed quarterly within the Treasury Management monitoring reports presented to Policy & Resources Scrutiny Committee and any changes recommended be referred to Cabinet, in the first instance, and to Council for a decision. The Authority will also prepare a half-yearly report on Treasury Management activities.
- 3.3 That the Prudential Indicators for Treasury Management be considered for approval as per Appendix 5.
- 3.4 That the Prudential Indicators for Capital Financing be considered for approval as per Appendices 6 & 7 based on the indicative capital programme.
- 3.5 That Members adopt the MRP policy as set out in Appendix 8.
- 3.6 The continuation of the 2019/20 investment strategy and the lending to financial institutions and Corporates in accordance with the minimum credit rating criteria disclosed within this report.
- 3.7 That the Authority borrows £32.3m for the General Fund to support the 2020/21 capital programme and £52.0m for the HRA WHQS and Affordable Homes programme.
- 3.8 That the Authority continues to adopt the investment grade scale as a minimum credit rating criteria as a means to assess the credit worthiness of suitable counterparties when placing investments.
- 3.9 That the Authority adopts the monetary and investment duration limits as set in Appendix 3 of the report.
- 3.10 That the Authority invests a minimum of £20m into long-term Strategic Pool Funds as set in Appendix 9 of the report, with the aim of generating additional investment income of £718k.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The Annual Strategy report is a requirement of the CIPFA "Code of Practice for Treasury Management in the Public Services".

- 4.2 The Investment Strategy is a requirement of the Local Government Act 2003.
- 4.3 To comply with the legislative framework and requirements as indicated in paragraphs 2.1 to 2.5.

5. THE TREASURY MANAGEMENT REPORT

5.1 Interest Rate Prospects- Short-term

- 5.1.1 The Authority uses Arlingclose Limited as its Treasury Management Adviser and part of their service is to assist the Authority to formulate a view on interest rates.
- 5.1.2 The Monetary Policy Committee [MPC] increased Bank Rate in August 2018 to 0.75% and has remained unchanged since. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. The downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal. If rates were to increase in the future then increases are likely to be gradual.
- 5.1.3 The major external influence on the Authority's treasury management strategy for 2020/21 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased. Whilst a technical recession has been avoided in 2019, economic growth is forecasted to remain sluggish throughout 2020/21, with falling household and business confidence.
- 5.1.4 Consumer price inflation reached 1.5% in November 2019. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices and impacting further on energy prices.
- 5.1.5 Growth in Europe remains soft, driven by a weakening German economy which is expected to slip into a technical recession. The European Central Bank is expected to maintain the Eurozone interest rate at zero percent as well as maintaining its quantitative easing programme. In the US, the Federal Reserve began easing monetary policy in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Federal Reserve cut interest rates, and financial markets expect further loosening of monetary policy in 2020.
- 5.1.6 Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets. This will have an impact on the Council's Treasury returns. If interest rates fall then the Council's investment income will reduce.
- 5.1.7 The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.75% for the foreseeable future until the end of 2022 although the risks are weighted in favour of a rate cut. The risks are driven by political uncertainty; the need for greater clarity on Brexit; and the continuing global economic slowdown. The Bank of England's MPC have agreed that any future increase would be limited and gradual.

5.2 Interest Rate Prospects- Long-term

- 5.2.1 Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy. Gilt yields are expected to remain at relatively low levels for the foreseeable future, with risks to be broadly balanced.
- 5.2.2 Arlingclose interest rate forecasts are shown in **Appendix 2**.

5.3 External Debt - Capital Borrowings and Borrowing Portfolio Strategy

- 5.3.1 The Authority's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 5.3.2 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 5.3.3 The difference between current long-term borrowing rates and short-term investment rates has resulted in a "cost of carry" scenario, indicating that it is more advantageous to use internal funding in lieu of borrowing. The cost of carry is likely to remain an issue until the Bank Rate and short term market rates increase in the future. The Authority, having adopted the policy of internal borrowing from the latter half of 2008/09, has an internal borrowing position of £56m (as at 31st March 2019) from which capital expenditure has been funded. Unless the policy is prudent, the Authority will no longer adopt the policy of internal borrowing. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.
- 5.3.4 It is anticipated that the borrowing requirement of £32.3m will need to be taken up in 2020/21 for the General Fund to support the capital programme and provision has been made in the budget to fund this level of borrowing. Much of this borrowing has been deferred from previous financial years. The HRA will borrow £52.0m in 2020/21 to fund the WHQS capital programme and new affordable homes programme, though some of the HRA borrowing may be deferred to future years subject to the Business Plan revisions.
- 5.3.5 Therefore the total 2020/21 borrowing requirement will be £84.4m comprising of:
- 2020/21 supported borrowing approvals - £4.9m
 - 2019/20 supported borrowing approvals - £4.9m
 - 2018/19 supported borrowing approvals - £4.9m
 - 2017/18 supported borrowing approvals - £5.0m
 - 2016/17 supported borrowing approvals - £5.0m
 - 21st Century Schools LGBI- £4.2m
 - 21st Century Schools prudential borrowing (Band A)- £3.4m

- HRA WHQS- £22.0m
- HRA Affordable Housing - £30.0m

The LGBI borrowing is funded by WG contributions to support the 21st Century Schools Band A capital programme. The borrowing approvals relate to previous financial years whereby the borrowing had been deferred and subsequently these are now being rolled forward until the Authority raises such loans. Capital expenditure in the relevant financial year that would have been funded by the borrowing approvals was subsequently funded from internal borrowing. Retrospectively borrowing these approvals will replenish the internal borrowing.

5.3.6 Whilst PWLB interest rates have been included in Appendix 2, it is possible that loans may be taken from other sources if interest rates are more advantageous. It is suggested that the target rate for new borrowing be set at 4.50% for a 25 year period loan. However, other periods will be considered if the rates are favourable.

5.3.7 Current PWLB forecasts suggest interest rates will remain volatile during 2020/21 and will be influenced by geopolitical tensions; global economic prospects and the outcome of the Brexit negotiations. The use of internal borrowing to fund the 2020/21 capital programme or the decision to defer borrowing as set out in paragraph 5.3.4 could expose the Authority to rising interest rates thus making it expensive to borrow at a later date. A budget to cover the cost of raising £32.3m new debt finance will remain in place irrespective of the decision to borrow internally or externally.

5.3.8 Any short-term funding would need to be in line with the 'Upper Limit for Variable Rates' as defined in the prudential indicators in **Appendix 5** (30% of Net Debt Outstanding) within the CIPFA "Prudential Code for Capital Expenditure in Local Government".

5.3.9 Officers, in conjunction with the Treasury Management Adviser, will continue to monitor both the prevailing rates and the market forecasts, responding to changes when necessary. The following borrowing sources will be considered by the Authority to fund short-term and long-term borrowing (and in no particular order):

- Internal reserves
- Public Works Loan Board (PWLB)
- Local Authorities
- European Investment Bank (NB the EIB will only lend up to 50% towards the funding of a specific project and needs to meet the EIB's specific criteria. The project cost must also be at least €10m)
- Leasing
- Capital market bond investors
- Other commercial and not for profit sources
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues
- Any counterparty approved for investments

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

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

5.3.11 The Authority may borrow short-term loans (up to twelve months) to cover unexpected cashflow shortages.

5.3.12 The Authority may arrange forward starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period as well as mitigate against the risk of rising borrowing interest rates.

5.3.13 **Municipal Bond Agency:** The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

5.4 Authorised Limit for External Debt (The Authorised Limit)

5.4.1 As a consequence of 5.3.1 to 5.3.13 above, the Authorised Limit will be the upper limit of the Authority's borrowing, based on a realistic assessment of risks. It will be established at a level that will allow the Authority to borrow sums, in excess of those needed for normal capital expenditure purposes in the event that an exceptional situation arises and would allow for take-up of supported borrowing. It is not a limit that the Authority would expect to borrow up to on a regular basis.

5.4.2 The limit will include borrowing and other long-term liabilities such as leases, private finance schemes and deferred purchase schemes.

5.5 The Operational Boundary

5.5.1 This is based on the maximum level of external debt anticipated to be outstanding at any time in each year. It will be consistent with the assumptions made in calculating the borrowing requirements of the capital programme, but will also include an estimate of any borrowing for short term purposes, such as temporary shortfalls in incomes or to support active treasury management which would seek to take advantage of beneficial interest rate movements. It also allows for other long-term liabilities such as leases, private finance schemes and deferred purchase schemes.

5.5.2 The Operational Boundary should be set at a level which allows some flexibility but should be sufficiently below the Authorised Limit so that any breach of the operational boundary provides an early warning indicator of a potential breach of the Authorised Limit, allowing corrective action to be taken.

5.6 Interest Rate Exposure

- 5.6.1 The Authority's borrowing policy makes use of both fixed and variable rate opportunities. Whilst fixed-rate borrowing and investment provides certainty with regard to future interest rate fluctuations, the flexibility gained by the use of variable interest rate instruments can aid performance. It allows the Treasury Manager to respond more quickly to changes in the market and to short term fluctuations in cash flow without incurring the penalties that would result from the recall of fixed rate investments.

5.7 Maturity Structure of Borrowing

- 5.7.1 Whilst the periods of loans are dictated by the interest rates prevalent at the time, it is important to be mindful of the maturity profile of outstanding debt. Large 'peaks' are to be avoided, as it is possible for substantial loans to reach maturity at times when prevailing interest rates are high, and conversely, when interest rates are low, windows of opportunity may be lost.
- 5.7.2 As a result, it is necessary to determine both an upper and lower limit for borrowings which will mature in any one year.
- 5.7.3 Over the course of the medium term financial plan and future years, a number of high interest rate PWLB loans will mature resulting in a saving to the Authority as the interest rate on replacement loans are likely to be lower in comparison.
- 5.7.4 Historically, the Authority has favoured PWLB loans with a twenty five year loan maturity profile, but in the current climate of low interest rates (including Bank Rate); the Authority will also consider shorter dated loans (including local authority borrowing) to fund capital expenditure. Periods in excess of 25 years should also be considered in the event interest rates become advantageous.
- 5.7.5 The Authority has £30m of LOBO loans (Lender's Option Borrower's option) of which £20m of these can be "called" within 2020/21. A LOBO is called at its contract review date when the Lender is able to amend the interest rate on the loan at which point the Borrower can accept the new terms or reject and repay the loan. Any LOBOs called will be discussed with the Treasury Management Adviser prior to acceptance of any revised terms. Depending on the advice received, the Authority will consider, in the event of a repayment, the use of its cash investments balances or raising new debt to repay the loan.

5.8 Gross Debt and the Capital Financing Requirement

- 5.8.1 A further requirement of the revised Prudential Code is to ensure that over the medium term debt will only be for a capital purpose, the Authority will ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

5.9 Debt Rescheduling

- 5.9.1 Due to the difference in the rates, it is unlikely that there will be many viable opportunities to reschedule loans (General Fund and the HRA) in the foreseeable future. However, should any such opportunities arise; any decision on debt rescheduling will be supported by the

appropriate report detailing the options and potential savings from the Authority's Treasury Management Adviser.

5.10 Policy on Borrowing In advance of Need

5.10.1 Whilst the Authority is able to borrow in advance of need, it is a requirement of the Code that any instance of pre-funding must be supported by a clear business case setting out the reasons for such activity. The Authority will prepare a business case whenever there is need to borrow in advance of need.

5.11 Annual Investment Strategy

5.11.1 The CIPFA Code and the Welsh Government Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.11.2 **Current strategy (2019/20)** - At present the Authority lends to financial institutions, corporates and the UK Government using a range of financial instruments to diversify risk. These include unsecured corporate bonds; covered bonds (secured); fixed term deposits; certificate of deposits (CDs); T-Bills; the DMADF (DMO) money market funds and call accounts.

5.11.3 **The 2020/21 Investment Strategy** will continue with the lending approach as set out in the 2019/20 Strategy. Considerations will be given to pooled investments (property funds; equity funds; multi-asset funds) and non-treasury investments for the purpose of enhancing returns. Pooled funds will be held for minimum of five years to offset any premature exit costs. A lesser period would be considered only if it is cost neutral to the Authority. Appendix 9 discusses pool funds in more detail.

5.11.4 This Strategy (2020/21), in line with the Welsh Government guidance, sets out the Authority's policies for (and in order of priority) the security, liquidity and yield of its investments. It will have regard to credit ratings and determine the periods for which funds may be prudently invested, whilst aiming to achieve, or better a target rate for investments of **0.50% (the DMO rate)**. Creditworthiness approach, investment periods and the rationale for the target rate are explained in **Appendix 3**. The Authority's objective when investing cash is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.11.5 The strategy sets out which investments the Authority may use for the prudent management of its balances during the financial year within the areas of 'specified' and 'non-specified' investments, and provides the appropriate authorisation for the in-house investment team to manage such investments. These are listed in **Appendix 4**.

5.11.6 The Authority will continue to diversify into more secure and/or higher yielding asset classes during 2020/21 in order to mitigate the risk stemming from regulations associated with Bank Bail-In; political uncertainty; and the risk of zero or negative Bank Rate. Short-term cash that is required for liquidity management will be deposited with local authorities (secured), Government securities (secured), money market funds (unsecured) and bank and building society investments (unsecured). Up to £60m will be made available for long-term investments.

- 5.11.7 In view of the ongoing volatility in the economy, and bank bail in risk, it is recommended that investments (both new and maturing) be placed with the most secure institutions as well as the most secure instruments (subject to liquidity requirements) as detailed in **Appendix 3**. Currently this would be AAA rated covered bonds, the Government (Debt Management Account Facility and Treasury Bills and Gilts), other Local Authorities and Public Bodies, such as Police and Fire Authorities, Repos, Registered Landlords, AAA Money Market Funds, and highly credit rated banks (subject to the creditworthiness limits referred to in the appendix 3). In light of Statutory and regulatory changes adopted by the Bank of England and Regulators with respect to Bail-In, it is recommended that the Authority moves away from unsecured lending (where possible and subject to liquidity requirements) to secured investments.
- 5.11.8 With respect to Repo agreements, Repo/Reverse Repo is accepted as a form of securitised lending and should be based on the GMRA 2000 (Global Master Repo Agreement). Should the counterparty not meet our senior unsecured rating then a 102% collateralisation would be required. The acceptable collateral can be anyone or combination of the following securities:
- Index linked Gilts
 - Conventional Gilts
 - UK Treasury bills
 - DBV (Delivery By Value)
 - Corporate bonds
- 5.11.9 The Welsh Government maintains that the borrowing of monies for the purposes of investing or on-lending to benefit from differences in interest rates is unlawful. This Authority will not engage in such activity.
- 5.11.10 Under the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2004 regulation 12(b), the acquisition of share or loan capital in any corporate body would not be defined as capital expenditure as long as it is an investment for the purposes of the prudent management of the Authority's financial affairs. Due to the high risk of capital loss involved with such instruments, this Authority will not engage in such activity.
- 5.11.11 A loan or grant to another body for capital expenditure by that body is also deemed by the 2003 Regulations to be capital expenditure by the Authority. This Authority will only engage in such activity with the approval of Council.
- 5.11.12 In the event that any existing investment appears to be at risk of loss, the Authority will make proper revenue provision of an appropriate amount in accordance with the relevant Accounting Regulations.
- 5.11.13 At the end of the financial year, the Authority will prepare a report on its investment activity as part of its Annual Treasury Management Strategy Report. This report will be supported throughout the year by quarterly monitoring reports to the Policy & Resources Scrutiny Committee (the responsible body for scrutiny of Treasury Management activities as required by the Code), which will include a review of the current strategy. A report to Council will also be prepared on a half-yearly basis.
- 5.11.14 It is a fundamental requirement of the Code that officers engaged in Treasury Management follow all Treasury Management policies and procedures and all activities must comply with the Annual Strategy.

5.11.15 The Welsh Government has reservations with regard to borrowing in advance of need on the grounds that more money than is strictly necessary is likely to be put at risk in the investment market. As a result Officers must report any investment made as a result of borrowing in advance and must set out the maximum period for which the funds can be prudently committed. In the event that this Authority decides to take up such borrowing, it is suggested that any deposit made with these funds be limited to a maturity period of up to twelve months and pro-rata to coincide with the profiling of capital expenditure.

6. Policy on Use of Financial Derivatives

6.1 The Localism Act 2011 includes a general power of competence that removes the uncertain legal position over English local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). Although this change does not apply to Wales, the latest CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the Annual Treasury Management Strategy.

6.2 In the absence of any legislative power, the Authority's policy is not to enter into standalone financial derivatives transactions such as swaps, forwards, futures and options. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall risk management strategy.

7. Non-Treasury Investments

7.1 Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes. Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

8. Treasury Management Adviser

8.1 The Authority has appointed Arlingclose Limited as its external Treasury Management Adviser and receives a number of services including specific advice on investment, debt and capital finance issues; counterparty advice; economic forecasts and commentary; workshops, training and seminar events; and technical advice (including accountancy).

9. Treasury Management Training

9.1 The revised CIPFA Code, adopted by the Authority in January 2012, requires that Local Authorities must ensure that all staff and those Members with responsibility for Treasury Management receive the appropriate training. To this end the following will be observed:

- The contract for Treasury Consultancy Services includes requirements for Member and Officer training to be provided during any year.
- Officers will attend any courses/seminars that are appropriate especially where new regulations are to be discussed.
- Officers will update Members during the financial year by way of seminars/workshops/reports.
- Officers will utilise on line access to the CIPFA Treasury Forum and the CIPFA Technical

Information Service.

- Relevant staff is encouraged to study professional qualifications from CIPFA; the Association of Corporate Treasurers; and other relevant organisations.

9.2 Officers will look to schedule Member training for autumn 2019. Further training will be undertaken as and when required.

10. PRUDENTIAL INDICATORS

10.1 Capital Financing Requirement

10.1.1 The Capital Financing Requirement (CFR) measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the authority does not associate borrowing with particular items or types of expenditure. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years.

10.1.2 The capital financing requirement is below the authorised borrowing limits in order to allow scope for short-term cash flow borrowing and provision for unforeseen contingencies.

10.1.3 The estimated values of Capital Financing Requirement for the period under review are shown in **Appendix 6** attached.

10.2 Prudential Indicators – “Prudence”

10.2.1 The proposed Prudential Indicators for Treasury Management Strategy are detailed in **Appendix 5**.

10.3 Prudential Indicators – “Affordability” [Appendices 6 and 7]

10.3.1 There is a requirement to analyse and report the capital financing costs, and express those costs as a percentage of the net revenue streams of the Authority.

10.3.3 The General Fund future revenue streams are based upon the content of “the Budget Report”.

10.3.4 Future revenue streams for Housing Revenue Account (H.R.A.) have been projected on the basis of 3% inflation (1.5% inflation and 1.5% growth) applied to the rental income (using 2019/20 as a base), less an adjustment for estimated reduction in housing stock as a result of the “Right to Buy” sales.

10.4 Capital Expenditure and Funding

10.4.1 The summary Capital Expenditure and funding, as shown in **Appendix 7** of this report has been considered in “the Budget Report”. The capital expenditure and funding detailed in Appendix 7 is subject to further change in the final report that will be presented to Full Council in light of General Fund working balances being made available to support the core capital programme.

10.4.2 The Revenue Support Grant (RSG) provided by the Welsh Government (WG) includes an element to off-set the costs of borrowing funds for capital purposes. WG has announced supported borrowings of £4.87m in respect of the 2020/21 financial year, together with General Capital Grant funding of £4.88m.

10.4.3 For calculation purposes, it has been assumed that the supporting borrowing element of funding support will remain static for 2021/22 and for 2022/23, whilst the capital grant has been revised down to 2018/19 level. HRA provisional values for the years 2020-2023 are based on the 2020/21 allocation of the Major Repairs Allowance of £7.35m and assumed to continue at this level for future years.

11. Minimum Revenue Provision (MRP)

11.1 In accordance with the Amendment Regulations, rather than applying a defined formula, the Authority is now only required to apply a charge that is 'prudent'. A "prudent" period of time for debt repayment is defined as one which reflects the period over which the associated capital expenditure provides benefits.

11.2 The Amendment Regulations also introduced an additional reporting requirement. Authorities are now required to submit to full Council, for approval, an Annual MRP Statement, setting out the policy to be adopted for the year following.

11.3 The Authority will continue to apply the revised MRP policy that was agreed by Members on 24th January 2017. MRP on supported borrowings will be charged at 2% over 50 years. MRP on unsupported borrowings will be charged at the PWLB annuity loan rate equivalent to the life of the asset. The MRP policy is detailed in **Appendix 8**.

12. Other Local Issues

12.1 The Authority's Banker

12.1.1 The Authority will ensure that its day-to-day banking activity is undertaken with an investment grade bank. If the Authority's Bank is downgraded during the contract period (as specified under the Banking Services Contract) to non-investment grade, reasonable measures will need to be undertaken to mitigate the risk associated with further downgrades, and the risk of losing funds if the Bank was to default.

12.1.2 Reasonable measures will need to include (and not limited to) keeping balances to a minimum; hourly review of bank balances for the Group Accounts and subsequently transferring surplus balances to a Call Account; re-routing material income (maturing investments, grants) to a bank account held outside of the existing bank arrangement; and consideration of contingency banking arrangements with another bank should the risk be severe to the Authority's operational requirements. Cabinet will be kept informed if such risks arise.

12.2 Policy on Apportioning Interest to the HRA

12.2.1 On 1st April 2015 the HRA exited the subsidy mechanism by way of the HRA buyout process.

As a result, the Authority will operate a single consolidated pool of debt that will hold all debt (new and old loans), and annually recharge the HRA the interest payable on all loans using the average rate of interest as a recharge rate.

12.3 Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

12.4 IFRS 9 Classification

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

13. ASSUMPTIONS

13.1 The details set out in the report are based on interest rate forecasts provided by the Authority's Treasury Management Adviser.

13.2 It is currently assumed that investment cash balances remain at £100m throughout 2020/21 in order to deliver the investment returns stated within this report.

13.3 It has been assumed that the Authority will fund a proportion of its capital programme through supported borrowing.

13.4 It has been assumed that the HRA's borrowing needs are based on the current Business Plan at the time of writing this report.

14. LINKS TO STRATEGY

14.1 The report has links to the strategic themes of the Authority, taking into account cross-cutting issues where relevant. It has specific links to the effective and efficient application and use of resources.

14.2 Prudent financial management contributes 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.

15. WELL-BEING OF FUTURE GENERATIONS

- 15.1 The establishment of treasury management strategy is a key element of effective financial management and risk management of the Authority's cash balances, investments and the timely service of debt, which assists the achievement of the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015.

16. EQUALITIES IMPLICATIONS

- 16.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

17. FINANCIAL IMPLICATIONS

- 17.1 The Treasury Management Strategy for 2020/21 as outlined in this report, if approved by Members, is likely to generate estimated interest of £600k on cash investments and a further £718k on pool fund investments, and this has been reflected in the budget report for 2020/21. Although the Authority has a new borrowing requirement of £32.3m in 2020/21 to fund the General Fund capital programme and replenish internal borrowing. The HRA will be borrowing up to £52.0m to fund the WHQS and Affordable Homes capital programmes.

18. PERSONNEL IMPLICATIONS

- 18.1 There are no personnel implications.

19. CONSULTATION

- 19.1 No external consultation is required for the purposes of the report. However, advice has been sought from the Authority's current Treasury Management Adviser.

20. STATUTORY POWER

- 20.1 Local Government Act 1972

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Consultees: Corporate Management Team (CMT)
Stephen Harris - Interim Head of Business Improvement Services & Deputy S151 Officer
Andrew Southcombe – Finance Manager, Corporate Finance
Robert Tranter- Head of Legal Services & monitoring Officer
Cllr E. Stenner – Cabinet Member for Finance, Performance & Planning

Appendices:

Appendix 1	Local Government Investments - Definitions
Appendix 2	Interest Rates – Forecasts/Indicative
Appendix 3	Credit Policy, Investment Ratings, Periods and Targets
Appendix 4	Investments to be used and “in house” authorisations
Appendix 5	Treasury Management Strategy Indicators
Appendix 6	Prudential Indicators – Capital Finance
Appendix 7	Capital Expenditure and Funding
Appendix 8	MRP Policy
Appendix 9	Strategic Pool Funds

Appendix 1

Local Government Treasury Management Definitions

- **Investment**

In the context of a local authority cash deposit, an investment is a monetary asset deposited with a credible institution with the objective of providing income in the future. This is a transaction which relies upon the power in section 12 of the 2003 Act and is recorded in the balance sheet under the heading of investments within current assets or long-term investments.

- **Long-term Investment**

This is any investment other than one which is contractually committed to be paid within 12 months of the date on which the investment was made.

- **Credit Rating Agency**

An independent company that provides investors with assessments of an investment's risk and the three most prominent are.

Standard and Poor's (S & P)
Moody's Investors Service Limited (Moody's)
Fitch Ratings Limited (Fitch)

- **Specified Investment**

An investment is a specified investment if it satisfies the following conditions:

1. The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
2. The investment is not a long-term investment (as defined above).
3. The investment is not considered to be capital expenditure.
4. One or both of the following conditions is both:
 - The investment is made with the UK Government or a local authority (as defined in section 23 of the 2003 Act) or local authorities in Scotland and Northern Ireland or a parish or community council.
 - The investment is made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency

5. The principal sum to be repaid at maturity is the same as the initial sum invested other than investments in the UK Government.

- **Non-specified Investments**

These are investments, which do not meet the conditions of specified investments.

Appendix 2 Interest Rate Forecasts

Bank Rate (Forecasts as at November 2019 and subject to change)

	Arlingclose (Central case)
2020/21 Q1	0.75%
Q2	0.75%
Q3	0.75%
Q4	0.75%
2021/22	0.75%
2022/23	0.75%

PWLB (Forecasts as at November 2019 and subject to change- Source Arlingclose (Upside case))

	Q1 – 2020/21	Q2 – 2020/21	Q3 – 2020/21	Q4 – 2020/21
5 Year	2.60%	2.65%	2.70%	2.75%
10 Year	2.85%	2.95%	2.95%	3.00%
25 year	3.30%	3.40%	3.40%	3.40%
50 Year	3.30%	3.40%	3.40%	3.40%

For budget setting and financial planning, the following rates have been assumed.

Budget Period	Investment Returns	Borrowing Rates (PWLB 50 Years)
2020/21	0.75%	3.50%
2021/22	0.75%	3.50%
2022/23	0.75%	4.00%
2023/24	1.00%	4.50%
2024/25	1.00%	5.00%

Appendix 3 Credit Risk Policy

Bank Bail-In

Bail-in legislation has now been fully implemented in the European Union and major economies around the World. In addition, the largest UK banks have ring-fence their retail and investment banking functions into separate legal entities during 2018 and 2019. The impact of the structural change on the banks credit rating was minimal. Bail-In proposals, an approach where retail customers of a failing bank are protected under compensation schemes (up to a threshold) and losses are covered by investor's equity capital in the first instance, followed by junior debt and then senior unsecured debt and deposits. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

A bail-in is likely, although not certain, to happen over the course of a weekend, with much of the preparatory work having been undertaken in advance as the bank continues to fail regulatory conditions. The announcement of a bail-in, including which creditors will be affected, will normally be made by the Bank of England on a Sunday evening before the Asian markets open. Apart from the affected creditors, the bank will open for business as normal on the Monday morning. Where a banking group comprises several UK bank companies, it is likely that all group banks will be bailed-in together. Separately capitalized subsidiaries in other countries might not be bailed-in; that will be a matter for the local regulator. Before a bail-in, the bank's ordinary shareholders will have their shares expropriated and they will therefore no longer be the bank's owners. Building societies, which are mutually owned by their customers, will be converted to banks before bail-in. Hybrid capital instruments that convert to equity in certain circumstances will also be converted. Creditors will then be bailed-in in this order:

- junior or subordinated bonds, in order of increasing seniority;
- senior unsecured bonds issued by the non-operating holding company (if any);
- senior unsecured bonds issued by the operating bank companies;
- **Unsecured deposits (money market funds, call accounts and fixed-term deposits with banks and building societies) and certificates of deposit (except interbank deposits of less than seven days original maturity); and**
- **Insured deposits that are larger than the FSCS £85,000 coverage limit.**

Subject to cashflow liquidity requirements, the Authority will manage bail-in risk by way of investing surplus cash in instruments that are considered to be exempt from bail-in and include (and in no particular order) the Government, Corporate bonds, Registered Providers (Housing Associations) and secured bank instruments (Repos, Covered Bonds and other collateralised instruments). These instruments are considered to have a medium to long-term investment horizon, and therefore it is likely that the Authority will hold investment instruments with financial institutions that will not be exempt from the bank bail-in process such as fixed term deposits, call accounts and money market funds. The Authority will look to limit such holdings for the purpose of managing liquidity.

Counterparty Criteria

The Authority considers, in order of priority, security, liquidity and yield when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a

sole feature in the Authority's assessment of counterparty credit risk. The intention of the strategy is to provide security of investment and minimisation of risk which will also enable diversification and thus avoidance of concentration risk.

The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. In accordance with the 2017 Treasury Management Code of Practice, the Authority will use the following key tools to assess credit risk:

- Published credit ratings of the financial institution and its sovereign rating;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

The Authority is advised by Arlingclose Limited, who provides counterparty risk management services. Credit rating lists are obtained and monitored by Arlingclose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

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

The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Due to the ongoing strengthening of bank regulations it is recommended that the Authority adopts the Investment Grade scale as the minimum credit rating criteria. This will enable greater flexibility when placing investments especially during periods of regulatory stress tests where the outcome can result in a downsized counterparty list as a result of the downgrading of credit ratings. Furthermore, the need to hold a diversified investment portfolio and the impact of bank bail-in regulations means that the Authority will need to adopt a more structured credit rating criteria matrix for specific instruments. **The table below details maximum monetary and investment duration limits.**

Maximum Monetary and Investment Duration Limits						
Credit Rating (Long-Term)	Banks Unsecured	Banks Secured	Government	Local Authorities	Corporates	Registered Providers
UK Govt	-	-	£ Unlimited 50 years	-	-	-
AAA	£20m 5 years	£20m 20 years	£20m 50 years	£20m 50 years	£10m 20 years	£10m 20 years
AA+	£10m 5 years	£20m 10 years	£20m 25 years	£10m 25 years	£10m 10 years	£10m 10 years
AA	£10m 4 years	£20m 5 years	£20m 15 years	£10m 15 years	£10m 5 years	£10m 10 years
AA-	£10m 3 years	£20m 4 years	£20m 10 years	£10m 10 years	£10m 4 years	£10m 10 years
A+	£10m 2 years	£20m 3 years	£10m 5 years	£10m 5 years	£10m 3 years	£10m 5 years
A	£10m 13 months	£20m 2 years	£10m 5 years	£10m 5 years	£10m 2 years	£10m 5 years
A-	£10m 6 months	£20m 13 months	£10m 5 years	£10m 5 years	£10m 13 months	£10m 5 years
BBB+	£10m 100 days	£10m 6 months	£10m 2 years	£10m 2 years	£10m 6 months	£10m 2 years
BBB	£5m next day only	£5m next day only	-	£5m next day only	-	£5m next day only
None Rated	£1m 6 months	-	£5m 25 years		-	£5m 5 years
REITS					£20m per fund	
Pooled funds					£20m per fund	

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

Banks Unsecured: Call accounts, term deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Authority's current account bank [Barclays Bank Plc] or the Debt Management Office. The use of Banks unsecured instruments will be limited to aid the management of cashflow liquidity. In accordance with advice from the Authority's Treasury Management adviser, International banks will also be considered.

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

Government: The Debt Management Office, Loans, bonds and bills issued or guaranteed by national governments and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Multilateral / Supranational institutions and State Agencies will also be classed as Government institutions as a number of sovereign states are key shareholders.

Local Authorities: Fixed term deposits / bills/ Bonds issued by local and regional authorities who include police and fire authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Local authorities are not rated by credit rating agencies (though a handful of authorities have obtained a credit rating), but it is assumed that local authorities have the same credit rating as the UK Government (AA). Therefore a limit of £10m and duration of 15 years will be applied.

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

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain the likelihood of receiving government support if needed. Consideration will also be given to providing liquidity facilities, such as a revolving credit facility, subject to a detailed credit assessment of the Registered Provider.

Pooled Funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. **Money Market Funds** that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts to manage short-term liquidity, while long-term strategic **pooled funds** whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly. Appendix 9 sets out the Authority's approach to investing in pool funds.

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

Investment periods

- **Short-term (up to 365 days)**

At the time of writing, all short-term investments are managed in-house as a result of day-to-day cash flow management.

For the purpose of flexibility to respond to day-to-day cash flow demands, the proposed minimum percentage of its overall investments that the Authority will hold in short-term investments is **40%**.

Members are reminded that once a deposit has been made for a fixed period it can only be withdrawn (repaid early) by mutual consent albeit at a cost and subject to the underlying terms and conditions of the contract.

- **Long-term (one year and over)**

The Authority will continue to invest in long-term investments. Excluding the UK Government, It is suggested that no more than £20m be placed with any one institution with duration as set out in the table above. The Authority will not have more than £60m deposited in long-term investments (the Upper Limit).

Target Rate

Forecasts of base rate can be quite diverse as illustrated by the table in **Appendix 2**. In view of the uncertainty inherent in such predictions, it would be imprudent to set a target rate which may be difficult to achieve. In view of the foregoing, it is proposed to set a target rate of return for short-term deposits in 2020/21 of at least **0.50%**.

This rate reflects the forecast of Bank Rate and the relationship between that rate and the rate achievable from the DMADF. If deposits are made with other counterparties as detailed in Section (a) of this Appendix, it is possible that the above rate could be exceeded.

Appendix 4 - Specified and Non-Specified Investments

Investments are categorised as “Specified” or “Non-Specified” within the investment guidance issued by the Welsh Government.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the “high credit quality” as determined by the Authority and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

The Authority’s credit ratings criterion is set out in **Appendix 3** and will be consulted when using the investments set out below. Credit ratings are monitored on a daily basis and the Treasury Management Adviser will advise the Authority on rating changes and appropriate action to be taken.

The types of investments that will be used by the Authority and whether they are specified or non-specified are listed in the table below.

	Specified	Non-Specified
Government		
Debt Management Account Deposit Facility	✓	✗
Gilts (UK Government)	✓	✓
Treasury Bills (T-Bills- UK Government)	✓	✗
Bonds issued by AAA rated Multilateral Development Banks	✓	✓
Registered Providers (Housing Associations)		
Registered Providers (Housing Associations)	✓	✓
Corporates		
Corporate Bonds (including Floating Rate Notes and Commercial Paper)	✓	✓
Local Authorities		
Term deposits with other UK local authorities	✓	✓
Local Authority Bills / Bonds	✓	✓
Banks- Secured		
Repurchase Agreements (Repos)- Banks & Building Societies	✓	✓
Covered Bonds	✓	✓
Other Collateralised arrangements	✓	✓
Banks- Unsecured		
Term deposits with banks and building societies	✓	✗
Certificates of deposit with banks and building societies	✓	✗
AAA-Rated Money Market Funds	✓	✗
Authority's Banker	✓	✗
Pooled Funds (Variable Net Asset Valuation)		
Other Money Market and Collective Investment Schemes	✗	✓
Pooled Funds (Property; Bonds; Equity; Multi-Asset)	✗	✓
Real Estate Investment Trusts	✗	✓

Authorisation for the in-house team

A. Short-term Investments

Due to the nature of the in-house team's duties, in that they need to respond to cash-flow fluctuations by dealing on the money market generally between 8.00am and 10.00am each day, it is impractical for each decision to be referred to the most senior management levels.

As a result, it is proposed that day-to-day decisions remain the responsibility of the Group Accountant (Treasury Management & Capital) who is the *de facto* Treasury Manager. In the absence of the Group Accountant (Treasury Management & Capital), the responsibility will pass to any of the appropriate line managers.

It is proposed that all Treasury Management decisions that arise from the daily cashflow will be supported by the completion of a pro-forma which will evidence compliance with the strategy.

B. Long-term Investments

It is proposed that decisions regarding long-term investments be referred to the Head of Finance & S151 Officer (as Chief Financial Officer) after consultation with the Finance Manager for Corporate Finance.

C. General Authorisations

Whilst it is generally the intention to refer all decisions regarding long-term borrowing to the Head of Corporate Finance, there are times when to do so will risk the loss of a potentially advantageous deal, due to non-availability. This is particularly relevant to the raising of PWLB loans.

The Authority's Treasury Management Adviser continually monitors the movement of interest rates and is able to predict the changes in PWLB rates. On occasions it may be necessary to respond to advice from the Adviser to take up PWLB loans (whether as part of the current years funding requirement, or as part of a rescheduling exercise) before interest rates increase and make the necessary application to the PWLB before their cut-off time. In these circumstances, it is not always possible to have access to the Head of Corporate Finance, at short notice, for approval.

As a result, it is proposed that, in the event that the Head of Corporate Finance & S151 Officer is unavailable, the decision be referred, in the first instance, to the Interim Head of Business Improvement Services, Corporate Services & Deputy S151 Officer; then to Corporate Finance Manager. In the absence of all three, then the decision will be made by the Group Accountant (Treasury Management and Capital) provided that the reason for the transaction is appropriately documented, falls within the approved Annual Strategy and prudential indicators, and failure to act upon the advice given would result in additional interest charges.

In all of the foregoing, it must be remembered that any action taken, based on a view of interest rates, can only be assessed on the data available at the time.

Appendix 5 Treasury Management Strategy Indicators 2020/21-2022/23

	Budget 2020-21	Budget 2021-22	Budget 2022-23
	£000	£000	£000
Authorised limit for external debt -			
Borrowing	371,944	366,533	361,773
Other long term liabilities	28,426	26,388	24,254
Total	400,370	392,921	386,027
Operational boundary for external debt -			
Borrowing	297,555	293,227	289,418
Other long term liabilities	28,426	26,388	24,254
Total	325,982	319,614	313,672
Capital Financing Requirement	434,387	456,271	452,497
Upper limits for interest rate exposure			
Principal outstanding on borrowing	297,555	293,227	289,418
Principal outstanding on investments	100,000	90,000	80,000
Net principal outstanding	197,555	203,227	209,418
Fixed rate limit – 100%	197,555	203,227	209,418
Variable rate limit – 30%	59,267	60,968	62,825
Upper limit for total invested for over 365 days	60,000	60,000	60,000

Maturity structure of fixed rate borrowing	Upper Limit	Lower Limit
Under 12 months	35%	0%
Over 12 months and within 24 months	40%	0%
Over 2 years and within 5 years	50%	0%
Over 5 years and within 10 years	75%	0%
Over 10 years	100%	0%

	Budget 2020-21	Budget 2021-22	Budget 2022-23
	£000	£000	£000
Gross Debt and Net Debt			
Outstanding Borrowing	297,555	293,227	289,418
Other long term liabilities	28,426	26,388	24,254
Gross Debt	325,982	319,614	313,672
Less investments	100,000	90,000	80,000
Net Debt	225,982	229,614	233,672

	Budget 2020-21	Budget 2021-22	Budget 2022-23
	£000	£000	£000
Gross and The CFR			
Gross Debt	325,982	319,614	313,672
CFR	434,387	456,271	452,497

Appendix 6 - Prudential Indicators - Capital Finance

Ratio of Financing costs to net revenue stream	Budget 2020-21	Budget 2021-22	Budget 2022-23
General Fund	£000	£000	£000
Principal repayments	2,548	2,956	3,080
Interest costs	8,829	9,080	8,969
Debt Management costs	49	42	41
Rescheduling discount			
Investment income	(1,518)	(1,443)	(1,368)
Interest applied to internal balances	813	812	825
Total General Fund	10,720	11,447	11,548
Net revenue stream	356,621	359,933	363,393
Total as percentage of net revenue stream	3.01%	3.18%	3.18%
Housing Revenue Account			
Principal repayments	2,481	2,971	3,412
Interest costs	6,301	6,942	7,121
Rescheduling discount			
Debt Management costs	33	34	37
Total HRA	8,815	9,948	10,570
Net revenue stream	50,515	51,537	52,568
Total as percentage of net revenue stream	17.45%	19.30%	20.11%

Capital financing requirement [end of year position]	Budget 2020-21	Budget 2021-22	Budget 2022-23
	£000	£000	£000
Council Fund	285,817	285,671	285,310
Housing Revenue Account	148,571	170,599	167,187
Total Authority	434,387	456,271	452,497

Appendix 7 - Capital Expenditure and Funding

	Budget 2020-21	Budget 2021-22	Budget 2022-23
Expenditure	£000	£000	£000
Council Fund	11,363	9,846	9,726
Housing Revenue Account	36,000	45,000	20,000
Total	47,363	54,846	29,726
Funding			
Surplus/ (Deficit) Balance b/f	-	454	199
Borrowing - Supported (GF)	4,865	4,865	4,865
General Capital Grant - WG	4,878	3,020	3,020
Internal Borrowing	-	-	-
RCCO Budget	128	128	128
Capital underspends frm previous years	306	-	-
General Fund working balances	-	-	-
One off funding- MRP Review	1,640	1,578	1,514
RCCO- (HRA)	16,650	12,650	12,650
Unsupported Borrowing HRA- WHQS	7,000	-	-
Unsupported Borrowing HRA- Affordable Housing	5,000	25,000	
Major Repairs Allowance (HRA)	7,350	7,350	7,350
Total	47,817	55,045	29,726
Surplus C/f	454	199	-

Appendix 8 MRP 2020/21 Policy

The Minimum Revenue Provision (MRP) is an amount charged to the revenue account for the repayment of debt, which has been used to finance capital expenditure. The Local Government Act 2003 requires the Authority to have regard to the Welsh Government's Guidance on Minimum Revenue Provision (most recently issued in 2010).

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

The WG Guidance requires the Authority to approve an Annual MRP Statement each year. The Authority's MRP policy for 2020/21 is stated below.

Supported Borrowings

MRP on historic debt liability as at the 31st March 2007 and subsequent capital expenditure funded from supported borrowings will be charged to revenue over 50 years.

The MRP charge for supported borrowing will be based on an assumed annuity rate of 2%.

The annuity method results in a lower charge in earlier years and a higher charge in the later years, and takes into consideration the time value of money.

Unsupported Borrowings

The MRP charge for individual assets funded through unsupported borrowing will be based on the estimated life of each asset or 25 years where this cannot be determined.

The MRP charge for unsupported borrowing will be based on the average Public Works Loan Board (PWLB) interest rate for new annuity loans in the year that an asset becomes operational.

Advice on asset life (land and buildings) will be sought from the Council's property valuation team. The first MRP Charge will start in the year after the asset becomes operational.

MRP Charges Relating to Other Capital Expenditure

- 1 For assets acquired by leases or the Private Finance Initiative [and for the transferred debt from local authorities], MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 2 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy

for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the WG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

- 3 MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- 4 The MRP charge for the HRA will be determined by using an interest rate of 2% on the opening capital financing requirement on a reducing balance basis.
- 5 The Authority has the option to make voluntary overpayments on MRP where possible to reduce the revenue charge in later years.

Capital expenditure incurred during 2020/21 that is financed by debt will not be subject to a MRP charge until 2021/22.

Appendix 9 - Strategic Pool Funds

The UK Government's austerity programme has led to unprecedented cuts in the level of funding that local authorities receive annually to fund services. Austerity has affected the Settlement that Welsh Government receive from Westminster, which is passed onto Welsh local authorities. At a time of increasing pressure on budgets many local authorities are reviewing their treasury management investment strategy and seeking to diversify into strategic funds to enhance their treasury management returns.

Strategic investment funds (pool funds) offer investors the opportunity to buy into asset classes that would otherwise be difficult to purchase, as well as diversify risk and enhance returns. They are managed externally by a fund manager. Such funds invest in a variety of asset classes such as property, equities, bonds, currencies, and commodities. The performance and riskiness of such funds can vary, as does the investment horizon (i.e. the length of time the cash is invested). Typically such funds (non-government investment funds) have generated returns in excess of the UK Government's inflation target of 2.0%. Strategic funds can also have a mixture of asset classes. These are known as Diversified Income Funds. Property funds typically hold investment properties located all over the United Kingdom.

As noted throughout this report, the outlook for interest rates and subsequently investment returns is bleak due to the impact of political uncertainty and global economic downturn. This is likely to result in investment returns on traditional treasury investments (bonds; cash deposits) remaining low or potentially falling. Strategic investment funds would enable the Authority to diversify into other asset classes that yield higher returns.

Investment Proposal and Limits

It is proposed that the Authority invests in 2020/21 a minimum of £20m but no more than £30m into strategic pool funds, for a minimum period of 5 years. The investment should be further split into the following categories in order to mitigate volatility (based on a £20m investment):

- Property fund: £10m
- Equity fund: £5m
- Multi-asset or Bonds or Diversified Income Fund: £5m

As per Appendix 4, a £20m investment limit will apply to each fund manager. Investment returns will need to be equal to or greater than inflation as measured by the Consumer Price Index (CPI).

In a deteriorating market the Authority should seek to exit the pool fund whilst minimising financial losses.

Risks

Strategic investment funds, like any other investment, are considered to be risky investments. In general, the risks associated with strategic investment funds are:-

- A lack of a credit rating. Most, if not all, funds are not rated by the main credit rating agencies and require due diligence to be undertaken prior to making the initial investment. The Authority will seek advice from its Treasury Management Advisor and undertake a due diligence to find a suitable investment fund.

- Duration. Investments are tied up for a minimum three to five year investment horizon. Any attempt to recall the investment back prematurely would result in additional costs or a loss in the nominal investment as the underlying assets would need to be sold to release the cash proceeds.
- Fund in “lock down”- There have been a number of circumstances whereby investors have been prevented from accessing their funds. Funds adopt this approach when there is a high demand from investors to suddenly withdraw their money on the back of an event (negative publicity, misappropriation, bad management or a political event to name a few). Under such circumstances the fund manager needs to sell assets from the fund to finance the recall of investor’s cash. For certain asset categories there is no liquid market and it takes time to find a buyer (for example commercial property). As a result the fund goes into “lock down” mode and ceases to accept new investments.
- During adverse market conditions certain asset categories do not sell or are sold at low prices resulting in a loss for the investor. The property market is considered to be an illiquid market, in the context of other asset classes, and takes time for a sale to complete. In comparison bond and equity markets are very liquid and the risk would remain on the price side.
- Lack of transparency. Investing in external funds can often result in a lack of transparency and control as decisions are made by others outside of the Authority. Whilst there are strict regulatory rules that govern investment funds, the terms, conditions and objectives are disclosed in the fund prospectus as approved by the parent company. As part of the due diligence exercise, the Authority will request the fund manager to disclose monthly / quarterly investment holdings to mitigate the risk stemming from a lack of transparency.

Accounting for Pooled Funds

The introduction of International Financial Reporting Standard 9 (financial instruments) resulted in changes in the way in which financial assets are accounted for. More specifically, gains and losses on strategic investment funds are charged directly to the revenue account, resulting in an impact on the bottom line (working balances). In England the Ministry of Housing, Communities and Local Government have issued a capital directive to mitigate the impact of gains or losses to an unusable reserve for a period of time (five years). The Welsh Government is yet to adopt a similar approach. The gain or loss would only impact the bottom line upon realisation (i.e. whenever the cash is withdrawn from the fund), and would be dictated by market prices at the time of withdrawal.

Under IFRS 9 pooled funds are categorised as Equity Instruments as the investor has no contractual right to receive back any particular sum of money. The cash flows from a pooled fund are not solely principal and interest. Consequently, pool funds are accounted for at fair value through profit and loss (FVPL) unless “elected”.

IFRS 9 includes an option to irrevocably elect to account for equity instruments at fair value through other comprehensive income (FVOCI). The main difference is that Under FVPL gains and losses from changes in fair value are charged to the revenue account, thus impacting on working balances. Under FVOCI accounting gains and losses from changes in fair value are taken to the Financial Instruments Revaluation Reserve (FIRR). Upon derecognition, the balance in the FIRR is transferred to the revenue account via the Movement in Reserves Statement. There is no impact on working balances.

An election to FVOCI may only be made on initial recognition of an investment (or upon transition to IFRS 9 on 1st April 2018 if later), and it is irrevocable.

The Authority will elect all strategic pool funds to fair value through other comprehensive income (FVOCI) upon opening the fund in order to mitigate any fair value gains or losses against working balances at 31 March 2021.



SPECIAL COUNCIL – 20TH FEBRUARY 2020

SUBJECT: CAPITAL STRATEGY REPORT 2020/2021

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

-
- 1.1 The attached report was submitted as an Information Item to Members of the Policy and Resources Scrutiny Committee on the 9th January 2020.
 - 1.2 The report was circulated by email and published on the Caerphilly County Borough Council website. Members were invited to make any comments on the report directly to the Author prior to its presentation to Council for approval. No comments have been received.
 - 1.3 Members will note that paragraph 5.2.5 of the report provides details of the Council's core Capital Programme for the three-year period 2020/21 to 2022/23. In addition to this, at its meeting on the 29th January 2020 Cabinet approved a proposal to earmark an additional £24.543m of reserves to boost the Capital Programme by investing in our 'place shaping' agenda.
 - 1.4 Furthermore, the 2020/21 Budget Proposals Report being considered separately by Council this evening includes recommendations to set aside further sums totalling £4.048m to support the 'place shaping' agenda. This will bring the total available funding to £28.591m and proposals setting out how this funding will be used will be the subject of a further report during the spring which will involve detailed engagement with Members.
 - 1.5 Council is asked to consider and approve the Annual Capital Strategy Report 2020/2021, as attached at Appendix 1.

Author: E. Sullivan (Senior Committee Services Officer) Ext. 4420

Appendix 1: Capital Strategy Report 2020/21 – Information Item Policy and Resources Scrutiny Committee (9th January 2020)



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

SUBJECT: CAPITAL STRATEGY REPORT 2020/2021

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To submit prior to its presentation to Council the Authority's Capital Strategy report for 2020/21 financial year in accordance with the Prudential Code that was introduced by the Local Government Act 2003.
- 1.2 The report cross-references to the report by the Corporate Director of Education and Corporate Services on Revenue and Capital Budgets ["the budget report"]; and the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2020/2021.

2. SUMMARY

- 2.1 The Capital Strategy outlines the principles and framework at the very high level that shape the Authority's capital investment proposals. The principal aim is to deliver an affordable programme of capital consistent with the financial strategy that contributes to the achievement of the Council's priorities and objectives as set out in the Authority's Corporate Plan; consider associated risks; recognise financial constraints over the longer term; and represent value for money.
- 2.2 The Strategy defines at the highest level how the capital programme decision making identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed. In addition the Capital Strategy should comply with the Prudential Code for local authority capital investment introduced through the Local Government Act 2003. The key objectives of the Code are to ensure that capital investment plans are affordable, prudent and sustainable.
- 2.3 The Capital Strategy sets out the framework for capital investment decisions. The strategy for funding this investment is underpinned by the Prudential Code for Local Authority investment, which was introduced by The Local Government Act 2003. The Prudential Code has the following key objectives:
 - That capital investment plans are affordable, prudent and sustainable;

- That treasury management decisions are taken in accordance with good professional practice;
- That local strategic planning, asset management and proper option appraisal are supported.

3. RECOMMENDATIONS

- 3.1 That the annual Capital Strategy Report be noted by the Policy and Resources Scrutiny Committee prior to Council approval.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The Annual Capital Strategy report is a requirement of the CIPFA's Prudential Code (2017 edition).
- 4.2 The Prudential Code was first introduced through the Local Government Act 2003. Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

5. THE REPORT

5.1 Corporate Priorities

- 5.1.1 Underlying the capital strategy is the recognition that the financial resources available to meet corporate and departmental priorities are constrained in the current economic climate. Therefore the Authority must rely more on internal resources and seek ways in which investment decisions can be no less than self-sustaining or generate positive returns both in terms of meeting corporate objectives and producing revenue savings.
- 5.1.2 The Authority's corporate priorities and well-being objectives are set out in its Corporate Plan, which is published on the Council's website:

https://www.caerphilly.gov.uk/CaerphillyDocs/Council-and-democracy/Corporate_Plan_2018-2023.aspx

5.2 Capital Expenditure and Financing

- 5.2.1 Capital expenditure is defined as costs incurred by the Authority in acquiring new property, plant and equipment (PPE); or costs incurred by enhancing the existing PPE asset base. Capital expenditure can also be incurred in instances where the asset is owned by a third party but the Authority has provided the third party with a loan or grant. In such instances the expenditure is recorded as if incurred directly by the Authority.
- 5.2.2 In accordance with accounting definitions, expenditure can be capitalised when it relates to:
- The acquisition or creation of a new fixed asset - capitalisation will depend on the creation of rights to future economic benefits controlled by the Authority;

- The enhancement of an existing fixed asset - capitalisation will depend on the works substantially increasing the value of the asset, extending its useful life or increasing its use in service provision.

5.2.3 The Authority has a de-minimus limit for capital expenditure of £10,000. Capital expenditure that is below this de-minimus limit, irrespective of meeting the definition set out in paragraph 5.2.2, is charged to a revenue budget.

5.2.4 The Authority's core capital programme is approved by Council annually as part of the Budget Report, and is funded from the General Capital Grant and Supported Borrowing Approvals. Both of these funding streams are confirmed annually by Welsh government as part of the Local Government Finance Settlement.

5.2.5 The Authority's three year core capital programme from 2020/21 is summarised below:

	2019/20 Approved Budget	2020/21 budget	2021/22 budget	2022/23 budget
	£000s	£000s	£000s	£000s
Council Fund	14,530	11,363	9,846	9,726
Housing Revenue Account	56,618	36,000	45,000	20,000
TOTAL	71,148	47,363	54,846	29,726

Table 1: Prudential Indicator: Estimates of Capital Expenditure

5.2.6 Further details of the 2020/21 – 2022/23 core capital programme and the funding of the programme can be found in the Budget Report.

5.2.7 In addition to the core capital budget that is approved by Full Council, the Authority's capital programme is also funded from slippage (previous years unspent capital budget that is carried forward); external grants and contributions; section 106 funding; and virement of revenue budgets (revenue contribution to capital outlay {RCCO}).

5.2.8 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not get subsidised, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and includes the renovation of existing council stock to a Welsh Housing Quality Standard by December 2020. The HRA capital programme also includes the Affordable Homes programme which is expected to commence in December 2020 subject to Member approval.

5.2.9 **Governance:** the core capital budget is approved annually by Full Council as part of the revenue budget setting process. All other capital projects / capital works that do not form part of the core capital programme will require a cabinet report prior to commencement of the capital scheme. Capital projects / works that require to be funded by prudential borrowing will need a decision by full Council. The Cabinet report will need to include the following:

- A link to Corporate Priorities and how the capital project would seek to fulfil such priorities;
- Full option appraisal of the project to demonstrate value for money;
- That capital investment plans are affordable, prudent and sustainable;
- Where prudential borrowing is considered that treasury management decisions are taken in accordance with good professional practice;
- That local strategic planning and asset management plans are supported.

- 5.2.10 All capital expenditure must be financed, either from external sources (government grants and other contributions); the Authority's own resources (revenue contribution, reserves and capital receipts); or debt (borrowing {supported and unsupported}; leasing; and Private Finance Initiative).
- 5.2.11 Debt (including leases) is a source of finance that can be used to fund a capital scheme. However, debt is repayable over time. The Authority sets aside a Minimum Revenue Provision (MRP) every year for the repayment of existing debt. MRP forms part of the debt management budget and is monitored by Corporate Finance. As part of the annual Treasury Management Strategy, which is approved by Full Council in February (along with the Revenue Budget and the Capital Programme), a MRP statement is presented as an appendix to the Strategy annually, and sets out the MRP Policy that is to be adopted by the Authority at the start of the new financial year. The full MRP statement is set out in Appendix 8 of the Treasury Management Annual Strategy.
- 5.2.12 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The Authority's estimated CFR is set out in Appendix 6 of the Treasury Management Annual Strategy.

5.3 Asset management

5.3.1 Asset management is about using assets (property, plant & equipment) to deliver value and achieve the organisation's business objectives. To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place.

5.3.2 The Authority's asset management strategy can be found on its website:

<https://www.caerphilly.gov.uk/My-Council/Strategies,-plans-and-policies/Corporate-strategies,-plans-and-policies/Corporate-Asset-Management-Strategy>

5.3.3 As at 31st March 2019 the Authority's fixed assets (property, plant and equipment) had a net book value of £1,169m. The net book valuation is an accounting valuation, which does not translate to market value. Further details can be found in Note 23 to the Authority's 2018/19 Statement of Accounts:

<https://www.caerphilly.gov.uk/CaerphillyDocs/Council-and-democracy/StatementofAccounts-31-03-19.aspx>

5.3.4 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on acquiring new assets; enhancing the existing asset base; or to repay debt.

5.3.5 Whilst the Authority is intending to dispose of land and building in the future, a change in the law means that any future sale proceeds will need to take in to affect a drainage assessment. This has arisen as a result of the Welsh Minister for Environment signing off a Commencement Order that brings Schedule 3 of the Flood and Water Management Act 2010 into force in Wales.

5.3.6 Since 7th January 2019, all proposed new developments in Wales must include Sustainable Drainage Systems (SuDS). These must comply with the Welsh Ministers' Standards and signed off by the SuDS Approving Body (SAB). The current voluntary standards will become mandatory at the same time. SuDS aim to manage rainfall in a way similar to natural processes, making use of the landscape and natural vegetation to control the flow and volume of surface water. SuDS can deliver multiple benefits including:

- flood risk reduction;
- improved water quality;
- opportunities for habitat creation;
- enhanced biodiversity;
- supporting well-being through bringing people closer to green and blue community spaces.

5.3.7 Each site could have a different SuDS solution, which depends on the site specifics and topography. Each scheme would need to be considered by the authority at the planning stage and for the SuDS to be approved and adopted. Since the SuDS are site specific it is not possible to forecast a receipt with any degree of accuracy.

5.3.8 **Capital receipts:** As of 1st April 2018, Welsh Government issued a capitalisation directive that allows Welsh Authorities to use capital receipts to fund revenue expenditure incurred as a result of transforming service delivery; cutting back services to generate savings; or investing in economic growth projects that are designed to reduce revenue costs or pressures over time. The use of capital receipts to fund such expenditure is permitted until 31 March 2022.

5.3.9 A summary of the Capitalisation Directive issued by the Welsh Government that the Authority can adopt for the Flexible Use of Capital Receipts is detailed in Appendix 1. At present there are no plans to utilise the current capital receipts reserve to fund transformation expenditure.

5.3.10 **Governance:** If in the future the Authority decided to utilise the Capital Receipts Directive to fund revenue expenditure a Cabinet decision will be required. The cabinet report will need to demonstrate:

- A robust business case with a full option appraisal;
- Identification of actual capital receipts received that are uncommitted;
- An analysis of what the capital receipt could have been used for;
- Value for money.

5.4 Treasury Management

5.4.1 The Chartered Institute of Public Finance & Accountancy defines treasury management as “The management of the organisation’s borrowing; investments and cash flows; its banking; money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

5.4.2 Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. Investment balances tend to be high at the start of the financial year as revenue income is received before it is spent, but reduce in the long-term as capital expenditure is incurred before being financed.

5.4.3 Due to decisions taken in the past, the Authority currently has £279.4m nominal debt outstanding as at 31 March 2019, at an average interest rate of 4.64% and £85.9m nominal treasury investments at an average rate of 1.09%.

5.4.4 The Annual Treasury Management Strategy is approved by Full Council every February, and sets out the Authority’s Borrowing Strategy; Investment Strategy; and respective prudential indicators.

5.5 Investments for Service Purposes

- 5.5.1 The Authority provides capital grants to local businesses for the purpose of economic regeneration (Commercial and Industrial Grant - 2019/20 capital budget of £50k). Such grants are awarded on application and criteria basis. On a separate basis, Community Regeneration Fund (CRF) capital grants are also awarded to the voluntary sector (2019/20 capital budget of £98k). The CRF grants are awarded by a grants panel that meets at least three times a year.
- 5.5.2 **Governance:** Decisions to award local businesses and the voluntary sector capital grants are undertaken by the relevant service manager in consultation with the Head of Service. The Community Regeneration Fund grant applications are assessed by the Community Regeneration Fund Panel that includes the Cabinet Member for Regeneration. The final decision to award is undertaken by the Head of Regeneration and Planning. In either case the award decision is posted on the intranet.
- 5.5.3 The decision to make a loan or to purchase share capital will be referred to the Head of Finance, who will in turn make a recommendation to Cabinet and Full Council once an appraisal exercise has been undertaken. The decision to award will need to be funded from the capital programme and will be subject to a robust business case in the first instance.

5.6 Commercial Activities

- 5.6.1 A number of local authorities in England are investing in commercial property, either via a fund manager or direct purchase of property in order to generate enhanced treasury returns above the rate of inflation. The returns generated from this type of investments are supporting revenue budgets in an environment when central government revenue support funding is declining year on year.
- 5.6.2 At present the Authority does not invest in commercial property either directly (through property acquisitions) or indirectly (through a fund manager). Due to the uncertainty around austerity and Brexit, this type of investment is considered to be significantly risky. However, the Authority would like to keep its options open for future investment in property and other commercial investments.
- 5.6.3 In the event of the Authority purchasing a commercial investment, the Authority may seek to finance the purchase through prudential borrowing. In any such case the Authority will prepare a detail report for Council that includes a full option appraisal and risk assessment of the investment. The report will highlight the rationale for the commercial investment.
- 5.6.4 With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include a decline in the property market; volatility in the capital value of property; capital being tied up in the medium/long-term horizon and active management of properties when purchased directly rather than purchasing the property through a fund manager.
- 5.6.5 In recognition of the risks stipulated in the above paragraph, the Authority will adopt a policy whereby 50% of the annual income generated will be ring fenced in an earmarked reserve to offset in any fall in capital values or capital income; or fund any other associated cost. The remaining 50% of the annual income generated will be made available to the Authority to support frontline services and enabling the Authority to achieve a balanced budget. Periodic reviews will take place at least once a year to review this policy. The Head of Corporate Finance would recommend changes to the policy, if appropriate, at any time by way of a report to Cabinet.

5.6.6 **Governance:** Treasury management decisions on commercial investments are made in accordance with the approved Treasury management Strategy. Non treasury investments will be referred to the Head of Finance and the Corporate Management Team to consider with further referral to Cabinet and Full Council for the final decision. Monitoring of the commercial investments (treasury management related) will be included within the treasury management monitoring reports (or other Council reports) that are presented to the Policy and Resources Committee. Non-treasury management commercial investments will be reported separately by the Head of Corporate Finance.

5.6.7 The Authority will seek expert independent and external advice whenever a commercial investment opportunity arises prior to investing. Legal advice will also be sought from within the Authority, and where necessary externally.

5.7 **Revenue Budget Implications**

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

5.7.2 Further details on the revenue implications of capital expenditure are set in Appendix 6 of the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2020/2021 report.

5.8 **Knowledge and Skills**

5.8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

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

5.8.3 The Council will employ, where necessary, consultants and other professional experts to advise upon technical issues relating to non-treasury management commercial investments.

5.8.4 **Training:** Key relevant staff will undertake training as and when opportunities arise or whenever there are changes in regulations. The contract for Treasury Consultancy Services includes requirements for Member and Officer training to be provided during any year. Officers will look to schedule treasury management training for Members for autumn 2020. Further Member training will be undertaken as and when required.

6. **ASSUMPTIONS**

6.1 The details set out in the report are based on information collected from Heads of Service for the delivery of capital works.

6.2 It has been assumed that the Authority will fund a proportion of its capital programme through supported borrowing.

6.3 It has been assumed that the HRA's borrowing needs are based on the current Business Plan at the time of writing this report.

7. LINKS TO STRATEGY

7.1 The report has links to the strategic themes of the Authority, taking into account cross-cutting issues where relevant. It has specific links to the following documents:

a) Medium Term Financial Plan

The Capital Strategy is closely linked to the Medium Term Financial Plan (MTFP), primarily with respect to the affordability of the capital programme.

b) Treasury Management Strategy

The Treasury Management Strategy links to the Capital Strategy in determining the Authority's approach to borrowing and investments, including borrowing to fund capital expenditure. The Treasury Management Strategy is closely related to the Prudential Code and Prudential Indicators.

The Authority has an integrated Treasury Management Strategy, and has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The Treasury Management Strategy deals with borrowing and investment arising as a consequence of all the financial transactions of the authority, not exclusively those arising from capital spending.

c) Statement of Accounts

Capital expenditure incurred during the year is reflected in the Balance Sheet of the Statement of Accounts ensuring stewardship of assets is demonstrated. The accurate monitoring and recording of capital expenditure ensures that this document is free from material error. The Statement of Accounts is externally audited at the end of each financial year to certify that it presents a true and fair view of the financial position of the Authority.

d) Regulatory Framework of Capital Spend

The Procurement Strategy, along with the Contract Standing Orders and Financial Regulations, looks at who can be used to supply goods and services to the Authority, and how these goods and services should best be obtained to secure value for money.

7.2 Prudent financial management contributes 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.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 The establishment of a capital strategy is a key element of effective financial management and risk management of the Authority's resources, which assists the achievement of the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015.

9. EQUALITIES IMPLICATIONS

- 9.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

17. FINANCIAL IMPLICATIONS

- 10.1 There are no financial implications arising from this report.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no personnel implications.

12. CONSULTATION

- 12.1 No external consultation is required for the purposes of the report. However, advice has been sought from the Authority's current Treasury Management Adviser.

13. STATUTORY POWER

- 13.1 Local Government Act 1972

Author: Nadeem Akhtar – Group Accountant -Treasury Management & Capital

Consultees: Corporate Management Team (CMT)
Stephen Harris - Interim Head of Business Improvement Services & Deputy S151 Officer
Andrew Southcombe – Finance Manager, Corporate Finance
Robert Tranter- Head of Legal Services & monitoring Officer
Cllr E. Stenner – Cabinet Member for Finance, Performance & Planning

Appendix 1: Flexible Use of Capital Receipts Policy

Appendix 1: Flexible Use of Capital Receipts Policy

Legislation

- The Local Government Act 2003 (“the Act”), section 15(1) requires a local authority “...to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify...”. and section 24 of the Act states “In its application to Wales, ...for any reference to the Secretary of State there were substituted a reference to the Welsh Ministers.”
- In December 2017, the Secretary of State announced, the continuation of the capital receipts flexibility programme for a further three years, to give local authorities in England the continued freedom to use capital receipts from the sale of their own asset (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. These powers have been exercised under sections 16(2)(b) and 20 of the Local Government Act 2003 (the Act). This will cover expenditure incurred from 1st April 2016 up to 31 March 2022, and relates to expenditure incurred as a result of service transformation that reduces costs and generate savings.
- In Further exercise of Welsh Minister’s powers under section 20 of the Act, the continuation of the capital receipts flexibility programme will also be extended to Welsh local authorities within the meaning of section 9 of the Act and regulations made under that section (part 3 SI 2003/3239{W319}).

Application

- The direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property plant and equipment assets received in the years in which this flexibility is offered.
- Capital receipts generated from the sale of Council houses Right to Buy scheme are excluded.
- Welsh Ministers believe that individual authorities and groups of authorities are best placed to decide which projects will be most effective for their areas. The key criterion to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings or reduce revenue costs or pressures over the longer term to an authority, or several authorities, and/or to another public body.
- The Capitalisation Directive for the Flexible Use of Capital receipts applies from 1st April 2016 to 31st March 2022.

Accountability & Transparency

- A disclosure note will be included in the Statement of Accounts in the relevant year detailing the individual projects that have been funded or part funded through capital receipts flexibility.

- As a minimum, the disclosure note should list each project that made use of the capital receipts flexibility, ensuring that it details the split of up-front funding for each project between capital receipts and other sources, and that on a project-by-project basis, setting out the expected savings and/or benefits of investment.

Qualifying Expenditure

- Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for the Authority or any of the delivery partners. This includes investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term.
- The set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of Qualifying Expenditure

- There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:
 - Preparatory work necessary to support local authority mergers as part of the programme to reform local government in Wales;
 - Sharing back-office and administrative services with one or more other council or public sector body;
 - Investment in service reform feasibility work, e.g. setting up pilot schemes;
 - Collaboration between local authorities and central government to free up land for economic use;
 - Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
 - Sharing Chief Executives, management teams or staffing structures;
 - Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
 - Aggregating procurement on common goods and services where possible, either as part of local arrangements or using the National Procurement Service, Crown Commercial Services or other central purchasing bodies which operate in accordance with the Wales Procurement Policy Statement;
 - Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
 - Setting up alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
 - Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery.
 - Investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term, across one or more local authorities and/or other public sector bodies.

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SPECIAL COUNCIL – 20TH FEBRUARY 2020

SUBJECT: BUDGET PROPOSALS FOR 2020/21 AND MEDIUM-TERM FINANCIAL OUTLOOK

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1.1 The attached report, which sets out the 2020/21 budget proposals and a brief update on the Medium Term Financial Plan was considered by Cabinet on 12th February 2020 .

1.2 The views expressed at the meeting and the recommendations of Cabinet will be reported verbally to the Special Meeting of Council on 20th February 2020.

Author: C. Evans, Committee Services Officer, Ext. 4210

Appendices:

Appendix Report to Cabinet on 12th February 2020



CABINET – 12TH FEBRUARY 2020

SUBJECT: BUDGET PROPOSALS FOR 2020/21 AND MEDIUM-TERM FINANCIAL OUTLOOK

REPORT BY: DIRECTOR OF EDUCATION & CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet endorsement of the 2020/21 budget proposals contained within this report prior to final determination at Council on the 20th February 2020.
- 1.2 To provide a brief update on the medium-term financial outlook.

2. SUMMARY

- 2.1 Details of the Welsh Government (WG) Provisional Local Government Financial Settlement are normally announced by WG in early October each year. However, due to a combination of the uncertainty around Brexit along with the announcement of the General Election, details of the 2020/21 Provisional Settlement were not released until the 16th December 2019.
- 2.2 On the 13th November 2019 Cabinet received a report providing details of draft budget proposals, which had been prepared in advance of the 2020/21 Provisional Settlement being released. The report was based on a range of updated assumptions and information available at that time, and included proposed savings totalling £8.485m for the 2020/21 financial year along with a proposed increase in Council Tax of 6.95%.
- 2.3 The Draft Budget Proposals were endorsed by Cabinet thus ensuring that sufficient time was allowed for consultation pending details of the Provisional Settlement becoming available.
- 2.4 The Provisional Settlement announcement on the 16th December 2019 resulted in a favourable position for Local Authorities and allowed for flexibility in determining final budget proposals.
- 2.5 This report presents details of updated 2020/21 budget proposals reflecting the favourable Financial Settlement and feedback from the budget consultation process. Cabinet is asked to endorse the recommendations contained in the report prior to consideration and approval at Council on the 20th February 2020.

3. RECOMMENDATIONS

- 3.1 Prior to consideration and determination at Council on the 20th February 2020, Cabinet is asked: -
 - 3.1.1 To endorse the revenue budget proposals for 2020/21 of £356.130m as detailed throughout the report and summarised in Appendix 1.

- 3.1.2 To endorse the proposed savings for 2020/21 totalling £3.047m as set out in paragraph 5.4.3 and Appendix 2.
- 3.1.3 To support the proposal to allocate £500k from savings in advance to Environmental Projects as set out in paragraph 5.4.7 and 5.4.8.
- 3.1.4 To support the proposal to allocate the balance of £1.471m from savings in advance to Capital Earmarked Reserves pending the preparation of a report in the spring setting out details of capital investments to support the Council's 'place shaping' agenda (paragraph 5.4.7).
- 3.1.5 To support the recommendation of the Acting Section 151 Officer to maintain the General Fund balance at 3% of the 2020/21 Net Revenue Budget i.e. £10.684m (paragraph 5.5.5).
- 3.1.6 To support the proposal to allocate the projected surplus General Fund balance of £2.577m to Capital Earmarked Reserves to support investments in the 'place shaping' agenda (paragraph 5.5.5).
- 3.1.7 To endorse the proposed Capital Programme for the period 2020/21 to 2022/23 as set out in Appendix 4.
- 3.1.8 To support the proposal to increase Council Tax by 4.7% for the 2020/21 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,184.38).
- 3.1.9 To note the updated position on the medium-term financial outlook.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 Council is required annually to approve proposals to set a balanced budget and agree a Council Tax rate.
- 4.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

5. THE REPORT

5.1 Background and Context

- 5.1.1 The Council's financial position underpins its ability to make strategic decisions in order to deliver high quality effective services to our residents.
- 5.1.2 The financial picture of the Council is complex, but in summary it consists of four key elements: -
- **The Revenue Budget** – This funds the day-to-day expenditure on the 800+ services we provide to our citizens including the staff costs, maintaining our buildings and other assets such as the highway network, utility costs, maintaining our fleet of vehicles and the cost of servicing debt (i.e. loan and interest payments).
 - **The Capital Budget** – This funds one-off investments to create or enhance our assets such as schools, libraries and the highway network. This would include the construction of new buildings, major refurbishments and the acquisition of specialist vehicles and equipment.

- **Reserves** – These are approved one-off sums that have been set aside or earmarked for a range of different purposes. A report is prepared annually providing details of the reserves held by the Council and identifying any reserves that are uncommitted and can be released for other purposes such as supporting the Capital Programme.
- **Grants** - The Council receives a number of grants from external bodies such as the Welsh Government. These grants are for specific purposes and the Council must comply with detailed grant terms and conditions. Some of the grants are also subject to audit by our External Auditors.

5.1.3 To date the Council has managed the austerity measures using a “salami slicing” approach i.e. reducing budgets gradually across the whole organisation, whilst trying to protect key services such as Education and Social Services. This approach has served us well, with £103m of savings being achieved over the last 12 years.

5.1.4 However, if we are to remain an innovative, modern and adaptive organisation, whilst managing increasing demands against reducing funding, we must take a long-term strategic approach that mobilises our staff, our elected members, our partners and our communities.

5.1.5 This new whole-authority transformation operating model is entitled “Team Caerphilly – Better Together”, with the underlying principle of being a Council that has a “social heart and a commercial head”. The key elements of this new operating model are: -

- Improving the way we work.
- Enhancing relationships with our communities and partners.
- Developing proud and trusted staff.

5.1.6 It is within the context of our new operating model that we have framed the 2020/21 budget proposals.

5.1.7 It is important that we strike a balance between investing in our day-to-day services and providing financial support to improve how we deliver services.

5.1.8 Our revenue budget is used to support service delivery on an annual basis and our capital budget is used to fund infrastructure projects across the county borough. We also make use of our reserves wherever we can to support the Council’s capital expenditure and at its meeting on the 29th January 2020, Cabinet approved a proposal to earmark £24.5m of reserves to boost the capital programme by investing in our ‘place shaping’ agenda. Detailed proposals setting out how this funding will be used will be the subject of a further report during the spring and this will involve detailed engagement with elected members.

5.1.9 It is crucial that we manage our revenue and capital budgets and our reserves closely and as a collective, in order to maximise the return on investments. As part of our new operating model we will undertake a forensic review of our financial position through the following: -

- Introducing a structured programme of Service Reviews that will evaluate the services that we provide to ensure that they remain relevant, are provided in the most effective and efficient way and are providing value for money.
- Encouraging and supporting more innovative approaches to service delivery.
- Embracing new technologies to modernise the way that we work, streamline processes, improve workflow and drive out efficiencies.
- Adopting a more commercial approach to service delivery to generate additional income to reinvest in services to help them remain resilient i.e. “profit for purpose”.
- Routinely reviewing our reserves to identify further sums that may be available to support the Capital Programme moving forward.

5.2 The Welsh Government (WG) Provisional Local Government Financial Settlement for 2020/21

- 5.2.1 The Local Government Financial Settlement received from WG on an annual basis is referred to as Aggregate External Finance (AEF). This consists of a Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates (business rates). Details of the Provisional Local Government Financial Settlement are normally announced by WG in early October each year. However, due to a combination of the continuing uncertainty around Brexit, along with the delay in undertaking the UK Government spending review and the announcement of the General Election, the announcement of the Provisional Local Government Financial Settlement for 2020/21 was delayed until the 16th December 2019.
- 5.2.2 Cabinet will recall that at its meeting on the 21st February 2019 Council was presented with an updated Medium-Term Financial Plan (MTFP) which showed an anticipated savings requirement of £15.658m for the 2020/21 financial year. In response to this significant work was undertaken during the summer and early autumn to identify a range of new savings proposals for consideration.
- 5.2.3 On the 13th November 2019 Cabinet received a report providing details of draft budget proposals, which had been prepared in advance of the 2020/21 Provisional Settlement being released. The report was based on a range of updated assumptions and information available at that time, which reduced the anticipated savings requirement for 2020/21 from £15.658m to £8.485m. The Cabinet report also included a proposed increase in Council Tax of 6.95%.
- 5.2.4 The Draft Budget Proposals were endorsed by Cabinet thus ensuring that sufficient time was allowed for consultation pending details of the Provisional Settlement becoming available.
- 5.2.5 The Provisional Settlement announcement on the 16th December 2019 resulted in a favourable position for Local Authorities which allowed for flexibility in determining final budget proposals. The key elements of the Provisional Settlement are as follows: -
- An all-Wales increase in the Aggregate External Finance (AEF) of £184m, which is 4.3% higher than 2019/20 on a like-for-like basis (i.e. after adjusting for grants transferring into the Settlement in respect of teachers' pensions, teachers' pay and Funded Nursing Care).
 - The increases for individual Local Authorities vary due to the funding formula and movements in a number of key datasets. The lowest increase is in Monmouthshire CC at 3% with the highest being for Newport CC at 5.4%.
 - The increase in the AEF for Caerphilly CBC is 4.1%, which increases to 5.49% (£14.753m) after allowing for the grants that have transferred into the Settlement and changes in the Council Tax base.
 - This favourable Settlement provides headroom of £10.580m for Caerphilly CBC in determining the final 2020/21 revenue budget.
 - The Capital allocations available to Caerphilly CBC in the Revenue Support Grant and the General Capital Grant increased by £161k from the 2019/20 financial year.
- 5.2.6 Details of the 2020/21 Final Local Government Settlement will not be announced until the 25th February 2020, however WG officials have indicated that this will not vary significantly from the position set out in the Provisional Settlement. In the event that the Final Settlement results in an increase or decrease in the funding for Caerphilly CBC then this will either increase or decrease the savings in advance of £1.971m that are identified later in this report.

5.3 Updated 2020/21 Budget Proposals

- 5.3.1 The following sections of this report provide details of updated 2020/21 budget proposals reflecting the favourable Financial Settlement and feedback from the budget consultation process. Cost pressures have also been further reviewed and updated where necessary.
- 5.3.2 The updated position will deliver a balanced budget for 2020/21 on the basis that Council Tax

is increased by 4.7%. Table 1 provides a summary: -

Table 1 – Summary

Paragraph	Description	£m	£m
5.2.5	Aggregate External Finance (+5.49%)		14.753
5.3.3 – 5.3.12	Schools cost pressures	5.471	
5.3.13 – 5.3.19	General Fund Services inflationary cost pressures	5.289	
5.3.20 – 5.3.30	General Fund inescapable service pressures	3.303	
5.3.31	Reinstatement of 2019/20 temporary savings	3.272	
5.3.32	Reinstatement of 2019/20 2% cut for schools	2.126	
5.4.1 – 5.4.5	Draft savings proposals 2020/21		3.047
5.4.6	Savings in advance	1.971	
5.6.1 – 5.6.2	Council Tax uplift (4.7%)		3.632
	TOTAL: -	21.432	21.432

5.3.3 The Schools cost pressures totalling £5.471m are set out in Table 2 below -

Table 2 – Schools Cost Pressures

	£m
Teachers Pay at (2.75% / 2%)	1.753
Living Wage	0.016
Teachers Employer's Pension Contributions at 7.12% (5/12ths)	2.288
APT&C Pay at 2%	0.261
APT&C Pay Contingency	0.098
Employer Pension Contributions (APT & C)	0.000
Non-Pay Inflation at 1.7%	0.337
Schools Service Pressures	0.674
Trinity Fields Transport Costs (Demographic Growth)	0.044
TOTAL: -	5.471

5.3.4 **Teachers Pay at 2.75%** - Teachers pay increased across the majority of the scale ranges by 2.75% with effect from September 2019. A one-off grant has been made available by WG to assist with the part-year additional cost of the pay award for the 2019/20 financial year. The full cost of the September 2019 pay award has now been provided for in the Provisional Settlement for 2020/21. For financial planning purposes it is currently assumed that there will be a further 2% uplift in teachers pay from September 2020.

5.3.5 **Foundation Living Wage** – Caerphilly CBC is a Living Wage Foundation employer so a sum is included in the budget proposals in respect of relevant school staff to allow for annual increases in the Foundation Living Wage hourly rate.

5.3.6 **Teachers Employer's Pension Contributions** – For the 2019/20 financial year there is a significant new cost pressure for schools in relation to increases in employer contributions to the Teachers' Pension Scheme from September 2019. There was no funding included in the Final Local Government Financial Settlement for 2019/20 to meet this additional cost, albeit that the part-year impact has subsequently been funded through an in-year grant from WG. Funding has now been provided in the Provisional Settlement for 2020/21 in respect of the increased cost of the Teacher's Pension Scheme.

5.3.7 **APT&C Pay at 2%** - A pay award of 2% is assumed for schools based APT&C staff from April 2020. This is not confirmed and is subject to ongoing negotiation.

5.3.8 **APT&C Pay Contingency** – Due to the ongoing negotiations in respect of the APT&C pay award it is recommended that a contingency is established which will allow for a pay award of

up to 2.75%. It is proposed that this contingency will be held centrally in the first instance and only released to service budgets (if required) once the pay award is agreed.

5.3.9 **Employer Pension Contributions (APT&C staff)** – The Greater Gwent (Torfaen) Pension Fund is subject to an independent triennial valuation of its assets and liabilities. The 2020/21 Draft Budget Proposals presented to Cabinet on the 13th November 2019 assumed a 1% increase in the employer contribution from April 2020, pending the outcome of the latest triennial valuation. The results of this valuation have now been released and no increase will be required in the employer contributions for the 2020/21 and 2021/22 financial years. An increase of 1% will be required for 2022/23.

5.3.10 **Non-pay inflation at 1.7%** - This is based on the average monthly Consumer Prices Index (CPI) inflation rate for the last 12 months.

5.3.11 **Schools Service Pressures** – This includes the following: -

- Funding formula revisions.
- Floor area and National Non-Domestic Rates (NNDR) changes.
- Demographic growth linked to Trinity Fields pupil numbers.
- Additional costs linked to Free School Meal numbers in respect of additional social needs funding in primary and secondary schools.
- Additional Free School Meal costs in secondary schools.

5.3.12 **Trinity Fields Transport Costs** – This is directly related to an increase in pupil numbers and costs can also vary based on pupil needs.

5.3.13 The General Fund Services inflationary cost pressures totalling £5.289m are set out in Table 3 below: -

Table 3 – General Fund Services Inflationary Cost Pressures

	£m
Pay at 2% (APT&C staff)	2.467
Pay Contingency (APT&C staff)	0.868
Living Wage (APT&C staff)	0.049
Non-pay inflation at 1.7%	2.169
Employer Pension Contributions (APT & C)	0.000
Non-pay inflation (Fees and Charges) at 1.7%	(0.264)
TOTAL: -	5.289

5.3.14 **Pay at 2% (APT&C staff)** - A pay award of 2% is assumed for non-schools based APT&C staff from April 2020. This is not confirmed and is subject to ongoing negotiation.

5.3.15 **Pay Contingency (APT&C staff)** – As explained in paragraph 5.3.8 due to the ongoing negotiations in respect of the APT&C pay award it is recommended that a contingency is established which will allow for a pay award of up to 2.75%.

5.3.16 **Foundation Living Wage** – Caerphilly CBC is a Living Wage Foundation employer so a sum is included in the budget proposals in respect of APT&C staff to allow for annual increases in the Foundation Living Wage hourly rate.

5.3.17 **Employer Pension Contributions (APT&C staff)** – As explained in paragraph 5.3.9 the results of the latest independent triennial valuation of the Pension Fund’s assets and liabilities reveal that no increase in the employer contribution level will be required for the 2020/21 financial year.

- 5.3.18 **Non-pay inflation at 1.7%** - This is based on the average monthly Consumer Prices Index (CPI) inflation rate for the last 12 months.
- 5.3.19 **Non-pay inflation (Fees and Charges) at 1.7%** - A generic increase of 1.7% is assumed for Fees and Charges. Increases in excess of this are proposed in some areas and details of these are provided in Appendix 2.
- 5.3.20 It is incumbent upon the Council to set a realistic budget each year. Table 4 provides details of the 2020/21 General Fund inescapable service pressures that have been identified and require consideration in respect of funding: -

Table 4 – General Fund Inescapable Service Pressures

	£m
Council Tax Reduction Scheme (CTRS) additional liability	0.693
Funded Nursing Care	0.101
WG funding for Private Finance Initiative (PFI) contracts	(0.202)
Social Services cost pressures	0.800
Education & Lifelong Learning cost pressures	0.875
Coroner's growth requirement	0.048
Sustainable Waste Management Grant reduction	0.093
City Deal (Partnership revenue contribution)	0.002
City Deal (debt charges)	0.044
Private Finance Initiative (PFI) review	0.849
TOTAL: -	3.303

- 5.3.21 **CTRS Additional Liability** – The Authority is required to fund a Council Tax Reduction Scheme (CTRS). This replaced Council Tax Benefit a number of years ago and is a means-tested benefit that assists in full or part towards a resident's Council Tax bills. The additional liability arises from the proposal to increase Council Tax by 4.7% in 2020/21.
- 5.3.22 **Funded Nursing Care** – Funding has been transferred into the Provisional Settlement to meet additional costs arising from a review of Local Authority and NHS contributions to the cost of Funded Nursing Care placements. This funding will be passported to the Directorate of Social Services.
- 5.3.23 **WG Funding for Private Finance Initiative (PFI) Contracts** – Funding is provided by the Welsh Government through the Financial Settlement towards costs associated with the Private Finance Initiative contracts operating within the Authority. This funding is front-loaded and reduces annually over the life of the PFI contracts.
- 5.3.24 **Social Services cost pressures** – The MTFP presented to Council in February 2019 included further anticipated Social Services growth of £1.5m for 2020/21. Based on updated information the projected 2020/21 growth requirement is now £800k. The draft budget proposals presented to Cabinet on the 13th November 2019 recommended that for 2020/21 only the anticipated growth requirement would be met through a one-off contribution of £800k from Social Services reserves. This was proposed on the basis that there are a number of initiatives currently underway that will reduce costs in the medium to long-term and therefore mitigate the current cost pressures in the system.
- 5.3.25 The favourable Financial Settlement now means that £800k growth can be allocated to Social Services, thus protecting the level of reserves for use on capital projects that will be the subject of further reports in due course. Savings arising from the range of initiatives that are underway in the Directorate will be made available to support the budget from 2021/22 onwards.
- 5.3.26 **Education and Lifelong Learning cost pressures** – Growth requirements of £875k have been identified with a range of cost pressures within this service area. Support for our most

vulnerable learners, in particular in relation to our Education Other Than At School (EOTAS) provision, continues to be a pressure. Work is well underway with regards to the strategy and delivery model moving forward and further reports will follow in due course. There are also additional cost pressures linked to requirements around the Additional Learning Needs (ALN) Reform Bill and Well-Being.

- 5.3.27 **Coroner's Growth Requirement** – Notification has been received from the Coroner that additional funding will be required in 2020/21 to meet inescapable service pressures.
- 5.3.28 **Sustainable Waste Management Grant Reduction** – The Provisional Settlement includes a reduction in the Sustainable Waste Management Grant for 2020/21. This grant supports Local Authorities in developing, implementing and operating waste prevention and waste recycling initiatives. The reduction for Caerphilly CBC equates to £93k and it is proposed that growth should be allocated to the Communities Directorate to offset the reduction and thus avoid any detrimental impact on service delivery.
- 5.3.29 **City Deal partnership revenue contribution and City Deal Debt Charges** – There is a small increase of £2k required for 2020/21 in respect of the revenue contribution for the City Deal Partnership. The City Deal also includes a borrowing requirement of £120m for the ten partner Local Authorities and an additional £44k is required for 2020/21 to meet the current anticipated cost for Caerphilly CBC's share of potential borrowing that may be undertaken during the year.
- 5.3.30 **Private Finance Initiative (PFI) review** – A review of the Council's schools PFI contracts is currently being undertaken. These contracts relate to Fleur de Lys (Ysgol Gyfun Cwm Rhymni) and Pengam (Lewis School) Secondary Schools. To assist with this review the services of a company called Local Partnerships have been commissioned. This organisation has a proven track record in relation to supporting public sector bodies through reviews of operational PFI contracts and was recommended by WG Officers. To date the review has focussed on contract management arrangements, benchmarking and affordability and will now progress to reviewing options for the future. It is currently anticipated that an options appraisal will be presented to Cabinet in spring 2020. In the meantime, there is an estimated growth requirement of £849k that will need to be recognised in the draft budget proposals for 2020/21, pending the outcome of the review and agreement on the way forward for these contracts.
- 5.3.31 The Final 2019/20 Budget Proposals approved by Council on the 21st February 2019 included temporary savings totalling £3.272m. In determining the budget proposals for 2020/21 the budgets for these temporary savings have been reinstated.
- 5.3.32 The 2019/20 budget proposals approved by Council in February 2019 also included a reduction of 2% (£2.126m) in the funding allocated to schools. The favourable Financial Settlement for 2020/21 provides an opportunity for this to be reviewed and it is therefore proposed that the cut of £2.126m should be reinstated into school budgets from April 2020.
- 5.4 2020/21 Savings Proposals**
- 5.4.1 The 2020/21 Draft Budget Proposals presented to Cabinet on the 13th November 2019 included proposed savings totalling £8.485m. Following the announcement of the Provisional Settlement on the 16th December 2019 and after considering the feedback from the budget consultation process the list of savings has been subject to a detailed review.
- 5.4.2 Appendix 2 provides details of the full list of draft savings presented to Cabinet in November 2019 totalling £8.485m. Details are also provided of the updated position as follows: -

Table 5 – Updated 2020/21 Savings Position

	£m
Savings proposals to be retained for 2020/21	2.862
Savings proposals to be withdrawn	4.638
Savings proposals to be deferred pending Service Reviews	0.985
TOTAL: -	8.485

- 5.4.3 **Savings proposals to be retained for 2020/21** – In the main these savings proposals are those that have been assessed as having ‘Nil Impact’. Since the preparation of the Cabinet report in November 2019 additional savings have been identified that will result in a revised proposed savings total of £3.047m as shown in Table 6: -

Table 6 – Updated 2020/21 Savings Proposals

	£m
Savings proposals to be retained for 2020/21	2.862
Additional savings identified: -	
- Removal of Deputy Chief Executive budget	0.019
- Staff Restaurant price increase at 5% instead of the 3% originally proposed	0.004
- Reduction in Fire Service Levy budget	0.162
TOTAL: -	3.047

- 5.4.4 **Savings proposals to be withdrawn** – These total £4.638m and the most significant saving in this category is the proposed further reduction of 2% (£2.060m) in the budget allocated to schools. The withdrawal of this proposed saving along with the proposed reinstatement of the 2% cut applied to schools in 2019/20 will mean that all school cost pressures totalling £12.784m for 2019/20 and 2020/21 will be fully funded moving forward.
- 5.4.5 **Savings proposals to be deferred pending Service Reviews** – It is proposed that these savings proposals totalling £985k will be deferred for the 2020/21 financial year on the basis that they will be subject to Service Reviews under the Council’s Transformation Programme. As these Reviews are completed individual reports will be presented to Scrutiny Committees prior to consideration by Cabinet.
- 5.4.6 The proposed savings totalling £3.047m, along with the proposed increase in Council Tax of 4.7% will allow for savings in advance of £1.971m and provide a balanced budget position for 2020/21.
- 5.4.7 The savings in advance will provide a solid foundation for anticipated further budget reductions in future years and also provides an opportunity to make one-off investments in the 2020/21 financial year. It is proposed that £500k of the £1.971m is allocated to Environmental Schemes, with the balance of £1.471m being transferred to Capital Earmarked Reserves and added to the £24.5m reserves that have been set aside to invest in our ‘place shaping’ agenda. As mentioned in paragraph 5.1.8, detailed proposals setting out how this funding will be used will be the subject of a further report during the spring.
- 5.4.8 The proposed one-off £500k funding for Environmental Schemes will be used for 3 teams with vehicles and associated equipment and the types of work to be undertaken (not an exhaustive list) will include the following: -
- Works to enhance our gateway entrances to the county borough. The priorities currently are Ynysddu to Wattsville, Blackwood to Hollybush, Ystrad Mynach, and Machen to Trethomas.

- General weed, moss and silt removal and grubbing out/back edging footpaths etc.
- Renovating our 16 chevron tile roundabouts.
- Sign cleaning.
- Dealing with special requests from Members which current operational budgets / service delivery cannot easily address.
- Railing, bench and other street furniture repairs / renovations where required/requested.

5.5 General Fund Balances

- 5.5.1 Details of the projected movement on General Fund balances are provided in Appendix 3.
- 5.5.2 As previously agreed by Council the Council Tax surplus each year is channelled through the General Fund to support the base budget in the following financial year.
- 5.5.3 A total of £2.380m has been transferred from the General Fund into Capital Earmarked Reserves during the 2019/20 financial year as agreed by Council at its meeting on the 30th July 2019.
- 5.5.4 Cabinet will note that projected underspends for 2019/20 will result in £1.602m being transferred into the General Fund. This results in a projected General Fund balance of £13.261m
- 5.5.5 It is proposed that the General Fund balance should be set at 3% of the 2020/21 Net Revenue Budget i.e. £10.684m. This is the minimum balance recommended by the Council's Acting Section 151 Officer and results in a projected surplus balance of £2.577m. It is recommended that this sum is transferred into Capital Earmarked Reserves to support investments in the 'place shaping' agenda.

5.6 Council Tax Implications 2020/21

- 5.6.1 The budget proposals within this report include a proposed increase of 4.7% in Council Tax for the 2020/21 financial year. This will increase the Caerphilly CBC Band D precept from £1,131.21 to £1,184.38 i.e. an annual increase of £53.17 or weekly increase of £1.02.
- 5.6.2 The proposed increase of 4.7% for 2020/21 will result in the following totals for the Caerphilly CBC element of the Council Tax (the Police & Crime Commissioner and Town/Community Council precepts will be added to these totals): -

Table 7 – 2020/21 Council Tax (CCBC Element) at 4.7% Increase

Band	Council Tax (CCBC Element) £	Annual Increase £	Weekly Increase £
A	789.58	35.44	0.68
B	921.18	41.35	0.80
C	1,052.78	47.26	0.91
D	1,184.38	53.17	1.02
E	1,447.57	64.98	1.25
F	1,710.77	76.80	1.48
G	1,973.96	88.61	1.70
H	2,368.75	106.33	2.04
I	2,763.55	124.06	2.39

5.7 Capital Programme

- 5.7.1 The proposed Capital Programme for the three-year period 2020/21 to 2022/23 is detailed in Appendix 4 of this report and summarised in Table 8.

Table 8 – Summary of Capital Programme 2019/20 to 2021/22

	2020/21	2021/22	2022/23
	£m	£m	£m
Capital Programme proposals	11.363	9.846	9.726
WG funding available	(8.636)	(7.885)	(7.885)
Capital funding gap	2.727	1.961	1.841
Funded by: -			
Surplus/(Deficit) b/fwd	0.000	0.454	0.199
Capital Underspends from previous years	0.306	0.000	0.000
One-Off funding from MRP Policy Review	1.640	1.578	1.514
RCCO budget (Miscellaneous Finance)	0.128	0.128	0.128
Additional General Capital Grant	1.107	0.000	0.000
Total Additional Funding	3.181	2.160	1.841
Surplus/(Deficit) carried forward	0.454	0.199	0.000

5.7.2 As outlined in paragraph 5.1.8, at its meeting on the 29th January 2020, Cabinet approved a proposal to earmark £24.5m of reserves to boost the capital programme by investing in our 'place shaping' agenda. Furthermore, the proposals in this report in respect of savings in advance and the surplus General Fund balance will result in a further £4.048m being available for investments in the 'place shaping' agenda.

5.8 Financial Outlook for Future Years

5.8.1 Due to the ongoing programme of austerity and increasing demand for a number of services, the financial position for Local Government has been very challenging in recent years. During the period 2008/09 to 2019/20 Caerphilly CBC has already delivered savings of £103m to address reductions in funding and inescapable cost pressures. In addition to this, further savings of £3.047m are proposed in this report for the 2020/21 financial year.

5.8.2 Whilst the positive Financial Settlement for 2020/21 is clearly welcomed there remains considerable uncertainty surrounding the funding position for future years. The UK Government has undertaken a spending review for 2020/21 only at this stage, so there is no indication of likely funding levels in the medium to long-term.

5.8.3 The Chancellor of the Exchequer has announced that details of the UK Government Budget will be released on the 11th March 2020. This will hopefully provide some clarity around the outlook for public finances in the medium-term. However, a further dynamic to consider will be how the Welsh Government prioritises any additional funding that it may receive moving forward.

5.8.4 Due to the uncertainty around funding levels an updated Medium-Term Financial Plan (MTFP) is not being provided at this stage. Following the budget announcement on the 11th March 2020 the position will be reviewed and a further report on the future financial outlook will be prepared for Cabinet consideration.

6. ASSUMPTIONS

- 6.1 The updated budget proposals detailed in this report are based on the 2020/21 Provisional Local Government Financial Settlement and it is assumed that there will be no material changes in the Final Settlement due to be announced by the Welsh Government on the 25th February 2020.
- 6.2 A range of other assumptions have been made throughout the report in respect of pay and non-pay inflationary increases and inescapable service pressures moving forward.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 The budget setting process encompasses all the resources used by the Council to deliver services and meet priorities.
- 7.2 Effective financial planning and the setting of a balanced budget support 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.

8. WELL-BEING OF FUTURE GENERATIONS

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

9. EQUALITIES IMPLICATIONS

- 9.1 Equalities Impact Screenings have been undertaken for all of the 2020/21 savings proposals and Equalities Impact Assessments (EIA's) have also been completed where they are required. This is to ensure that decisions that affect different individuals and groups with protected characteristics are assessed at an appropriate and relevant level and at the correct stage in the process. Completed EIA's are available on the Council's website.
- 9.2 Consultation with residents, when done in accordance with the Council's Communications & Engagement Strategy and the Equalities Consultation and Monitoring Guidance, also ensures that every resident, regardless of circumstances, has the opportunity to have their views heard and considered in the Council's decision-making process.

10. FINANCIAL IMPLICATIONS

- 10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

- 11.1 Where staff reductions are required as a consequence of savings proposals the Council will firstly try to achieve this through 'natural wastage' and not filling vacancies. However, where

this is not possible the Council will utilise agreed HR policies and compulsory redundancies will only be considered when all other options have been fully exhausted.

11.2 The Trade Unions have been consulted on the 2020/21 draft budget proposals.

12. CONSULTATIONS

12.1 Following Cabinet endorsement of the draft 2020/21 budget proposal on the 13th November 2019 a period of extensive consultation has been undertaken over a period of eight weeks. Appendix 5 provides a summary of the feedback from the consultation process and the full detail is available on the Council's website.

12.2 As part of the consultation process Special Scrutiny Committees were held during December 2019 to focus on the savings proposals. The Special scrutiny reports presented to these meetings along with the minutes of these meetings are also available on the Council's website.

12.3 Feedback from the consultation process has been a key consideration in determining the final budget proposals for the 2020/21 financial year.

13. STATUTORY POWER

13.1 The Local Government Acts 1998 and 2003.

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Consultees: Corporate Management Team
Andrew Southcombe, Finance Manager, Corporate Finance
Rob Tranter, Head of Legal Services and Monitoring Officer
Lynne Donovan, Head of People Services
Cllr Philippa Marsden, Leader
Cllr Eluned Stenner, Cabinet Member for Finance, Performance and Planning

Background Papers: -

- Budget Proposals for 2019/20 and Medium-Term Financial Plan 2019/20 to 2023/24 (Council 21/02/19).
- Future Caerphilly Transformation Strategy - #TeamCaerphilly – Better Together (Cabinet 12/06/19).
- Draft Budget Proposals for 2020/21 (Cabinet 13/11/19)
- WG Provisional 2020/21 Local Government Financial Settlement (16/12/19)

Appendices: -

Appendix 1 - Net Revenue Budget 2020/21
Appendix 2 - 2020/21 Draft Savings Proposals
Appendix 3 - Movement on General Fund
Appendix 4 - Capital Programme 2020/21 to 2022/23
Appendix 5 - Budget Consultation 2020/21 Summary Report

NET REVENUE BUDGET 2020/21

	£'000	£'000
Base Budget 2019-20		337,745
Whole-Authority Cost Pressures		
Pay Inflation	4,481	
Pay Contingency 2020-21	966	
Living Wage	65	
Non-pay Inflation at 1.7%	2,242	
Teacher's Employer Pension Contributions	2,288	
Schools Service Pressures	674	
Trinity Fields Transport Costs (Democratic Growth)	44	
	<hr/>	10,760
General Fund Inescapable Service Pressures		
Council Tax Reduction Scheme (CTRS)	693	
Funded Nursing Care	101	
WG Funding for PFI Contracts	(202)	
Social Services Cost Pressures	800	
Education & Lifelong Learning Cost Pressures Contingency	875	
Coroner's Growth Requirement	48	
Sustainable Waste Management Grant Reduction	93	
City Deal - Partnership Revenue Contribution	2	
City Deal - Debt Charges	44	
PFI Review	849	
	<hr/>	3,303
Reinstatement of 2019-20 Temporary Budget Reductions		3,272
Reinstatement of 2019-20 2% Cut in Schools Budget		2,126
Savings In Advance		1,971
Savings Proposals 2020-21		(3,047)
Proposed Expenditure		356,130
Funding		
WG Support		(283,367)
Council Tax (4.7%)		(71,713)
Council Tax Surplus		(1,050)
Total Funding		(356,130)

Ref.	Proposed Saving	Original List £000's	Retained Savings £000's	Withdrawn Savings £000's	Service Reviews £000's	Public Impact
	A) BEING MORE EFFICIENT					
	Education & Lifelong Learning: -					
A01	Adult Education - Delete vacant Manager's post.	42	42			Nil
A02	14 to 19 Initiative Transport Costs - Budget realignment.	25	25			Nil
A03	Support Services and Resources - Delete vacant post.	15	15			Nil
A04	Library Service - Delete Library Manager post.	50	50			Nil
A05	Education Welfare Service - Restructure of service.	28	28			Nil
A06	Music Service - Curriculum Leader - Vacant post.	59	59			Nil
A07	Music Service - Delete Music Teacher post but some hours retained.	26	26			Nil
A08	Music Service - Delete Music Teacher post.	53	53			Nil
A09	Language Support Primary - Delete vacant post.	33		33		Minor
A10	Library Service - Back office efficiencies & transport related savings.	18	18			Nil
A11	Youth Service - 1 Caretaker at Crumlin Institute not replaced (vacant post).	11	11			Nil
A12	Youth Service - Deletion of admin post.	21	21			Nil
A13	Youth Service - Duty Officer/Caretaker post not to be replaced when the postholder leaves in the Autumn.	25	25			Nil
A14	Youth Service - Deletion of part-time Grade 10 vacant post.	28	28			Nil
A15	Early Years Team.	15	15			Nil
A16	Education Achievement Service (EAS) - 1.5% reduction in contribution.	15	15			Nil
A17	Gwent Sensory & Communication Support Unit (SenCom) - 1% reduction.	7	7			Nil
	Social Services & Housing: -					
A18	Private Housing - Minor restructure.	27	27			Nil
	Communities: -					
A19	Business Support & Funding - Budget realignments	40	40			Nil
A20	Business Support & Funding - Increased rental income from Lowry Plaza Unit Shops.	5	5			Nil
A21	Urban Renewal - Reduction in Publicity & Promotion budget.	2	2			Nil
A22	Urban Renewal - Reduction in mileage, printing and miscellaneous expenditure budgets.	2	2			Nil
A23	Tourism - Blackwood Miners Institute - Reduced Box Office opening hours.	8	8			Nil
A24	Tourism - Blackwood Miners Institute - Staffing restructure.	20	20			Nil
A25	Tourism - Winding House - Budget realignment and reduction in staffing budget.	30	30			Nil
A26	Tourism - Marketing and Events - Reduction in marketing spend.	8	8			Nil
A27	Tourism - Additional budget efficiencies across all venues.	21	21			Nil
A28	Infrastructure Division - Minor restructure.	31		31		Minor
A29	Community & Leisure Services - Deletion of Admin post.	25	25			Nil
A30	Community & Leisure Services - Budget realignment.	56	56			Nil
A31	Registrars - Vacancy Management.	10	10			Nil
A32	Public Protection - Budget realignment.	39	39			Nil
A33	Corporate Property - Penmaen House - Running costs to be met by new tenant.	33	33			Nil
A34	Corporate Property - Ty Penallta - Reduction in building cleaning.	25	25			Nil

Ref.	Proposed Saving	Original List £000's	Retained Savings £000's	Withdrawn Savings £000's	Service Reviews £000's	Public Impact
A35	Corporate Property - Other Offices - Reduction in building cleaning.	20	20			Nil
A36	Corporate Property - Reduction in utility costs.	15	15			Nil
	Corporate Services: -					
A37	Corporate Finance - Vacancy management.	208	208			Nil
A38	Building Cleaning - Reduction in printing costs.	4	4			Nil
A39	Building Cleaning - Reduction in subscriptions.	4	4			Nil
A40	Building Cleaning - Reduction in training budget	4	4			Nil
A41	Building Cleaning - Reduction in fleet costs.	5	5			
A42	Legal & Governance - Deletion of vacant solicitor post.	12	12			Nil
A43	Legal & Governance - Reduction in supplies and services expenditure.	20	20			Nil
A44	Legal & Governance - Reduction in Counsel Fees budget	50	50			Nil
	Sub-Total: -	1,195	1,131	64	0	
	B) DOING THINGS DIFFERENTLY					
	Education & Lifelong Learning: -					
B01	Library Service - Deletion of 2 Community Librarian posts (Grade 8).	80	80			Minor
B02	Library Service - Full-year effect of workforce remodelling savings approved as part of the 2019/20 budget.	32	32			Nil
	Social Services & Housing: -					
B03	Social Services - Temporary use of reserves to underpin alternative ways of working.	800		800		Nil
	Communities: -					
B04	Infrastructure - Reduction in Street Lighting maintenance budget.	40		40		Minor
B05	Community & Leisure Services - Bowling Green Rationalisation.	10	10			Nil
B06	Community & Leisure Services - Closure and sale or lease of Ynys Hywel Farm.	40	40			Nil
B07	Community & Leisure Services - Closure of Penallta Parks Depot.	24	24			Nil
B08	Community & Leisure Services - Closure of Trehir Household Waste Recycling Centre (HWRC).	15			15	Moderate
B09	Public Protection - Merge Community Safety Wardens with the Environmental Health General Enforcement Team.	160			160	Significant
B10	Corporate Property - All leaseholders to discharge maintenance obligations.	20	20			Minor
	Corporate Services: -					
B11	Corporate Policy - Reduction in external Welsh Language Translation budget.	15	15			Nil
B12	Customer Services - Service redesign	68			68	Moderate
B13	Central Services - Service redesign in Mail Room.	24			24	Low
	Sub-Total: -	1,328	221	840	267	
	C) SERVICE REDUCTIONS/CUTS					
	Education & Lifelong Learning: -					

Ref.	Proposed Saving	Original List £000's	Retained Savings £000's	Withdrawn Savings £000's	Service Reviews £000's	Public Impact
C01	2% reduction in Individual Schools Budget.	2,060		2,060		Moderate
C02	2% reduction in Former Key Stage 2 Grant	30		30		Minor
C03	2% reduction in Secondary Additional Funding	22		22		Minor
C04	Youth Service - Reduction in top-up to grant funded projects.	15			15	Moderate
C05	Youth Service - Withdrawal of service from Bedwas High School.	6	6			Nil
	Social Services & Housing: -					
C06	Housing - Withdrawal of General Fund Housing contribution to Community Environmental Warden Service.	45			45	Moderate
	Communities: -					
C07	Business Support & Funding - Reduction in the revenue budget for the Community Enterprise Fund.	50			50	Minor
C08	Urban Renewal - Reduction in Town Centre/Community Projects budget.	8			8	Minor
C09	Community Regeneration - Reduction in Community Projects budget.	35	35			Minor
C10	Infrastructure - Withdraw the School Crossing Patrol sites that no longer meet the national standards criteria.	158		158		Moderate
C11	Infrastructure - Blackwood to Ystrad Link - Withdrawal of subsidy.	80			80	Moderate
C12	Infrastructure - Reduction in Carriageway maintenance budget.	514		514		Significant
C13	Infrastructure - Reduction in other Highway maintenance budgets.	95		95		Moderate
C14	Infrastructure - Reduction in Traffic Management maintenance budget.	10		10		Moderate
C15	Infrastructure - Reduction in Risca Canal budget.	40		40		Moderate
C16	Community & Leisure Services - Reduction in playground maintenance budget.	10		10		Minor
C17	Community & Leisure Services - 50% Reduction in maintenance of land budget.	16		16		Minor
C18	Community & Leisure Services 50% Reduction in Public Rights of Way budget.	32		32		Minor
C19	Community & Leisure Services - Reduction in Cemeteries Maintenance budget.	20		20		Minor
C20	Community & Leisure Services - Reduction in War Memorial Maintenance budget.	5		5		Minor
C21	Community & Leisure Services - Reduction in Allotment budget	2		2		Nil

Ref.	Proposed Saving	Original List £000's	Retained Savings £000's	Withdrawn Savings £000's	Service Reviews £000's	Public Impact
C22	Community Centres - Withdrawal of funding for 2 Centres not in CCBC ownership (Rudry and Glan-y-Nant).	13	13			Minor
C23	Community Centres - Reduction of 1 hour Caretaker support across all Centres.	18			18	Minor
C24	Waste Management - Reduction in Cleansing staff numbers (6 posts).	145			145	Moderate
C25	Public Protection - Decommission all BT line rental cameras.	24		24		Moderate
C26	Corporate Property - Reduction in DDA budget.	30	30			Nil
C27	Corporate Property - 7% reduction in building maintenance budgets.	106		106		Minor
Corporate Services: -						
C28	Corporate Policy - Reduction in Voluntary Sector budget.	80			80	Significant
C29	Corporate Policy - Delete remaining Technical Assistance budget.	11			11	Moderate
C30	Corporate Policy - Further reduction in the Well-being budget.	6			6	Moderate
C31	Corporate Policy - Further reduction in publicity and promotion budgets.	2	2			Nil
Miscellaneous Finance: -						
C32	Miscellaneous Finance - Deletion of Match Funding for Community Schemes budget.	15			15	Minor
Sub-Total: -		3,703	86	3,144	473	
D) #TEAMCAERPHILLY - BETTER TOGETHER						
Fees and Charges						
Social Services & Housing: -						
D01	Housing - Increase in Housing Revenue Account (HRA) recharges - Minor works of adaptation.	25	25			Nil
Communities: -						
D02	Planning - Income from charging for advice.	6	6			Minor
D03	Urban Renewal - Increased staff fee income from project management on grant funded projects.	2	2			Nil
D04	Tourism - Cwmcarn Visitor Centre - Additional income.	10	10			Nil
D05	Tourism - Caerphilly Visitor Centre - Additional catering income.	5	5			Nil
D06	Tourism - Blackwood Miners Institute - Additional income.	5	5			Nil

Ref.	Proposed Saving	Original List £000's	Retained Savings £000's	Withdrawn Savings £000's	Service Reviews £000's	Public Impact
D07	Tourism - Marketing and Events - Additional income from review of Pitch Fees.	12	12			Nil
D08	Waste - Increase charges for bulky collections (from £16 to £25 for 1 to 3 items).	25			25	Minor
D09	Public Protection - Review Pest Control Fees and Charges and introduce a charge for rat treatments.	20			20	Moderate
D10	Corporate Property - Ty Duffryn rental income.	69	69			Nil
D11	Corporate Property - Penmaen House rental income.	31	31			Nil
Corporate Services: -						
D12	Meals Direct - Increase price of meals by 25p from April 2020.	5		5		Minor
D13	Catering - Increase price of primary school meals by 10p from April 2020.	28		28		Minor
D14	Catering - Increase price of secondary school meals by 10p from April 2020.	54		54		Minor
D15	Catering - Increased income in Secondary Schools (budget realignment).	12	12			Nil
D16	Catering - Increase price of meals in the staff canteen by 3%.	6	6			Nil
D17	Building Cleaning - Increase in income.	12	12			Nil
D18	Building Cleaning - Increase income from window cleaning.	4	4			Nil
D19	Building Cleaning - Increase charges for Portable Appliance Testing.	3	3			Nil
D20	Building Cleaning - Increase in charges for Trinity Fields.	14	14			Nil
D21	Building Cleaning - New contract with Morrison Utilities	5	5			Nil
D22	Procurement - Income generation through collaboration.	10	10			Nil
D23	Catering - Introduce a charge for providing current free provisions to meeting rooms i.e. water.	3		3		Nil
D24	Corporate Services - Digital Services - Efficiency savings through process reviews and automation.	200			200	Nil
D25	Review of Investment Strategy	718	718			Nil
Sub-Total: -		1,284	949	90	245	
E) OTHER						
E1	Miscellaneous Finance - Temporary reduction in Debt Charges budget.	500		500		Nil
E2	Miscellaneous Finance - 2019/20 savings in advance.	475	475			Nil
Sub-Total: -		975	475	500	0	
TOTAL: -		8,485	2,862	4,638	985	

Additional Savings: -

- Deputy CEO Salary Payment	19
- Staff Restaurant Price Increase of 5%	4
- Reduction in Fire Service Levy	162

Total 2020/21 Savings: -

3,047

MOVEMENT ON GENERAL FUND

	£'000	£'000
Opening Balance 01/04/2019		15,089
2018-19 Council Tax Surplus to support 2019-20 Budget		(1,050)
Take From General Fund Agreed by Council (30/07/19): -		
Transfer to Capital Earmarked - Corporate Projects	<u>(2,380)</u>	(2,380)
Projected Take to General Fund from 2019-20 Underspends :-		
Education and Corporate Services	874	
Social Services & Housing	283	
Communities	0	
Miscellaneous Finance	<u>445</u>	1,602
Estimated 2019-20 Council Tax Surplus		1,050
2019-20 Council Tax Surplus to support 2020-21 Budget		(1,050)
Projected Balance 31/03/2020		<u><u>13,261</u></u>

Capital Programme 2020/21 to 2022/23

Scheme	2020/21 £000's	Indicative 2021/22 £000's	2022/23 £000's
<u>Education and Lifelong Learning</u>			
Health & Safety Regulations Works	296	296	296
Basic Needs Accommodation	221	221	221
School Security	62	62	62
Asset Management	591	590	590
School Boiler Replacement Programme	253	253	253
Total Education & Lifelong Learning	1,423	1,422	1,422
<u>Communities</u>			
Sport Pitches	30	30	30
Abertridw Park	40	0	0
Total Community & Leisure Services	70	30	30
Environmental Schemes	228	200	200
Total Countryside	228	200	200
Voluntary Sector Capital Grants	98	80	50
Total Economic Development	98	80	50
Infrastructure Retaining Walls	314	314	314
Street Lighting	50	50	50
Land Purchase-Future Schemes	41	40	40
Major Highway Reconstruction	739	739	739
Bridge Strengthening	441	441	441
Land Drainage- Corporate	123	123	123
Land Drainage - Non Corporate	123	123	123
Vehicle Restraint Systems	148	148	148
Corporate Maintenance - Tips Mines Spoils	246	246	246
Monmouth & Brecon Canal.	208	200	200
Footway Reconstruction	148	148	148
Total Engineers	2,581	2,572	2,572
Commercial And Industrial Grants	0	30	30
Town Centres	20	18	18
Total Urban Renewal	20	48	48
CCTV Replacement	74	74	74
Kitchen Refurbishments	419	419	419

Total Public Protection	493	493	493
Corporate Asset Management	690	690	690
Total Property	690	690	690
Total Communities	4,180	4,113	4,083
<u>Social Services & Housing</u>			
Condition Surveys	344	340	340
Total Social Services	344	340	340
Disabled Facility Grants	1,133	1,130	1,133
Home Imp Grants/Miscellaneous	246	240	246
Home Repair Grant	788	780	788
Total Private Housing	2,167	2,150	2,167
Total Social Services & Housing	2,511	2,490	2,507
<u>Corporate Services</u>			
IT Hardware & Software	230	220	200
Total ICT	230	220	200
Total Corporate Services	230	220	200
Capital Earmarked Reserve	1,663	1,601	1,514
Unallocated General Capital Grant	1,356	0	0
Total Capital Programme	11,363	9,846	9,726

Caerphilly County Borough Council

Budget Consultation 2020/21

Summary Report

Introduction	2
Methodology.....	2
Media and Digital Media Campaign	3
Survey	3
Written Communication with those directly impacted and key stakeholder groups.	4
Face to Face Engagement	4
Public Drop in sessions	4
“Viewpoint Panel” Meeting.....	5
Additional Face to Face Stakeholder Engagement.....	6
Responses	7
Survey	7
Petitions.....	8
Key Findings and Themes.....	9
Council Tax Increase (239 responses)	9
If not through an increase in Council Tax, how else do you feel we can achieve the required savings	10
Views on the savings proposals	10
Areas of widest concern.....	10
Mixed Views.....	10
Areas of agreement.....	11
General themes.....	11
Equalities implications.....	11
Ideas for delivering services differently to meet the current and future needs of residents	12
How the wider community can work to support the council to deliver services differently	12

Introduction

A series of draft budget proposals totalling almost £8.5 million were considered by Cabinet on 13th November 2019 alongside a proposed Council Tax rise of 6.95% to cover the remaining shortfall.

The views of residents and stakeholders views were sought on the draft proposals over a period of 6 weeks from **18th November 2019 to 13th January 2020**, with views expressed as part of this consultation to be fed back and considered by Cabinet on 12th February 2020 prior to the final budget for 2020/21 being agreed at a special meeting of full Council on **20th February 2020**.

Methodology

A formal consultation on the draft savings proposals for 2020/21 took place between **18th November 2019 and 13th January 2020**. This was preceded by a period of engagement - information sharing and awareness raising.

Key elements of the engagement and consultation include:

- A media and digital media campaign
- A survey distributed via the Council's newsletter "Newslite", made available on the Council's website and at all main Council buildings and libraries
- Written communication with stakeholder groups (including Councillors, Town and Community Councils)
- Face to face conversations
 - drop in sessions held at 9 libraries across the county borough
 - a "Viewpoint Panel" meeting held on 25th November 2019
- Additional face-to-face meetings with
 - Voluntary Sector Liaison Committee
 - Special Scrutiny Committees
 - Trade Unions and other key stakeholder groups

The main elements of the engagement and consultation process are summarised below. Further details of each element of the public and stakeholder consultation can be found in the annexes to this report.

Media and Digital Media Campaign

Prior to the launch of the consultation and throughout the consultation period, a range of web, media and social media activity was carried out to raise awareness of the financial situation facing the Council and to promote and encourage residents to take part and have their say on the draft savings proposals.

A key element of the activity prior to and during the consultation period focussed on increasing understanding of the financial situation and the reasons why the Council is faced with having to make such difficult financial decisions.

It highlighted the financial pressures that the Council must fund, the significant (but relatively small in the grand scheme) role that Council Tax has in funding council services and the rationale for the Council needing to ask residents to pay more, through Council Tax, for the services they receive.

Following a positive provisional settlement from Welsh Government in December, the media and digital media campaign reminded residents how important it was for them to have their say on the services that are most important to them.

Activities carried out as part of this work included:

- Video
- Web content
- Infographic/information leaflet
- Media releases
- Digital media including Facebook, Twitter and NewsOnline

Survey

A short open ended questionnaire was developed to seek views on the draft budget proposal. A copy of the questionnaire can be found in [Annex 1](#).

The survey and supporting consultation information (draft proposals, completed Equality Impact Assessments and budget templates for each proposal) was included on the CCBC website for the duration of the consultation period with a prominent front page banner and a link directly to the survey.

Details of draft budget proposals were highlighted on the front page of the December 2019 edition of the Council's newsletter "Newsline" with further information and the questionnaire included in a central pull out section of the publication. "Newsline" is delivered to every household within the county borough.

Written Communication with those directly impacted and key stakeholder groups

Details of the proposals and a link to the survey was shared widely with a range of key stakeholders and groups (as outlined in [Annex 2](#)) via e-mail and/or in printed format as appropriate.

Those for whom certain proposals were considered to have a direct impact were engaged directly including:

- Meals Direct clients
- Parents in relation to school crossing patrol and school meal price increases
- Voluntary sector organisations (Citizens Advice Bureau, GAVO and Groundwork)

Face to Face Engagement

Due to the election taking place on 12th December 2019, elected members were unable to participate in the face to face public engagement around the budget proposals for 2020/21 as they have done in previous years.

Public Drop in sessions

Face to face drop in sessions were held at 9 libraries across the county borough between 27th November and 9th December 2019 as shown in **Table 1**.

Drop-in sessions were facilitated by officers from the Service Improvement and Partnerships/Communications and Corporate Finance teams alongside senior officers. The sessions were publicised widely at the venues and at the main Council premises across the county borough. Local Councillors were asked to promote the sessions and regular reminders were sent out via social media. Residents were encouraged to come in and speak with officers to find out more about the draft proposals and to provide feedback through completing a questionnaire. This approach allowed face to face interaction with individuals and encouraged debate and discussion.

Across the 9 drop in sessions, **68** residents engaged in discussion with officers with Blackwood Library seeing the greatest footfall. A number also took the time to vote on the proposed Council Tax increase and took away a copy of the survey to complete. The demographic composition of attendees was skewed towards older age groups, with a larger number of female attendees than male.

Table 1: Face to Face Session

Date and time	Venue	Engaged with
27.11.19 (10.00am - 12.30pm)	Rhymney Library	5
27.11.19 (3.30pm - 6.00pm)	Caerphilly Library	6
28.11.19 (10.00am - 12.30pm)	Newbridge Library	9
29.11.19 (10.30am - 1.00pm)	White Rose Resource Centre, New Tredegar (and Parent Network PLANET event at Fochriw Community Centre)	9 (6)
02.12.19 (10.00am - 1.00pm)	Bargoed Library	7
04.12.19 (2.00pm - 4.00pm)	Nelson Library	8
05.12.19 (10.30am - 12.30pm)	Blackwood Library	15
06.12.19 (10.30am - 12.30pm)	Ystrad Mynach Library	5
09.12.19 (3.00pm - 6.00pm)	Risca Palace Library	4

“Viewpoint Panel” Meeting

On Monday 25th November 2019, **27** residents from across the county borough attended a meeting at Penallta House. Groups represented included the Caerphilly County Borough Viewpoint Panel, Caerphilly Youth Forum, Caerphilly Parent Network and Caerphilly 50+ Forum.

Prior to the meeting, attendees were provided with details of the proposals and on arrival, were welcomed by Richard Edmunds, Corporate Director of Education and Corporate Services of Caerphilly County Borough Council. After listening to a presentation by the Head of Corporate Finance in the Council Chamber, attendees were asked to vote on their preference for Council Tax increase then split into smaller groups where they were invited to discuss the draft proposals in more detail.

The aim of the meeting was to facilitate discussion in relation to the following:

- the proposed savings that participants most agreed and disagreed with
- suggestions for alternative ways to achieve the required savings
- how the Council can work together with our communities to deliver services differently

Throughout the discussion, senior officers were available to clarify details relating to the draft proposals and provide context where needed.

Additional Face to Face Stakeholder Engagement

Additional face to face discussions were held with

Voluntary Sector Liaison Committee

Prior to the full meeting of the VSLC, the Voluntary Sector Representatives met on 20th November to discuss the budget proposals in detail.

The Voluntary Sector Liaison Committee met on 5th December 2019 to consider the draft budget proposals for 2020/21. (Draft meeting notes were available at the time of reporting and these can be found in [Annex 3](#)).

Trade Unions

The Trade Unions were consulted on the draft budget proposals through our internal Joint Consultative Committee process.

Special Scrutiny Committees

Each scrutiny committee consists of 16 councillors and has a statutory 'watchdog' role to ensure that the Council carries out its responsibilities properly and where necessary, are accountable for their actions. The following Special Scrutiny Committee meetings were held to consider the draft budget proposals and medium term financial plan for 2020/21:

Social Services - 3rd December 2019

Housing & Regeneration, - 5th December 2019

Education - 9th December 2019

Environment & Sustainability - 10th December 2019

Policy & Resources - 11th December 2019

The details of Scrutiny Committees discussions are recorded outside of this report and are available on the Council's website www.caerphilly.gov.uk .

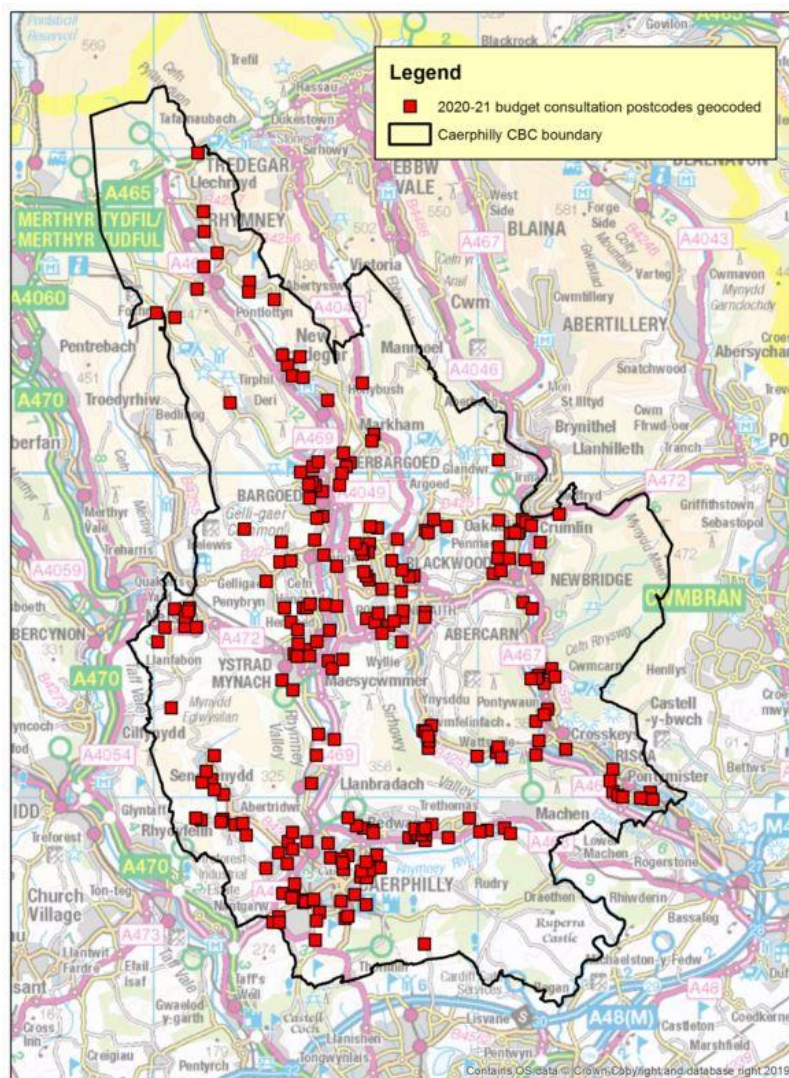
Responses

Survey

The total number of responses received to the survey was 371 (5 were completed in Welsh).

Ninety five percent of respondents were residents of the county borough and as shown in **Map 1**, there was a good geographical distribution from across the area. Fifty two percent of respondents were female, 42% were male and 15% indicated that they have a disability. A full respondent profile can be found in [Annex 4](#). A digest of comments received via the survey can be found in [Annex 5](#).

Map 1: Postcode distribution of survey respondents



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Further responses were received from residents via e-mail, letter and social media. In addition, written responses were received from the following elected representatives/groups/organisations:

Annex 6 - Digest of additional responses received.

- a) Letter from Caerphilly Blaenau Gwent Citizens Advice Bureau
- b) Response from GAVO
- c) Response from Gelligaer Community Council
- d) Response from Llanbradach and Pwll y Pant Community Council
- e) Response from Aber Valley Partnership
- f) Response from Blackwood Town Council
- g) Response from Bedwas, Trethomas and Machen Community Council
- h) Response from Cllr James Pritchard
- i) Response from Croeso Club
- j) Response from Groundwork
- k) Response from Hefin David AM
- l) Response from Nelson Community Council
- m) Response from Voluntary Sector Liaison Committee
- n) Response from Wayne David, MP
- o) Additional written responses and e-mails received

Annex 7 - Summary of Viewpoint Panel meeting discussion

Annex 8 - Feedback from face to face drop in sessions

Annex 9 - A digest of social media response

Petitions

A number of petitions have been received and will be presented and considered alongside the consultation findings:

1. Save our Children, Save our Crossing Patrol – Waunfawr Primary School, Crosskeys. 271 signatories plus 1 letter
2. Save our Crossing Lady – Cwmcarn Primary School – 197 signatories
3. We the undersigned call on Caerphilly County Borough Council, not to go ahead with the proposed decommissioning of CCTV Cameras in the villages of Senghenydd and Abertridwr, as part of its budget proposals for 2020-21.

Key Findings and Themes

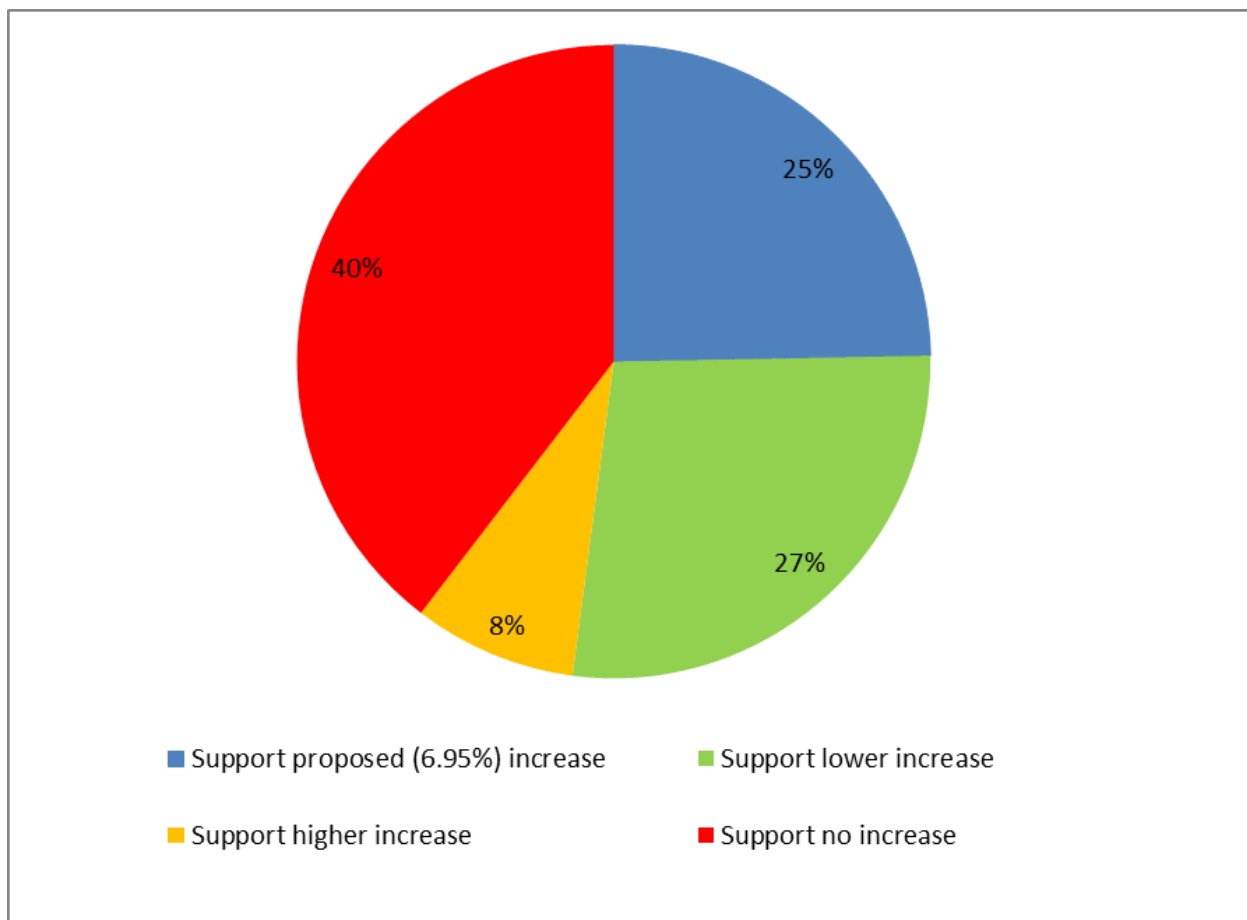
Council Tax Increase (239 responses)

In relation to the proposed increase in Council Tax, survey respondents were asked to choose from 4 options:

1. I support the proposed increase in council tax (6.95%)
2. I do not support the proposed council tax increase – it's too much. However, I'd support a lower increase in council tax
3. I support the proposed increase in council tax and would be prepared to pay an even greater increase if required
4. I do not support any increase in council tax

Graph 1 shows that 25% of respondents would support the proposed increase with a further 8% being prepared to pay an even greater increase and 27% supporting a lower increase. However, 40% do not support any increase in Council Tax.

Graph 1: Preference for Council Tax Increase (n= 336)



An analysis of the text responses highlighted the reasons behind preferences for the proposed Council Tax increases.

If not through an increase in Council Tax, how else do you feel we can achieve the required savings

A number of respondents felt that it is unfair to expect residents to pay more when their services are being reduced and the proposed increase is too great in line with other cost of living rises.

The more favourable settlement from Welsh Government in early December was noted by respondents who felt that an increase in council tax would therefore not be required.

Many of the responses to this question were of a similar nature to those given in relation to “Ideas for delivering services differently to meet the current and future needs of residents” below.

Views on the savings proposals

Areas of specific concern and those where there was a level of agreement with the proposals are outlined below:

Areas of widest concern

- Closure of Trehir Household Waste Recycling Centre
- 2% schools budget reduction
- School crossing patrol
- Highway maintenance budget
- Voluntary sector cuts
- Street lighting maintenance budget (some comments referred to light switch off rather than specifically this proposal)
- Charging for bulky waste
- Cleansing staff reduction
- Youth service
- CCTV
- School meal price increase
- Meals Direct
- Community centres
- Pest control charging

Mixed Views

There were mixed views in relation to merging Community Safety Wardens with the Environmental Health General Enforcement Team.

Library Services – there were mixed views In relation to library services. Some felt cuts were appropriate whilst others felt that libraries are a valuable resource and should be used more.

Areas of agreement

There was a general agreement that the Council should work towards being more efficient, delete vacant posts and wherever possible limit the impact of savings proposals on residents themselves.

Increasing charges: with the exception of charging for meals direct, school meals, pest control and bulky waste (noted above), there was general agreement that charges could be increased for specific services e.g. planning – income from charging for advice and staff meals.

General themes

General themes that emerged from the consultation

- Some proposals were considered counterproductive e.g.
 - closure of Trehir and increase in bulky waste charges leading to more fly tipping
 - removing funding to voluntary sector considered to support the work of the Council
- Concerns over safety (school crossing patrols/street lighting and to a lesser extent CCTV/Community Safety Wardens)
- Concerns over the environmental impact of some proposals e.g.
 - rat treatment fees
 - Trehir Civic Amenity Site closure
 - Bulky waste charges
- Concerns over impact on the most vulnerable (particularly older people, young people and disabled people) and economically disadvantaged
- There were a number of comments about
 - the council wasting money
 - having too many senior officers and Councillors and
 - paying senior staff and Councillors too much

Equalities implications

Respondents highlighted a number of areas where they felt proposals would have a detrimental impact on those who are more vulnerable in our communities on the basis of their protected characteristics, for example:

- School crossing patrols (age, carers)
- School meals and Meals Direct (age)
- CCTV and reduction in street lighting (age, gender and disability)
- Highway and footpath maintenance (disability)
- Libraries (age, disability)

A number also referenced the socio-economic impact of some of the proposals e.g. increase in charges and a reduction in transport would have a more detrimental impact on those on low incomes.

Ideas for delivering services differently to meet the current and future needs of residents

A number of themes and suggestions emerged:

- Review internal working practices and structures
 - Reduce senior management
 - Multi-skill staff
 - Reduce bureaucracy and avoid duplication
- Share resources – collaboration, joined up working, joint procurement
- Focus on priorities – be clear about what they are
- Income generation to fund investment in key services
- Be creative
- Reduce the number of local elected members
- Consider environmental impact and carbon reduction in delivery of services
- Digital but not to the detriment of face to face contact for those who need it – services accessible to all – improved transport
- Longer term planning rather than reactive spending – prevention
- Use data to make informed decisions and in forward planning
- Transparency
- Work with communities – consult more effectively and meaningfully – clearly explained
- Work with businesses
- Prioritise education and youth services – these are key foundations for thriving future communities
- Utilise volunteers

How the wider community can work to support the council to deliver services differently

Key recurring themes in the comments received:

- Improve engagement with communities
 - People feel disengaged. There is a need to reach out and regain the trust of communities – without this, communities will not take ownership and support the Council to help deliver services
 - Be accountable
 - Show that the Council values residents views and has listened
 - Engaging young people through education, schools

- Understanding is key - ensure residents have a clear understanding of the role of the Council and the services it provides
- Support and utilise volunteers and the voluntary sector
 - Many already volunteer
 - Continue to support voluntary organisations
 - Provide incentives for volunteering and recognise and value skills
 - Encouraging and support local community groups (e.g. through advice and legal support) to take more responsibility
- Share resources – between service areas, with partners, local volunteering organisations, local businesses and wider with neighbouring authorities
 - Use existing buildings (e.g. libraries) as Hubs for service delivery by co-locating (to include voluntary organisations)
- Transfer assets to communities e.g. community centres, playing fields – communities to take responsibility
- Asset rationalisation – reduce the number of office buildings etc
- Embrace technology in delivering services more efficiently
- Charge for services – if people want to use them, they will pay

List of Annexes:

- 1 [Consultation Survey](#)
- 2 [Stakeholder list](#)
- 3 [Voluntary Sector Liaison Committee Draft meeting notes](#)
- 4 [Survey respondent profile](#)
- 5 [Survey digest of comments \(redacted\)](#)
- 6 [Additional written responses received](#)
- 7 [Viewpoint Panel Meeting Feedback](#)
- 8 [Feedback from drop-in sessions](#)
- 9 [Digest of Social Media comments](#)

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