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For all enquiries relating to this agenda please contact Sharon Hughes
(Tel: 01443 864281 Email: hughesj@caerphilly.gov.uk)

Date: 20th January 2021

Dear Sir/Madam,

A meeting of the **Housing and Regeneration Scrutiny Committee** will be held via Microsoft Teams on **Tuesday, 26th January, 2021 at 5.30 pm** to consider the matters contained in the following agenda. Councillors and the public wishing to speak on any item can do so by making a request to the Chair. You are also welcome to use Welsh at the meeting, both these requests require a minimum notice period of 3 working days.,

This meeting will be recorded and made available to view via the Council's website, except for discussions involving confidential or exempt items. Therefore the images/audio of those individuals speaking will be publicly available to all via the recording on the Council website at www.caerphilly.gov.uk

Yours faithfully,

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

Christina Harrhy
CHIEF EXECUTIVE

AGENDA

- | | 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 approve and sign the following minutes: -

- | | | |
|---|---|---------|
| 3 | Housing and Regeneration Scrutiny Committee held on 13th October 2020. | 1 - 6 |
| 4 | Special Housing and Regeneration Scrutiny Committee held on 9th December 2020. | 7 - 12 |
| 5 | Consideration of any matter referred to this Committee in accordance with the call-in procedure. | |
| 6 | Housing and Regeneration Scrutiny Committee Forward Work Programme. | 13 - 22 |
| 7 | To receive and consider the following Cabinet reports*: - <ol style="list-style-type: none">1. Regeneration Project Board – Project Proposals – 11th November 2020;2. Reduce, Produce, Offset, Buy (A Decarbonisation Strategy and Action Plan for Caerphilly County Borough Council) – 25th November 2020;3. Extension to Flexible Retirement Due to Exceptional Circumstances - Caerphilly Homes (Exempt Item) – 9th December 2020. | |

**If a member of the Scrutiny Committee wishes for any of the above Cabinet reports to be brought forward for review at the meeting please contact Sharon Hughes, 01443 864281, by 10.00 am on Monday 25th January 2021.*

To receive and consider the following Scrutiny reports: -

- | | | |
|----|---|---------|
| 8 | Budget Monitoring Report 2020/21. | 23 - 44 |
| 9 | Housing Revenue Account Budget Monitoring - Period 7 2020/21. | 45 - 60 |
| 10 | Housing Revenue Account Charges - 2021/2022. | 61 - 70 |

Circulation:

Councillors J. Bevan, D. Cushing, C. Elsbury, Mrs C. Forehead (Vice Chair), R.W. Gough, L. Harding, A.G. Higgs, G. Kirby, Ms P. Leonard, Mrs G.D. Oliver, B. Owen, Mrs D. Price, Mrs M.E. Sargent, A. Whitcombe (Chair), W. Williams and B. Zaplatynski

And Appropriate Officers

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HOUSING AND REGENERATION SCRUTINY COMMITTEE

MINUTES OF THE MEETING HELD VIA MICROSOFT TEAMS ON THURSDAY,
13TH OCTOBER 2020 AT 5.30 P.M.

PRESENT:

Councillor A. Whitcombe - Chair
Councillor Mrs C. Forehead - Vice-Chair

Councillors:

J. Bevan, C. Elsbury, R. W. Gough, L. Harding, G. Kirby, B. Owen, W. Williams,
B. Zaplatynski

Cabinet Members:

S. Morgan (Deputy Leader and Cabinet Member for Economy and Enterprise), Mrs L. Phipps
(Housing and Property)

Together with:

Mark S. Williams (Interim Corporate Director – Communities), S. Couzens (Chief Housing Officer), R. Kyte (Head of Regeneration and Planning), A. Dallimore (Regeneration Services Manager), P. Rossiter (Energy and Water Officer), S. Jones (Supporting People Manager), M. Jacques (Scrutiny Officer), S. Hughes (Committee Services Officer), R. Barrett (Committee Services Officer)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors D. Cushing, A. G. Higgs, Ms P. Leonard, Mrs G. D. Oliver, Mrs D. Price, and Mrs M. E. Sargent.

2. DECLARATIONS OF INTEREST

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

3. MINUTES – 17TH SEPTEMBER 2020

RESOLVED that the minutes of the Housing and Regeneration Scrutiny Committee meeting held on 17th September 2020 (minute nos. 1 - 9) be approved as a correct record and signed by the Chair.

4. CALL-IN PROCEDURE

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

5. HOUSING AND REGENERATION SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

M. Jacques, Scrutiny Officer, presented the report which outlined details of the Housing and Regeneration Scrutiny Committee Forward Work Programme for the period September 2020 to November 2020. Members were advised that the next Housing and Regeneration Scrutiny Committee, to be held on the 24th November 2020, may be cancelled as there are currently no items listed on the Forward Work Programme for the meeting.

The Committee was informed of a joint meeting with the Environmental and Sustainability Scrutiny Committee, to be held in mid-December on a date to be confirmed, to discuss the findings of the Task and Finish Group on the management of highway owned Council car parks.

Members noted the update from the Scrutiny Officer and by way of Forms voting (and in noting there were 8 for, 0 against and 0 abstentions) it was unanimously agreed that the Forward Work Programme, as appended to the meeting papers, be published on the Council's website.

6. CABINET REPORTS

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

REPORTS OF OFFICERS

Consideration was given to the following reports.

7. REDUCE, PRODUCE, OFFSET, BUY (A DECARBONISATION STRATEGY AND ACTION PLAN FOR CAERPHILLY COUNTY BOROUGH COUNCIL)

Councillor S. Morgan, Deputy Leader and Cabinet Member for Economy and Enterprise, introduced the report to update the Scrutiny Committee on the work undertaken since 11th June 2019, when the Committee were presented with a report setting out the Council's intention to develop a carbon reduction plan that would concentrate on tackling the decarbonisation agenda in order that the Council can achieve its goal of becoming net carbon neutral by 2030.

Members were informed that since June 2019, Officers have produced a draft Decarbonisation Strategy as the main tool to achieve its decarbonisation objectives. This strategy is supported by a detailed Action Plan which gives more granular detail on what actions the Council can take in the short, medium and long term to achieve this goal. It also presents an Energy Prospectus which outlines potential commercial projects that will also help towards these goals.

Councillor S. Morgan drew Members attention to recommendation number five and advised that each project will come with its own Business case.

Reference was made to the Decarbonisation Strategy for the Council which focuses on reducing the Council's own carbon footprint. In response to a Members query, it was outlined that the predominant carbon tax within the authority was via the Carbon Reduction Commitment Scheme and was in the region of £240,000 per year. The last payment was for 2018/19 when the scheme ended. Members were advised that Welsh Government were yet to announce a replacement for the commitment scheme, but it is likely to be an additional tax on utility bills.

One Member requested an update on developing future wind and solar farms. The Regeneration Services Manager advised Members that the Council is working closely with the Welsh Government Energy Service on an assessment of Council-owned land in the local authority. Five sites had been identified as potential locations for solar farms but there are potential commercial challenges around connecting to the National Grid. During the course of the ensuing debate, Members made enquiries about the inclusion of solar panels on new homes and suggested that there is potential for their inclusion in future planning requirements.

A query was raised in relation to LED lighting and solar panels being put on Council buildings leased to the community, such as Community Centres. Officers advised that low operating hours in Community Centres meant that it was not economical in terms of the payback rates. However, those leasing buildings could approach their energy provider directly about LED lighting options. Members discussed the preference of purchasing energy from carbon neutral providers and the feasibility and cost of the Council meeting the target of becoming carbon neutral by 2030. Officers outlined that projects were currently at the feasibility stage so did not have definitive costings. The Cabinet Member for Economy and Enterprise advised that eventually each project would have a specific business case before going to the Regeneration Project Board. The Regeneration Services Manager advised that he would commence dialogue with Cllr B. Owen and Cllr A. Whitcombe on the allocation of capital to some of the projects as per point 11.2 under the Financial Implications section of the report.

Following consideration of the report, it was moved and seconded that the recommendations in the report be approved. By way of Forms voting (and in noting there were 8 for, 0 against and 0 abstentions) this was unanimously agreed.

RESOLVED that the Housing and Regeneration Scrutiny Committee:

- i) Provided its views on and support for the draft Decarbonisation Strategy and supporting documents prior to consideration by Cabinet.
- ii) Acknowledged the milestones for adoption of this document by the Council.
- iii) Acknowledged the wide and diverse range of activities that the Council will need to implement to achieve the Decarbonisation objectives.
- iv) Recognised that the actions, targets and contents contained within the supporting Action

Plan and Energy Prospectus are fluid and will respond to external pressures and opportunities as they occur. In particular, it will be necessary to react to changing legislation from Welsh Government and Central Government.

- v) Acknowledged that business cases associated with Energy Prospectus projects will be reviewed by the CCBC Regeneration Project Board with recommendations being made to Cabinet where required.

8. VALLEYS TASK FORCE – ACTIVITY IN CAERPHILLY COUNTY BOROUGH

The report provided Members of the Scrutiny Committee with an overview of activities being progressed within the County Borough as part of the Valleys Task Force Initiative. It informed Members that the Ministerial Taskforce for the South Wales Valleys (Valleys Taskforce) was set up by the Welsh Government in July 2016. The Taskforce is in place until 2021 so is now in its final delivery phase. In 2019 the Taskforce agreed to focus on seven priority areas, each driven by a subgroup of relevant experts that are responsible for taking forward the work. The report provided an overview of activity in the county borough against the seven priority areas.

A Member drew particular attention to the report which listed a range of VTF activities taking place throughout the county borough under the seven VTF priority areas. In response to a query, it was confirmed that St Martins Comprehensive School and Idris Davies School are the pilot of the alumni in the county borough.

Reference was made to the Corporate Well-being Objectives and Members requested detailed reports which reflect what has been achieved. Officers advised that there are regular six-month reports which are presented to Scrutiny Committee, however it was acknowledged that the 19/20 ones were delayed due to the Covid-19 pandemic. Officers also advised that the Annual Performance report is due to be presented to Cabinet and Council in the coming weeks, where all the information will be presented.

Having fully considered the report, the Housing and Regeneration Scrutiny Committee noted the contents.

9. HOMELESSNESS UPDATE

Councillor L. Phipps, the Cabinet Member for Housing and Property, presented the report to provide members with an update on the Homelessness situation within the Caerphilly County Borough together with information on the actions and challenges faced during the ongoing Covid-19 pandemic.

Members were informed that following the lockdown arrangements implemented as a consequence of the Covid-19 pandemic, Welsh Government also issued new guidance in relation to how local authorities should manage homelessness and support rough sleepers. The Minister for Housing and Local Government issued a statement on the 28th April 2020, making it clear that no one should be without suitable accommodation and support during this pandemic, including rough sleepers. This has resulted in approximately 196 homeless households being placed in emergency or temporary accommodation, including some out of borough placements. The majority of these placements, approximately 149, have been for single persons.

The actions taken to mitigate the increase in homelessness were highlighted, which includes use of the private rented sector, Housing Association premises, B&Bs and hotels and a review of the allocations policy to ensure support is provided through social housing.

The report also included some of the challenges faced during the pandemic as many of the individuals concerned are vulnerable and have complex needs, e.g. substance misuse, alcohol dependency, poor mental health, which is in addition to the limited availability of suitable accommodation within the borough to meet demand.

The Cabinet Member for Housing and Property thanked the team for their fantastic efforts during the pandemic to help the homeless. Members were reminded that there is a statutory duty to provide advice, assistance and where necessary accommodation to those who are homeless or threatened with homelessness. The support of all Members and communities was acknowledged at this very difficult time. The Chairperson also thanked the Officers for their work.

A Member raised concerns regarding the re-designation of a number of one-bedroom properties from older persons to general needs. Officers advised that there is a surplus of older persons accommodation within the borough and there is also a number of vacancies within the sheltered housing schemes. However, there is a shortfall on single person accommodation at present and it was highlighted that the majority of placements have been for single persons. Officers further advised that they are looking to increase the single person accommodation and re-designating some of the older person housing will help in that regard. Members sought clarification on Table 1 in the report and were advised that that it provides a snapshot of the position at a particular point in time.

In relation to the empty homes situation Members were advised that there has been a lot of focus on empty properties recently, both locally and within Welsh Government. Members were advised that Cabinet recently approved some additional funding to set up an Empty Homes Team within the Private Sector Housing Division, which is in the process of being recruited. In addition, Members were also advised of the participation in the Valleys Task Force initiative to bring empty homes back into use.

Clarification was sought on Table 3 in the report which shows the number of households that have been provided with emergency temporary accommodation by each of the regional authorities and were informed that the format of the report is in line with Welsh Government and used as comparison data with other authorities.

In response to a query on what happens if a homeless person will not be moved into temporary accommodation, Officers advised that engagement is key issue, different models of support is offered, but ultimately it is down to the individual.

Having fully considered the report, the Housing and Regeneration Scrutiny Committee noted the contents and endorsed the actions taken.

The meeting closed at 6.33 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 26th January 2021, they were signed by the Chair.

CHAIR



HOUSING AND REGENERATION SCRUTINY COMMITTEE

MINUTES OF THE SPECIAL MEETING HELD VIA MICROSOFT TEAMS ON WEDNESDAY, 9TH DECEMBER 2020 AT 5.30 P.M.

PRESENT:

Councillor A. Whitcombe - Chair
Councillor Mrs C. Forehead - Vice-Chair

Councillors:

J. Bevan, D. Cushing, C. Elsbury, R. W. Gough, L. Harding, G. Kirby, Ms P. Leonard,
B. Owen, Mrs D. Price, Mrs M. E. Sargent, W. Williams and B. Zaplatynski.

Cabinet Members:

S. Morgan (Deputy Leader and Cabinet Member for Economy and Enterprise).

Together with:

Mark S. Williams (Interim Corporate Director – Communities), R. Kyte (Head of Regeneration and Planning), R. Thomas (Planning Services Manager), M. Jacques (Scrutiny Officer), S. Hughes (Committee Services Officer) and R. Barrett (Committee Services Officer).

RECORDING ARRANGEMENTS

The Chairperson reminded those present that the meeting was being recorded and would be made available to view via the Council's website, except for discussions involving confidential or exempt items.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors A. G. Higgs, Mrs G. D. Oliver and Mrs L. Phipps (Cabinet Member for Housing and Property).

2. DECLARATIONS OF INTEREST

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

REPORTS OF OFFICERS

Consideration was given to the following reports.

3. PLANNING SERVICES STAFFING AND BUDGET REPORT

Consideration was given to the report which outlined proposals for staff budget growth and realignment of fee income targets within the Planning Services Section of the Regeneration and Planning Service and sought Scrutiny Committee endorsement for their implementation.

Members were advised that in the last year the Regeneration and Planning Service has undergone the final stages of a restructure to accommodate significant budgetary pressures. The Service has experienced a 72% cut in the budget over the last 5 years and staff resources are now well below historic level. The low staffing levels have led to increased workload. It was highlighted that with regard to planning application workload, on average the Authority determines in excess of 1000 planning and related applications per annum. On this basis, and following the restructure, future individual caseloads will on average comprise of some 200 cases per case officer, which will be well above sustainable levels and significantly more than traditionally recommended caseloads of 135 per annum. The current level of enforcement complaints of over 300 per annum coupled with an existing caseload of in excess of 250 enforcement cases also presents a significant challenge for the Authority's two remaining Enforcement Officers.

The Committee were made aware that e-mails had been received from Cllr. A. Gair and Cllr. C. Bezzina outlining their concerns in relation to the proposals.

Points of clarification were requested on various aspects of the report and Officers responded to all the points raised.

A Member referred the Committee and Officers to section 5.4 of the report and questioned whether it contravened the Single Equalities Act. The Planning Services Manager explained that the report identified a significant risk to the resilience of the service area in the future given the lack of recruitment, particularly from a graduate development point of view, over the last 10 years. The service needs to develop skills and experience internally to allow the service to move forward and maintain its statutory responsibilities. Members were advised that an EIA screening has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential unlawful discrimination and/or low level or minor negative impact had been identified, therefore a full EIA has not been carried out.

In response to a Member's query on fee income, Officers advised that the fee income targets were set approximately 10 years ago when the economy, and the development industry was a lot more buoyant and since that time those fee income targets have not been adjusted to reflect the development industry today. Members were informed that the fee income is highly dependent on planning application fee income, building control fee income and land charges and that can fluctuate depending on the strength of the economy. This is an adjustment to that budget to allow the budget to be managed more effectively. During the course of the ensuing debate, Members sought further information in relation to the financial implications and Officers responded to the points raised.

An Officer responded to the queries regarding staff training and it was confirmed that the organisation is looking at staff development. Members were advised that enquires are being made about the Degree Apprenticeship Scheme and were also advised that the Grade 8

posts are entry level posts for graduates. Other development opportunities in the staff structure will be considered.

Following consideration of the report, it was moved and seconded that the recommendations be approved. By way of electronic voting this was agreed by the majority.

RESOLVED that the Housing and Regeneration Scrutiny Committee:

- a) Endorsed the creation of 2 No. full time permanent entry level Planning Officer posts (Grade 8, £84.4k per annum with on costs) partly funded from the unallocated £31.4k staff budget following restructure and partly from staff budget growth from 2021/22. If recruited during 2020/2021 the part year funding required for the posts could be financed from increased fee income from the 20% increase in fees and/or unallocated staff budget.
- b) Endorsed the creation of 1 No. full time permanent Principal Enforcement Officer (Grade 10, £52.3k) and 2 No. full time permanent Enforcement Officers (Grade 8, £84.4k). If recruited during 2020/2021 the part year funding required for the posts could be financed from increased fee income from the 20% increase in fees and/or unallocated staff budget.
- c) Endorsed the creation of a Trainee Building Control Officer post (Grade 5-7, £29.2k-37.5k) part funded by the existing staff budget for the apprentice post of £12.2 and part funded from staff budget growth from 2021/22.
- d) Endorsed a reduction in the Building Control fee income target of £100k from 2021/22.
- e) Endorsed a reduction in the Land Charges fee income target of £20k from 2021/22.
- f) Endorsed the creation of a permanent full time CIL officer post funded by staff budget growth of £46.7k per annum in 2021/22. If recruited during 2020/2021 the part year funding required for the posts could be financed from CIL administration fee income generated in 2020/2021 and/or unallocated staff budget.
- g) Endorsed staff budget growth of £46.7k per annum in 2021/2022 to cover the costs of a Strategic Planning Officer (Grade 9). This post was originally planned to be a 2-year fixed term post funded from approved use of Communities Directorate ring fenced reserve agreed by Council in October 2019. If budget growth is provided in 2021/2022 the ring-fenced reserve funding would no longer be required and could be reutilised for other initiatives. Alternatively, budget growth for this permanent post could be delayed until 2023/2024 and the ring fence reserve utilised for the first 2 years.
- h) The Scrutiny Committee agreed that these proposals are included as part of the budget proposals for 2021/22 to be considered by full Council and the resultant recruitment progresses once the 2021/22 budget has been agreed.

4. REVIEW OF SERVICE LEVELS AND DECISION-MAKING PROCESSES FOR THE DEVELOPMENT MANAGEMENT AND PLANNING ENFORCEMENT FUNCTIONS OF THE PLANNING SERVICE

Consideration was given to the report which provided a review of service delivery and decision making processes for the development management and enforcement functions of Planning Services, and sought a view from Scrutiny Committee on the service levels

proposed and on the recommendations for amendments to the Scheme of Delegation and Member protocols and for a review of the size of the Planning Committee.

The Cabinet Member for Economy and Enterprise highlighted that the Planning Service will play a key role in facilitating the delivery of a sustainable recovery as the country emerges from the COVID-19 crisis and faces the challenges and opportunities presented by Brexit.

Members were advised that an efficient, flexible and responsive development management and enforcement function which facilitates sound and timely decision making and the investigation of breaches of planning control was central to the delivery of the Council's well-being objectives. The Cabinet Member highlighted that the Authority's current Planning Committee comprises some 20 Members and is one of the largest Planning Committees in Wales, the largest within the Cardiff Capital Region and significantly larger than other large urban Authorities such as Cardiff (12), Swansea (12), Newport (11) and Rhondda Cynon Taff (11). It was outlined that reducing the membership to 16 would be in line with the Authority's Scrutiny Committees.

It was noted that the Scrutiny Committee had received e-mails from Cllr. A. Gair and Cllr. C. Bezzina, raising concerns about the proposals.

Points of clarification were requested on various aspects of the report and Officers responded to the points raised. During the ensuing debate one Member raised the issue of political representation if membership of the Planning Committee was reduced. Members were advised that the Planning Committee would still reflect the political balance of the Council, as is the case with other Committees. The Member then raised the issue of attendance at Planning Committee meetings and the role of members in terms of decision-making. Members were informed that average attendance at each Planning Committee was 14 in 2019/20. Reducing members will provide consistent membership, which will result in consistent decision making. A Member raised concerns that changing the scheme of delegation for planning applications would make it more difficult for smaller parties to raise objections.

A Member raised concerns about the proposed scheme of delegation. He informed that whilst he agreed with paragraph 5.18 of the report, that the Planning Committee should not have to deal routinely with a plethora of minor development proposals which have minimal impact upon the wider area, they should only deal with minor proposals if they are a matter of concern or controversy within the ward. It was thought that there should not be an arbitrary high bar to clear, concerning the number of complaints received before a Member can seek adjudication from the Planning Committee. The Member said he would be happy to endorse all the recommendations with the exception of recommendation 3.1 (d) *'that Scrutiny Committee endorses changes to the Scheme of Delegation to provide Planning Committee with a more strategic role and focus'*. The Member told the Scrutiny Committee that, in his opinion, this recommendation takes away the power from Members of the Planning Committee to represent the whole community and from Ward Members to represent their local community by making representations to the Planning Committee. He concluded that Members should be able to take concerns before the Planning Committee without having to face a high bar which he believed the proposed changes to the scheme of delegation would create.

Following consideration and discussion, it was proposed and seconded to amend the recommendations to exclude the following recommendation:

3.1 (d) To endorse changes to the Scheme of Delegation to provide Planning Committee with a more strategic role and focus.

By way electronic voting this was agreed by the majority. Therefore, subject to the exclusion of recommendation 3.1 (d) it was RESOLVED that the Housing and Regeneration Scrutiny Committee:

- a) Endorsed the output driven service delivery model proposed for the development management and enforcement function, with a focus on the delivery of its statutory obligations, frontloading, further commercialisation and the delivery of major and strategically significant schemes underpinned by the introduction of a new Wellbeing local performance indicator.
- b) Endorsed amendments to the Enforcement Charter.
- c) Endorsed changes to the Planning Committee structure with a reduction from 20 to 16 Members.
- d) Removed the recommendation to endorse changes to the Scheme of Delegation to provide Planning Committee with a more strategic roles and focus.
- e) Endorsed the Non-Planning Committee Member Protocol for Ward Members.

The meeting closed at 6.41 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 26th January 2021, they were signed by the Chair.

CHAIR

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HOUSING AND REGENERATION SCRUTINY COMMITTEE – 26TH JANUARY 2021

**SUBJECT: HOUSING AND REGENERATION SCRUTINY COMMITTEE
FORWARD WORK PROGRAMME**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND
CORPORATE SERVICES**

1. PURPOSE OF REPORT

- 1.1 To report the Housing and Regeneration Scrutiny Committee Forward Work Programme.

2. SUMMARY

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

3. RECOMMENDATIONS

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

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To improve the operation of scrutiny.

5. THE REPORT

- 5.1 The Housing and Regeneration Scrutiny Committee forward work programme includes all reports that were identified at the scrutiny committee meeting on 13th October 2020. The work programme outlines the reports planned for the period January 2021 to April 2021.
- 5.2 The forward Work Programme is made up of reports identified by officers and members. Members are asked to consider the work programme alongside the

cabinet work programme and suggest any changes before it is published on the council website. Scrutiny committee will review this work programme at every meeting going forward alongside any changes to the cabinet work programme or report requests.

- 5.3 The Housing and Regeneration Scrutiny Committee Forward Work Programme is attached at Appendix 1, which presents the current status as at 18th January 2021. The Cabinet Work Programme is attached at Appendix 2. A copy of the prioritisation flowchart is attached at appendix 3 to assist the scrutiny committee to determine what items should be added to the forward work programme.

5.2 **Conclusion**

The work programme is for consideration and amendment by the scrutiny committee prior to publication on the council website.

6. **ASSUMPTIONS**

- 6.1 No assumptions are necessary.

7. **LINKS TO RELEVANT COUNCIL POLICIES**

- 7.1 The operation of scrutiny is required by the Local Government Act 2000. The Local Government Wales Measure 2011 and subsequent Statutory Guidance include requirements to publicise the work of scrutiny committees. The operation of scrutiny committee forward work programmes was agreed following decisions by Council in October 2013 and October 2015.

7.2 **Corporate Plan 2018-2023.**

This section shows how the report content (project, proposal, information or decision) contributes towards or impacts the Corporate Well-being Objectives, which are:

Objective 1 - Improve education opportunities for all

Objective 2 - Enabling employment

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

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

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

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

The objectives are high level themes and each have several outcomes that sit underneath them, (36 in total) so it may benefit the author to look at the outcomes within the plan to understand the cross-cutting nature of the Council's priorities with regard to any impact the report may have on the Corporate Plan.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 This report contributes to the well-being goals and is consistent with the five ways if working as defined within the sustainable development principle in that by ensuring the scrutiny function is effective when reviewing services and policies and ensure is considers the wellbeing goals.

8.2 The Forward Work Programmes contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2016 by ensuring there is an effective scrutiny function and that council policies are scrutinised against the following 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

9. EQUALITIES IMPLICATIONS

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

10. FINANCIAL IMPLICATIONS

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

11. PERSONNEL IMPLICATIONS

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

12. CONSULTATIONS

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

13. STATUTORY POWER

13.1 The Local Government Act 2000.

Author: Mark Jacques, Scrutiny Officer jacqu@caerphilly.gov.uk

Consultees: Dave Street, Corporate Director – Social Services and Housing
Mark S. Williams, Interim Corporate Director of Communities
Shaun Couzens, Chief Housing Officer, Communities
Robert Tranter, Head of Legal Services/ Monitoring Officer
Lisa Lane, Head of Democratic Services and Deputy Monitoring Officer,
Legal Services
Councillor Andrew Whitcombe Chair of Housing and Regeneration
Scrutiny Committee
Councillor Christine Forehead Vice Chair of Housing and Regeneration
Scrutiny Committee

Appendices:

Appendix 1 Housing and Regeneration Scrutiny Committee Forward Work Programme
Appendix 2 Cabinet Forward Work Programme
Appendix 3 Forward Work Programme Prioritisation Flowchart

Forward Work Programme - Housing & Regeneration				Appendix 1
Date	Title	Key Issues	Author	Cabinet Member
26/01/21 17:30	Budget Monitoring Report 2020/2021 (Month 7)		Eedy, Michael;	Cllr. Stenner, Eluned;
26/01/21 17:30	Information - Wellbeing Objective 2021 3-6 month update		Roberts, Ros;	Cllr. Phipps, Lisa;
26/01/21 17:30	HRA Financial Update Period 7		Couzens, Shaun;	Cllr. Phipps, Lisa;
26/01/21 17:30	HRA Charges 2021/22 (Rent Increase)		Couzens, Shaun;	Cllr. Phipps, Lisa;

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Cabinet Date	Title	Key Issues	Author	Cabinet Member
27/01/21 10:30	Pentrebane Street Caerphilly - Use of CPO Powers	To update Cabinet on the use of a Compulsory Purchase Order (CPO) to facilitate the redevelopment of the southern side of Pentrebane Street, Caerphilly. This report also requests the allocation of up to £200,000 to the Pentrebane Street redevelopment project to cover the costs associated with the CPO process and to facilitate with the acquisition of the privately-owned properties.	Dallimore, Allan;	Cllr. Morgan, Sean;
27/01/21 10:30	Bus Emergency Scheme 2 Funding	To obtain Public Sector agreement for emergency bus funding with operators until July 2022.	Williams, Mark S;Lloyd, Marcus;	Cllr. Ridgewell, John;
27/01/21 10:30	Whole-authority budget monitoring position for 2020/21	To provide Cabinet with an update on the projected outturn position for the 2020/21 financial year.	Harris, Stephen R;	Cllr. Stenner, Eluned;
27/01/21 11:30	Blackwood Miners' Institute Annual Report and Statement of Accounts 2019/20	To advise Cabinet as Trustees of the Blackwood Miners' Institute of the operational activities and financial position of Blackwood Miners' Institute for the financial year ending 31st March 2020	Kyte, Rhian;	Cllr. Morgan, Sean;

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Scrutiny Committee Forward Work Programme Prioritisation



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HOUSING AND REGENERATION SCRUTINY COMMITTEE – 26TH JANUARY 2021

SUBJECT: BUDGET MONITORING REPORT 2020/21

REPORT BY: INTERIM CORPORATE DIRECTOR COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To inform Members of the most recent budget monitoring position for 2020/2021 for Communities Directorate Service Divisions, including Regeneration & Planning Division, Infrastructure Services Division, Public Protection Division and Community & Leisure Services Division.

2. SUMMARY

- 2.1 The report summarises the most recent budget monitoring projections for 2020/2021 based on the latest available financial information.
- 2.2 The attached appendices outline more detailed budget monitoring figures for each of the Council Fund Services outlined in paragraph 1.1 above.

3. RECOMMENDATIONS

- 3.1 Housing and Regeneration Scrutiny Committee Members are requested to note the contents of this report and the detailed budget monitoring pages that follow in respect of the Regeneration & Planning Division, which falls within the remit of this Scrutiny.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The Council Budget is based on the achievement of both expenditure and income targets. In order to ensure that these are met and the Council's financial integrity is maintained Directors are required to review income and expenditure trends.

5. THE REPORT

5.1 INTRODUCTION

- 5.1.1 The report outlines the revenue budget position for each of the service Divisions that form part of the Communities Directorate based on the most current financial

information available. Projected outturn figures for the financial year are compared with the budget to show the anticipated under/overspends. More detailed budget monitoring figures are shown in the appendices' 1a to 1d.

- 5.1.2 It should be noted that the budget report to Council on 20th February 2020 detailed the need to apply further budget efficiency savings in 2020/2021 to meet medium term financial plan (MTFP) targets and achieve budget strategy aims. Communities Directorate services were targeted to achieve new budget efficiency savings of £465k. The savings required and applied to service budgets were significantly lower than the £2.1million of savings originally considered, due to the more favourable financial settlement eventually received from Welsh Government.
- 5.1.3 It should be noted that this is the third monitoring report in a series of reports planned this financial year and continues to show that the financial position for each service is continuing to be significantly influenced by operational issues linked to the Covid-19 crisis. The position continues to evolve as the Covid-19 situation changes, with Welsh Government policies on restrictions and funding support being amended and changed. A number of key assumptions have been applied in the financial projections relating to ongoing disruptions to service provision, especially where services have been significantly curtailed and/or income has not been generated or significantly limited, such as leisure centres, tourism venues, schools catering, registrars fees and car parks, but some operational costs such as staff salaries and fixed overheads are still being incurred.
- 5.1.4 Some additional operational costs directly linked to Covid-19 continue to be subject to claims and payment from the WG hardship fund. Costs directly funded by WG are not included in the revenue budget monitoring position of services as outlined in this report. Claims are also being submitted to WG for lost income where services have temporarily ceased or have been significantly curtailed. Claims for lost income funding for the April to June period have been submitted to WG and £1.398million received as grant, covering lost income in relation to a range of services including schools catering, leisure centres, tourism venues, countryside, sports pitches, commercial waste collections, car parks, civil parking enforcement and registrars. This grant income is included in the revenue accounts of the services and the budget monitoring and greatly assists in reducing the level of projected overspend outlined in this report. Further a grant claim for the July to September period of £889.6k has also been submitted and payments of £793k received and £96k withheld awaiting additional confirmation. The financial projections in this report also include estimates of possible lost income funding for the 6 month period October 2020 to March 2021 of £2.197million. The estimates of lost income incorporated into these projections are calculated by first projecting the likely income and operating costs for each service (after taking into account assumptions regarding service operations, disruptions and site closures and also possible customer demand when services recommence on a limited basis or full service commencement) and comparing this to income the previous financial year before Covid-19. The position is however continually changing as services react to the latest position regarding Covid-19 and decisions and announcements from Welsh Government in relation to restrictions, local lock downs and firebreaks and funding support to Councils.
- 5.1.5 The table 1 below summarises the present budget monitoring position, with an overall Directorate over spend of £407k, but exclusive of ring fenced budgets this over spend is increased to £906k. The overspend projected is overall less than that reported previously, primarily due to the changing position regarding the impact Covid-19 on services and the additional funding being received from WG in relation to Covid-19. Appendices 1a to 1d provide more detail on the budget variation

projections for each Service Division.

TABLE 1

	ORIGINAL ESTIMATE 2020/2021	REVISED ESTIMATE 2020/2021	ANTICIPATED OUTTURN 2020/2021	ANTICIPATED VARIANCE 2020/2021 Under (Over) £000
	£000	£000	£000	£000
Regeneration & Planning Division	2,214	2,245	2,297	(52)
Infrastructure Division	19,917	19,969	20,034	(65)
Public Protection Division	7,450	7,513	7,061	452
Community & Leisure Services Division	21,673	21,823	22,566	(743)
Directorate General	176	177	176	1
NET DIRECTORATE	51,430	51,727	52,134	(407)
Home to School Transport - ring fenced under spend				331
Social Services Transport – ring fenced under spend				105
Cemeteries Task & Finish – ring fenced under spend				63
NET DIRECTORATE over spend (excluding ring fenced budgets)				(906)

5.2 REGENERATION & PLANNING DIVISION

- 5.2.1 Overall, the service division presently has a projected overspend of £52k on a £2.245million revised budget. The overspend is primarily linked to shortfalls in income in relation to tourism venues, industrial properties, planning and building control fees and search fees, all of which have in recent years underachieved income targets. The tourism venue projections do however assume that WG funding for lost income due to Covid-19 will be received for the full financial year, which significantly improves the financial outlook for the venues.
- 5.2.2 Development Control is reporting overspend of £99k primarily due to a projected shortfall in planning application fees of £115k compared to the budget of £538k. At present there is no apparent negative impact of Covid-19 on the number of planning application fees, as the fee income levels although below budget are greater than the previous financial year. Pre-application advice fee income is also projected at £6k below budget. Underachievement in income is partly offset by delayed filling of a vacant post. Building Control is reporting overspend of £64k due to a shortfall in income against the £273k budget, again, there seems to be no apparent impact of Covid-19 as fee levels are similar to the previous year. Building Control fees have also been well below the budget targets for a number of years.
- 5.2.3 Strategic Planning is presently projected to be £21k underspent due to delayed filling of a vacant post and staff on reduced working hours. Planning administrative, technical and GIS/Land Gazetteer support services is underspent by £33k due to delayed filling of vacant posts, staff not top of the incremental scales and additional administrative fee income from managing the CIL (Community Infrastructure Levy) service. Land charge services are £27k overspent due to a shortfall in search fee income compared to the budget of £113k. Again, unclear if Covid-19 is having an

impact on search fee income and search fees were £26k short of the budget last year.

- 5.2.4 Business Support and Urban Renewal report underspend of £87k, primarily due to additional staff fee income supporting grant funded projects, reduced spend on community projects and other operational costs but offset by additional cost of NNDR on vacant properties under the team's management. Town Centre Management is projecting underspend of £3k.
- 5.2.5 There is a projected £93k over spend in relation to industrial properties primarily due to shortfall in property rents of £224k linked to units being unoccupied, partly offset by reductions in building maintenance and energy. Despite overspend reported, the industrial and office property portfolio does generate income of £2.1million to the Council. The service is proactively seeking to ensure vacant units are let as quickly as possible by identifying businesses interested in taking up a rental.
- 5.2.6 Overall Tourism Venues are reporting combined overspend of £55k which is less than overspend of £102k reported earlier. Covid-19 has had a significant impact on the tourism venues due to closure of the facilities and restricted service provision. Llancaiach Fawr and Cwmcarn VC have seen the most significant impact financially due to restrictions linked to services such as the Manor House, school visits and wedding ceremonies for Llancaiach Fawr and camp site (including the pods and chalets') for Cwmcarn and also no car park income due to Councils free parking policy. Both venues also have a large element of fixed costs linked to the buildings and also staff have continued to be paid. In contrast, although BMI has experienced a significant loss of income from events, shows and the pantomime, this has been offset by greater opportunity to reduce variable costs particularly linked to artist & production fees, publicity & promotion and energy costs. It is difficult at this stage to anticipate what levels of income might be generated and further assessments will be made as the restrictions imposed due to Covid-19 continue to change. However, WG funding of £133k has been received in relation to lost net income for the April to June period and a further £128k submitted claims for July to September and further claims anticipated for the October to March period of £178k. The additional grant funding included in these projections significantly reduces the level of projected overspend to £55k. The overspend in Tourism venues is partly offset by underspend of £58k in relation to Arts Development where programmes of work commissioned have been curtailed due to Covid-19.
- 5.2.7 Tourism events in contrast, report net underspend of £51k. There have been no events taking place this year and none are planned for the remainder of the year, so there is a significant reduction in operating expenditure (£265k), albeit some staffing costs are being incurred as stewards are being paid an average salary. Underspend in operating costs are however offset to a great extent by there being no income generated from pitch hires and trading concessions at the various events (£204k).
- 5.2.8 Community Regeneration is reporting a £24k underspend primarily due to reduced spend on Community projects and rent income in excess of running costs for the Community hubs.
- 5.2.9 There is underspend in senior management support of £9k due to staff not paid at the top of the incremental scale.
- 5.2.10 Children and Communities and C4W initiatives are both fully funded from grant, the revised estimate and projections reflect approved budget virements to other areas supported by the flexibility funding and additional WG grant funding of £191k.

5.3 INFRASTRUCTURE DIVISION

- 5.3.1 Infrastructure is overall reporting over spend of £65k on a £19.969million revised budget, but after excluding budget variations in relation to Home to School Transport (£331k underspend) and Social Services Transport (£105k under spend) which will be ring fenced and appropriated back to the Service Directorates, there is an over spend of £501k, this includes WG funding for lost income in some service areas, already received for the period April to June and assumed and included in the projections for July to March 2021.
- 5.3.2 Highway Operations is actually reporting underspend of £243k. Highway maintenance is underspending by £277k mainly due to delays in projects and schemes commencing due to Covid-19, albeit this is offset by overspend in relation to NCS (see paragraph 5.3.6 below) as the in- house contractor has suffered from reduced workload. The under spend in highway maintenance is partly offset by £52k overspend in street lighting where price increases have more than offset reductions in energy consumption albeit the ongoing investment in LED street lights has helped to reduce energy consumption and costs. There is also overspend in relation to SAB £43k (sustainable drainage) after £10k of lost income funding is included due to reduced work. There is also reduced income in relation to new roads and street works act (NRSWA) albeit WG funding for lost income is assumed for April to March. At present winter maintenance costs are difficult to predict but it is assumed the full budget of £1.1million) will be spent.
- 5.3.3 EPG (Engineering Projects Group) is reporting underspend of £36k with reductions in fee income being more than offset by reduced salary and agency costs.
- 5.3.4 Transportation Engineering overall is projecting a large overspend of £523k. This is mainly due to reduced income linked to Covid-19 in relation to car parking of £733k (albeit WG grant funding of £130k has been received for the April to June period). The Council had made the decision not to charge for car parks until January 2021 due to the impact of Covid-19 on employment and town centre trade and so income generation is significantly reduced. It is assumed that this free parking period will now be extended to March 2021. Further, lost income in relation to car parks for July onwards cannot form part of any claims to WG, because WG have stipulated that any local Council decisions impacting on future income generation cannot be considered for funding. Shortfalls in income generated from Civil Parking Enforcement (CPE) of £250k is offset by £196k of estimated WG funding for lost income for the April to March period (including £49k received April to June and £32k July to September) and a reduction in CPE operational costs. There are also underspends in relation to school crossing patrols of £82k due to vacant posts linked to sites not meeting ROSPA criteria.
- 5.3.5 Public Transport is reporting an under spend of £214k, with underspend in relation to bus subsidies of £96k linked to the 75% retainer initiative during the Covid-19 crisis and reduced service provision partly offset by increased PPE spend. Also, underspend in Passenger Transport Fee Income £28k due to extra management income for Bus Contactless payment scheme and some underspend in staffing £64k. Lost income in relation to bus departure charges of £100k is funded by estimated £99k lost income funding from WG for April to March (including £18k received for April to June and £28k for July to September).

- 5.3.6 At this stage Network Contracting Services (NCS) is anticipating a deficit of £462k with an underachievement in the income targets primarily linked to a significantly reduced workload due to Covid-19 along with the need to adhere to social distancing and TU agreement that only limited staff were able to work in the early stages of the pandemic. NCS is heavily dependent on the volume and value of work secured during the year and this is monitored closely along with productivity levels within the workforce. However as noted in paragraph 5.3.2 above there is underspend in the main highway maintenance budgets due delays in schemes that NCS would normally be undertaking.
- 5.3.7 Home to School Transport is presently projecting underspend of £331k on a £7.2million budget, with £513k underspend in contractor costs linked to the 75% retainer scheme introduced during the height of the Covid-19 pandemic when the school services were not operating (this includes an anticipated increase by 10% from January 2021 on bus contracts of £120k). These underspends are partly offset by estimated additional expenditure of £180k to support bus contractors in relation to PPE, sanitiser and cleaning requirements now school transport services are recommencing.
- 5.3.8 Social Services Transport is projecting under spend of £105k including £30k on salaries, £19k vehicles and £55k for service operators. Again there is risk of operator failure leading to increased cost in future although this is partly an in-house operator function rather than private contractor.

5.4 PUBLIC PROTECTION

- 5.4.1 Public Protection is presently projecting underspend of £452k on an overall revenue budget of £7.512million revised budget.
- 5.4.2 Environmental Health is currently projecting a net underspend of £278k. This includes underspend in Community Safety Wardens (£54k) and Enforcement (£84k) mainly due to salary underspend from staff on reduced hours and delayed filling of vacant posts and also underspend in some other operational costs. There is also underspend in relation to Pollution control of £156k partly due to vacant posts, but primarily due to £130k grant received from WG to fund staffing costs linked to Hafodyrynys. At this stage it is not known whether this will be required to fund any shortfall in the purchase/compensation Capital grant received from WG to fund the acquisition and payment of compensation for the houses at Hafodyrynys. There is a ring fenced reserve of £268k for this purpose, but until the final properties are all purchased and associated costs paid the final costs and funding requirement cannot be established. There are also a number of other ongoing issues in respect of air quality, pollution and contaminated land and these are being closely monitored as any increases in this area would impact on the overall financial position.
- 5.4.3 Trading Standards, Licensing, Registrars and CCTV services are projecting net underspend of £110k, this is primarily due to staff vacant posts and staff not on the top of incremental scales. Registrars is projecting a significant shortfall in income due to reduction in wedding and civil ceremonies linked to Covid-19, where income could be £109k below the £250k budget. However a claim to WG for lost income for the April to June period of £58k has been submitted of which 50% has been paid, with the balance being held by WG, as this will be subject to review nearer to the year end. An additional claim for July to September of £32k has been submitted and a further £45k included in this monitoring for the October to March period. This additional funding significantly improves the financial position of the Registrars service. Licensing income is also £23k below budget mainly relating to reductions in numbers of temporary events notices and changes to Premises and Personal

licences associated with pubs and clubs and also street trading applications. At this stage some of this could be considered to be delayed income due to Covid-19 not fully lost income and therefore no assumption is made on lost income funding from WG.

5.4.4 Catering Services are now projecting underspend of £63k on a £3.7million budget (previously a £320k overspend was being projected), the improvement is due to the inclusion of additional external funding as detailed below. Free school meal provision to pupil's homes has continued from the end of March through to the October half term. WG have been providing hardship funding for additional costs incurred by the Council, at £2.72 per meal (representing the estimated difference in cost of providing a free school meal at school compared to a free school meal delivered to pupils' homes). However at the start of September and start of new school terms, WG reduced the funding subsidy per meal to £1.03 and from mid-September the funding ceased as WG assumed that school canteen facilities would reopen. However, Caerphilly Council school canteens did not reopen until after the October half term and free school meals to pupils' homes continued until the canteens reopened without additional WG funding. In addition there has been a significant increase in free school meal take up since meals have been delivered to pupil's homes and therefore overall increase in cost of free school meals. In recognition of the increase in free school meal take up and the absence of WG support from the end of September, the financial projection for Catering includes additional funding of £307k, which is from additional money received by the Council linked to universal credit changes and impact on free school meals. Catering services have also experienced a significant reduction in cash income from pupils who normally pay for their meals, because school canteens have been closed from April through to the October half term. However in recognition of this WG funding of £362k representing net lost cash income for April to June period has been received and £245k recently received for July to September. A further £720k is estimated for the October to March 2021 period after considering the likely income generation for the remainder of the year, now canteens are operating, compared to last year. Without this lost income funding Catering would be reporting a fairly significant overspend. The staff restaurant is also closed and is likely to be for this financial year, this will result in income shortfall of £180k from meal sales offset by reduced food costs, albeit lost income funding from WG of £47k is included in the projections including £15k paid for April to June, £13k for July to September and £19k for October through to March.

5.5 COMMUNITY & LEISURE SERVICES

5.5.1 The Community & Leisure Division is presently projecting overall a net overspend of £743k on a budget of £21.823 million revised budget, this overspend primarily relates to leisure services as noted below.

5.5.2 Waste Management & Cleansing Services is overall presently only reporting overspend of £8k on a budget of £14.166 million. There is anticipated overspend in waste collection costs for the various waste streams of £394k, due to a combination of additional agency and staff cover linked to sickness absence and Covid-19 related shielding and isolation, also additional vehicle hire, albeit this is offset by a reduction in anticipated expenditure on vehicle acquisitions (underspend in RCCO revenue contribution to capital outlay) of £151k. Waste treatment costs are now showing overspend of £186k, this is due to a fairly significant increase in both dry recycling (£583k overspend) and residual waste (£378k overspend) over the past few months, which seems to be due to increased household kerbside waste linked to Covid-19 related lock downs and firebreak restrictions. However, a claim of £98k was submitted and paid by the Welsh Government hardship fund, representing increased

tonnage compared to last year for the April to September period, which was considered to be due to Covid-19 restrictions. It is then assumed that a further £93k will be claimed for the October to March period. This additional funding reduces the level of projected overspend significantly. In addition, underspend in organic treatment of £86k and also CA sites £573k (due to ongoing proof of residency policies and significant reductions in out of County waste) further offset the projected overspends in residual and dry recycling waste treatment. Waste treatment costs will be monitored closely however as they can vary due to changes in tonnage of waste and also variations in contract prices. There is presently anticipated overspend in relation to commercial waste of £260k due to a shortfall in income from external customers, this has been a problem for a number of years, but has been accentuated this year by the impact of Covid-19. However £49k of funding has been received from WG for the net lost income for April to June, although no further funding is anticipated, as it was a Council decision not to charge organisations that were not trading during the July to September period. Sustainable Waste Management Grant (SWMG) from WG is £38k greater than budgeted as a result of revisions to WG allocations. The overspends in waste management noted above, are also to a great extent, offset by an increasing projected underspend in street cleaning (£646k) which is due to a combination of staff vacant posts and staff continuing to be redirected to help cover waste collection rounds due to Covid-19 related and general sickness absence.

- 5.5.3 An underspend of £59k is projected for Parks & Countryside, Outdoor Facilities and Cemeteries. Cemeteries is reporting a £63k under spend due reductions in cemetery maintenance requirements. Any underspend in relation to cemeteries is ring fenced for future investment in cemetery infrastructure. Parks & Countryside combined is reporting underspend of £42k due to staff vacant posts part offset by additional agency requirement and reduced material & equipment spend linked to reduced grass cutting and sports pitch maintenance during the early days of the Covid-19 crisis. These underspends are part offset by a £60k reduction in country park car park income as a result of the Council decision not to charge for the remainder of the year albeit WG funding of £14k has been received for April to June period to part offset this shortfall. Parks HQ has overspend of £47k primarily due to maintenance work at Abercarn depot partly offset by reduced plant & equipment repairs. Outdoor facilities is reporting a near break- even position, with a shortfall in pitch hire income due to Covid-19 restrictions being offset by reduced pavilion attendants' costs, reduced pavilion maintenance costs and WG funding towards lost income of £30k.
- 5.5.4 Leisure Centres are reporting overspend of £528k. The leisure centres have been closed for long periods due to the Covid-19 crisis with no income being generated. This is accentuated by the fact that staffing costs are still being incurred and an element of other operating expenditure is fixed cost in nature and cannot easily be reduced while the centres have been closed. The overspend projection does however include WG funding of £549k received for net lost income for the April to June period, along with lost income funding for July to September of £352k. In addition the projection includes estimated lost income of £500k for both the October to December and January to March periods. Income generation is however very difficult to project accurately due to the ever changing position regarding Covid-19 restrictions and impact on the Councils Leisure Centres. Leisure Centres have from the start of September started to reopen on a phased basis, which has involved the unlocking of activity and increasing user numbers as Government and industry guidelines allow. Also customer attitudes to returning to activity is playing a big factor. At present it is assumed that customer activity and income generation maybe 22% of normal activity and that any shortfalls in income when compared to previous years will be funded from WG lost income grant support as noted earlier. The additional

WG funding assumed significantly improves the financial outlook for the leisure centres, albeit overspend of £528k is still anticipated as noted above, because historically over the past few years leisure centres have underachieved income budget targets. The overspend on Leisure Centres is part offset by a £38k underspend in Leisure HQ, primarily due to vacant posts and reduced spend on marketing and training.

5.5.5 Community Centres are at present projecting underspend of £40k on a £359k budget due to reductions in operating costs. Caerphilly Adventures is reporting a large overspend of £285k. This service has in recent years reported overspends (£121k outturn 2019/2020), as operating costs have not been fully recovered by fee income from courses, albeit revised fee rates for 20/21 have been agreed with Education Directorate and schools, which would have helped to address the income shortfall in previous years. However, this year the financial position has deteriorated due to a significant reduction in income generation linked to Covid-19 and courses not being provided. Lost income funding for April to June of £5.4k has been received and a further £21k for July to September claimed, however, the lost income claims are for external income only, so internal income related to schools including alternative curriculum support, which accounts for most of the income generated is not part of the WG funding support. Sports Development is projecting a break even position, with any shortfall in external income from summer school and other arranged sports activities being funded via WG lost income claims.

5.5.6 Vehicle Maintenance & Fleet Management is currently projecting overspend of £107k, primarily due to a reduction in in repair work. The outturn position will be dependent on the value of work through the workshop over the next few months and the ability to finance fixed overheads.

5.5.7 Building Cleaning is at present reporting underspend of £48k. Building Cleaning work has been affected by the Covid-19 crisis, with limited or no cleaning for a period of time being undertaken at Council buildings such as schools, leisure centres, tourism venues and libraries. However building cleaning have needed to provide enhanced cleaning to school hubs and corporate offices and also increased cleaning regimes at schools in preparation for schools reopening for the autumn term and during the autumn term. The decision was also made for all Council internal charges to be levied, so Building Cleaning services are still generating the income needed to cover staffing costs.

5.6 MEDIUM TERM FINANCIAL PLANS (MTFP) SAVINGS 2020/2021

5.6.1 The 2020/21 revenue budget for Communities Directorate included targeted MTFP savings of £465k. As noted in paragraph 5.1.3 above the savings required and applied to service budgets were significantly lower than the £2.1million of savings originally considered, due to the more favourable financial settlement eventually received from Welsh Government. The savings applied are summarised in table 2 below. The projected overspends and under spends discussed in the above paragraphs take account of these savings targets.

TABLE 2

Service Division	Approved Savings 2020/2021 £000
Regeneration & Planning Division	211
Infrastructure Services Division	0

Public Protection Division	71
Community & Leisure Services Division	183
TOTAL	465

5.6.2 A number of the MTFP savings applied in 2020/2021 have not been achieved as yet, most due to the significant disruption caused by the Covid-19 crisis and an inability to action many of the initiatives. This would include:

- Regeneration, Tourism Venues and events additional income across a number of venues of £32k.
- Catering services additional income from comprehensive schools (£12k) and also the restaurant facilities at Ty Penallta (£10k).
- Community & Leisure, Parks operations, deletion of an administrative post £25k and closure of Penallta depot £24k.

5.6.3 Most of the unachieved MTFP savings are associated with additional income generation, which as detailed in the body of this report has been significantly reduced across many services due to the Covid-19 crisis. Income generation would under normal circumstances normally have a greater risk of non-achievement, due to the volatility in customer demand for services and factors outside the control of the service that can impact on usage and income levels, but the Covid-19 crisis has accentuated these problems significantly.

5.7 CONCLUSION

The Communities Directorate provides a diverse range of services, as outlined in the report and appendices and the report notes that the services face significant ongoing financial pressures due to the requirement to achieve budget savings in support of the Councils medium term financial plan. Financial pressures this year, have been further significantly increased by the impact the Covid-19 crisis has had on service provision, with a number of services not being provided or being significantly curtailed and some services experiencing significant reductions in income generation. The operational managers will endeavour to ensure however that service net expenditure does not exceed the budget available.

As noted in paragraph 5.1.4 the additional financial support received from WG linked to costs directly associated with Covid-19 and the financial support in recognition of lost income due to Covid-19 has significantly assisted in reducing projected overspends.

6. ASSUMPTIONS

6.1 Expenditure and income projection assumptions are included in this report many based on likely future scenarios linked to Covid-19, in particular the length of time that some services may not be provided or continue to be significantly curtailed. The financial position of each service may well vary significantly later in the year if the position regarding Covid-19 changes.

- 6.2 The financial monitoring assumes that all staff of the Authority will continue to be paid their full salary, irrespective of the position regarding the ability of the service to provide services to the general public, this includes staff on casual and relief contracts who continue to receive an average pay.
- 6.3 Finally the financial projections include WG funding to support services who have incurred additional costs associated with Covid-19 and/or have significantly reduced income generation due to the impact Covid-19.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 The content of the report is in accordance with the budget strategy considered and approved by Council at its meeting of 20th February 2020.
- 7.2 The content of the report is in accordance with the budget strategy considered and approved by Council at its meeting of 20th February 2020.
- 7.3 Budget management itself is in accordance with the corporate theme of Delivering the Strategies.
- 7.4 **Corporate Plan 2018-2023.**

Effective financial planning and financial control contributes towards all the Corporate Well-being Objectives of:

Objective 1 - Improve education opportunities for all

Objective 2 - Enabling employment

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

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

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

Objective 6 - Support citizens to remain independent and improve their well-being
The objectives are high level themes and each have several outcomes that sit underneath them, (36 in total) so it may benefit the author to look at the outcomes within the plan to understand the cross-cutting nature of the Council's priorities with regard to any impact the report may have on the Corporate Plan.

8. WELL-BEING OF FUTURE GENERATIONS

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

- 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 Effective financial management is also consistent with the five ways of working as defined within the sustainable development principle in the Act.

- Long Term – The importance of balancing short-term needs with the need to safeguard the ability of future generations to meet their long-term needs
- Prevention - How acting to prevent problems occurring, or getting worse, may help public bodies meet their objectives
- Integration – Considering how the public body's well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies
- Collaboration – Acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives
- Involvement – The importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves.

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 Section 6 of the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

10. FINANCIAL IMPLICATIONS

10.1 As noted in the table in paragraph 4.1.3 above some service under/over spends will be appropriated to ring fenced reserves including Social Services Transport (£105k underspend), Home to Schools Transport (£331k underspend) and Cemeteries (£63k underspend). In line with the Council's reserves protocol, general revenue underspends not subject to specific ring fencing are appropriated to Directorate strategic reserves and Council working balances on a 50/50 basis, however any Directorate over spends will be appropriated to Service Directorate reserves in full and will require funding from previous years reserve balances where they exist or future years revenue budgets.

10.2 Based on current projections, combined general revenue overspend for the Directorate of £906k in relation to Regeneration & Planning, Infrastructure, Community & Leisure services and Public Protection would be appropriated to Communities Strategic reserve (this excludes ring fenced under/overspends noted in paragraph 10.1).

10.3 As noted in the report the overall outturn position of each Service Division will be

affected by Covid-19 and on the impact this has on ongoing service provision and also on decisions made by Welsh Government in terms of additional financial support provided in recognition of additional costs being incurred and/or reduced income generation to the Council.

11. PERSONNEL IMPLICATIONS

- 11.1 Members will be aware that when setting the budget, MTFP savings were identified for the Communities Directorate in relation to vacancy management savings, these are reflected in the financial figures reported.

12. CONSULTATIONS

- 12.1 There are no consultation responses, which have not been included in this report.

13. STATUTORY POWER

- 13.1 Local Government Act 1972 and 2000.

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Consultees:

Councillor A. Whitcombe, Chair Housing & Regeneration Scrutiny Committee
Councillor C. Forehead, Vice-Chair Housing & Regeneration Scrutiny Committee
Christina Harray, Chief Executive.
Mark S Williams, Interim Corporate Director of Communities
Robert Hartshorn, Head of Public Protection, Community & Leisure Services
Rhian Kyte, Head of Regeneration and Planning
Marcus Lloyd, Head of Infrastructure
Steve Harris, Head of Financial Services & Section 151 Officer
Jane Southcombe, Education Financial Services Manager
Dave Roberts, Principal Group Accountant
Paul Adams, Senior Assistant Accountant
Mike Jones, Interim Financial Services Manager Social Services

Background Papers:

Divisional budget monitoring working papers 2020/21

Appendices:

Appendix 1A Budget Monitoring Report - Regeneration and Planning
Appendix 1B Budget Monitoring Report - Infrastructure Services Division
Appendix 1C Budget Monitoring Report - Public Protection Division
Appendix 1D Budget Monitoring Report - Community and Leisure Services

Links to other Documents:

Minutes Council Meeting 20/2/2020: Budget Proposals for 2020/21 and Medium- Term
Financial Plan Outlook – Agenda Item No. 8

DIRECTORATE OF COMMUNITIES	Estimate 2020/21	Revised Estimate 2020/21	Projected Outturn 2020/2021	Variance 2020/21
<u>REGENERATION & PLANNING</u>				
Regeneration & Planning Senior Management Support	211,926	213,483	203,970	9,513
Regeneration & Planning Administrative Support	533,470	537,133	523,532	13,601
Support Services				
Business Support & Urban Renewal	577,380	580,247	493,285	86,962
Events	78,253	78,540	27,222	51,318
Property Operations	(1,325,762)	(1,325,762)	(1,232,636)	(93,126)
Town Centre Management	199,209	200,061	197,260	2,801
Marketing & promotion	0	0	0	0
Tourism Venues				
Tourism Venues Management Support	61,529	61,978	62,857	(879)
Llanciach Fawr	380,853	384,887	462,025	(77,138)
Winding House & Museum	157,930	158,688	128,845	29,843
Caerphilly Visitor Centre	62,073	63,153	63,153	(0)
Cwmcam Visitor Centre	243,165	246,018	306,727	(60,709)
Blackwood Miners Institute	302,847	305,485	252,345	53,140
Arts Development	157,175	158,134	99,603	58,531
Community Regeneration	139,591	140,371	116,230	24,141
Children & Communities Grant				
Expenditure	1,403,068	1,497,754	1,497,754	0
Grant Funding	(1,403,068)	(1,497,754)	(1,497,754)	0
C4W Grant				
Expenditure	597,465	597,465	597,465	0
Grant Funding	(597,465)	(597,465)	(597,465)	0
Planning Services				
Planning Services Management	78,027	78,605	78,435	170
Strategic Planning	328,030	330,205	308,679	21,526
Development Control	(77,450)	(74,448)	24,923	(99,371)
Building Control	(48,994)	(47,619)	16,458	(64,077)
Land Charges	(5,749)	(5,316)	21,643	(26,959)
GIS & Land Gazetteer	160,694	161,867	142,848	19,019
TOTAL NET BUDGET	2,214,197	2,245,710	2,297,404	(51,694)

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<i>ENVIRONMENT DIRECTORATE</i>	Page No	Estimate 2020/21	Revised Estimate 2020/21	Projected Outturn 2020/2021	Variance 2020/2021
<i>INFRASTRUCTURE DIVISION</i>					
<i>HIGHWAY SERVICES</i>		9,157,623	9,166,412	8,923,325	243,087
<i>ENGINEERING PROJECTS GROUP</i>		(92,163)	(83,224)	(109,192)	25,968
<i>TRANSPORTATION ENGINEERING</i>		473,521	483,081	1,005,980	(522,899)
<i>PASSENGER TRANSPORT</i>		1,648,785	1,650,960	1,437,250	213,710
<i>HOME TO SCHOOL TRANSPORT</i>		7,281,504	7,282,962	6,951,823	331,139
<i>SOCIAL SERVICES TRANSPORT</i>		1,552,829	1,557,420	1,452,021	105,399
<i>NETWORK CONTRACTING SERVICES</i>		(124,899)	(107,948)	354,256	(462,204)
<i>ENGINEERING - GENERAL</i>		19,336	19,336	18,408	928
<i>TOTAL NET EXPENDITURE</i>		19,916,536	19,968,999	20,033,871	(64,872)

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<i>DIRECTORATE OF THE ENVIRONMENT</i>	Page No	Estimate 2020/2021	Revised Estimate 2020/2021	Projected Outturn 2020/2021	Variance 2020/2021`
<u>PUBLIC PROTECTION DIVISION</u>					
<i>TRADING STANDARDS</i>		772,055	777,353	734,155	43,198
<i>LICENSING</i>		91,989	94,838	95,692	(854)
<i>REGISTRARS</i>		53,417	55,629	24,881	30,748
<i>CCTV</i>		417,023	420,081	388,594	31,487
<i>COMMUNITY WARDENS</i>		239,720	240,083	186,052	54,031
<i>CORPORATE AND DEMOCRATIC COSTS (CDC)</i>		57,631	58,052	52,971	5,081
<i>HEALTH DIVISIONAL BUDGET</i>		293,052	294,906	309,718	(14,812)
<i>COMMUNITY SAFETY PARTNERSHIP</i>		46,963	47,624	67,319	(19,695)
<i>ENFORCEMENT</i>		642,501	646,647	562,428	84,219
<i>POLLUTION</i>		398,936	401,196	244,746	156,450
<i>FOOD TEAM</i>		591,349	595,703	591,740	3,963
<i>EMERGENCY PLANNING</i>		105,923	106,634	92,293	14,341
<i>CATERING</i>		3,739,710	3,773,573	3,710,063	63,510
<i>TOTAL NET EXPENDITURE</i>		7,450,269	7,512,319	7,060,652	451,667

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<i>DIRECTORATE OF THE ENVIRONMENT</i>	Page No	Estimate 2020/2021	Revised Estimate 2020/2021	Projected Outturn 2020/2021	Variance 2020/2021
<u>COMMUNITY & LEISURE SERVICES</u>					
WASTE MANAGEMENT					
<i>Residual Waste</i>		2,282,953	2,286,943	3,032,358	(745,415)
<i>Organics recycling</i>		1,350,335	1,356,607	1,206,825	149,782
<i>Civic Amenity Sites</i>		3,082,763	3,086,961	2,455,653	631,308
<i>Waste Transfer Station</i>		107,968	108,232	118,467	(10,235)
<i>Dry Recycling</i>		2,714,455	2,721,197	3,366,472	(645,275)
<i>RCCO</i>		391,000	391,000	240,000	151,000
<i>Bulky Waste</i>		128,220	128,583	91,857	36,726
<i>Commercial Waste</i>		(508,650)	(507,555)	(247,069)	(260,486)
<i>Other Waste</i>		23,148	23,148	21,295	1,853
<i>Trehir</i>		131,451	131,451	118,279	13,172
<i>Sustainable Waste Management Grant</i>		(849,804)	(849,804)	(888,479)	38,675
<i>HQ Staff</i>		1,232,590	1,239,736	1,255,127	(15,391)
CLEANSING					
<i>Public Conveniences</i>		0	0	(299)	299
<i>Street Cleansing</i>		4,079,727	4,100,682	3,454,422	646,260
GROUND MAINTENANCE AND PARKS					
<i>Cemeteries</i>		(201,269)	(198,904)	(262,051)	63,147
<i>Allotments</i>		37,804	37,804	31,572	6,232
<i>Parks and Playing Fields</i>		1,763,051	1,776,584	1,716,657	59,927
<i>Playgrounds</i>		276,548	277,171	276,718	453
<i>Outdoor facilities</i>		237,104	238,049	236,753	1,296
<i>Community Assets Funding</i>		0	0		0
<i>Countryside</i>		893,301	902,218	926,959	(24,741)
<i>HQ Staffing</i>		998,661	1,004,010	1,051,500	(47,490)
LEISURE SERVICES					
<i>Leisure Centres</i>		2,672,870	2,702,129	3,192,458	(490,329)
<i>Sports & Health Development</i>		21,480	21,782	21,782	(0)
<i>Outdoor Education</i>		153,993	157,752	443,227	(285,475)
<i>Community Centres</i>		359,171	361,349	321,000	40,349
		21,378,870	21,497,125	22,181,483	(684,358)
<i>Building Cleaning</i>		570,558	598,354	549,830	48,524
<i>Vehicle Maintenance & Fleet Management</i>		(276,299)	(272,270)	(165,023)	(107,247)
Total net expenditure Community & Leisure Services		21,673,129	21,823,209	22,566,290	(743,081)

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HOUSING AND REGENERATION SCRUTINY COMMITTEE – 26TH JANUARY 2021

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING –
PERIOD 7 2020/21**

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

1. PURPOSE OF REPORT

- 1.1 To inform Members of the projected revenue expenditure for the Housing Revenue Account (HRA) for the 2020/21 financial year. The HRA capital programme which is predominantly funded by the HRA is also included within this report.

2. SUMMARY

- 2.1 Members will be aware of the distinction between the HRA, which is funded by rental income received from council tenants, and General Fund Housing activities, which fall under the General Fund and are funded via the Council taxpayer. Although there is a clear separation of these funds, the majority of council tenants rent is funded from housing benefits which are derived from the taxpayers' purse and therefore value for money must always be sought.
- 2.2 The report outlines the projected outturn for the HRA based upon the expenditure and income for the first seven months of the year
- 2.3 The HRA budget for 2020/21 is £51.7m with its main components consisting of £11.7m of salaries (net of WHQS funding), £8.3m of capital financing charges, £8.8m of building maintenance & response repairs, £2.8m of internal service recharges, and £17.8m of revenue contributions to fund the WHQS programme. The spend on the HRA is self-financed mainly by the rental income we collect from our Council Tenants, of which about 71% is funded by Housing Benefits. At period 7 an under spend of £827k is projected by the end of the financial year and the main reason for this is detailed below.

3. RECOMMENDATIONS

- 3.1 Members are requested to note the contents of the report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Members are informed of the projected financial position of the Housing Revenue Account.

5. THE REPORT

5.1 Introduction

- 5.1.1 The HRA is currently projecting a £827k net under-spend, which represents about 1.6% of the total HRA budget. The main variances are summarised below, and full financial details are provided in Appendix 1. This includes variances projected as a result of Covid-19.

5.2 Salaries & Mileage (£533k under spend)

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £533k against a £11m salary. There are some offsetting over and under spends in this area given the volume of staff which includes sickness cover, request for reduced hours and timing for filling vacant posts. During the coronavirus pandemic, all staff received and continue to receive full salaries with no furloughing assistance. However, some staff were redeployed to assist in critical areas such as Free School Meal loading and deliveries, assisting vulnerable people including the buddy scheme, and setting up and operating a financial crisis helpline. The HRA covered the costs for the redeployment in these areas.

5.3 Non-Pay related (£348k under spend)

- 5.3.1 Part of this underspend is associated with office related costs of £165k such as stationery, photocopying and postage, mainly as a result of offices not being occupied because of lockdown. However, due to the need to extend the lease on Cherry Tree House, to enable social distancing to be maintained until the offices in Tir Y Berth and Rhymney depot can be completed, there will be additional costs on the rent, business rates, cleaning and utilities that will offset some of the other office savings.
- 5.3.2 A further £183k underspend is attributable to budgets that are service specific such as, shop management, allocation recharges, tenant participation and utility charges within our sheltered schemes. Some costs however have increased due to the covid-19 restrictions such as security of void properties (£67k), Council tax charges on void properties (£76k) and rent allowances (£66k) offered to tenants to allow minor repairs to be carried out as part of their tenancy start up, and covering delays in ending tenancies because of lockdown. These allowances have had to be extended as operatives were until recently unable to enter tenants' homes unless it is essential works. These costs which are as a consequence of Covid-19 restrictions, were initially claimed on the Welsh Government Covid-19 LA Financial Hardship Fund, but Welsh Government have recently confirmed that the HRA will not receive any assistance from this fund, on the basis that no other Registered Social Landlords (RSL's) are receiving any assistance.

5.4 **Building Maintenance & Response Repairs (£1m under spend)**

- 5.4.1 This area is currently projecting an underspend of some £1m. This is predominantly made up of £979k under spend in cyclical and revenue projects which includes damp proofing, non – DLO works, sheltered & infrastructure projects. This reduced expenditure is as a consequence of the Covid pandemic and also the limited work requirements identified against the budget headings in the current year. Response Repairs are also projecting a small underspend which is due to a reduction on transport and materials during lockdown and also sub-contractor work, some of which was allocated to the WHQS team to maintain continuity of work for the WHQS workforce in the first few months of lockdown. This has been offset by the reduction of recharge income, and an additional allocation for flood preventative works.
- 5.4.2 Operatives have until recently only been allowed to enter tenants homes for essential repairs. It was expected that the spend would gather pace when restrictions were eased, and tenants would be more comfortable with repairs taking place in their homes. Unfortunately, the local lockdown restriction in Caerphilly delayed our progress to some extent but we have not been made aware of any concerns at this stage.
- 5.4.3 The contingency budget of £500k has been reduced to £300k on the assumption that savings made elsewhere this year can be utilised if needed.
- 5.4.4 As a result of incorporating the costs of delivering the Building Maintenance service within the HRA, the in-house holding account was set up to monitor the in-house workforce costs that are recharged to the WHQS capital programme and also the PAMS (Post Asset Management Strategy) programme, which was due to run concurrently this year when the WHQS programme ended in June 2020. A budget of £10.8m has been allocated in 2020/21 along with an income recharge to the capital programme so that the HRA has a nil cost. This budget is currently projecting a saving of £3m that will fall onto the capital programme. This is as a consequence of not being able to progress with the WHQS programme during lockdown. Some resources were however transferred to void properties and empty buy-back stock which was originally intended to be completed Post WHQS, but some staff were also redeployed to critical services which is still ongoing. As restrictions are lifted and tenants allow our operatives to re-enter their homes following the development of detailed risk assessments, spend should start to increase, although due to the Government guidance on working under Covid-19 conditions, this will take longer to complete, as we are expected to retain 2 metres under social distancing rules, and limit the number of operatives within the property. This will also have a detrimental effect on the commencement of the PAMS programme which will need to be reprofiled to fit in with the revised completion of WHQS. Welsh Government have recently confirmed that the extended deadline for authorities to achieve WHQS is now December 2021. Members are informed, however, that Caerphilly Homes was on target to meet our June 2020 deadline had the pandemic not occurred, and are confident of completion prior to the revised deadline.
- 5.4.5 A further budget is set in the HRA for the Management and Delivery of the WHQS Programme. Current projections are showing an underspend of some £55k due to staff turnover, but as per the in-house holding account, this is also recharged fully to the WHQS Capital Programme and is therefore a nil cost to the HRA. However, as the WHQS programme is likely to be extended, the current budget requirement will be monitored to ensure resource is also extended to support delivery of the programme.

5.5 Capital Financing Requirement (CFR) (£302k overspend)

- 5.5.1 The total debt for the HRA as at 1st April 2020 is £139.8m. There is a CFR budget of £8.3m which includes a Minimum Revenue Provision (MRP) of £2.7m to repay the HRA debt and £5.6m of interest charges. The HRA debt consists of historical debt and the debt which was taken up in 2015 as part of the Buy Out of the Housing Revenue Account Subsidy (HRAS) system. More recently the CFR debt has increased due to the borrowing needed to part fund the WHQS Programme (£23m in 2018/19 & £17.9m in 2019/20).
- 5.5.2 Further borrowing had been estimated in 2020/21 to complete the programme and in future years to progress with the PAMS programme together with an element for New Build proposals. However, early indications suggest a further £6m to complete the WHQS programme under the new social distancing measures, and a 2% increase on bad debt provision for rent arrears. This will continue to be reviewed once the real impact of Covid-19 can be established. The final borrowing element to complete the WHQS programme is now estimated to be about £7m higher, which will impact on the funding for the PAMS programme and New Build Initiatives. The potential increase in borrowing will therefore increase the CFR requirements by some £302k.

5.6 Income (£272k under recovered)

- 5.6.1 Variations represent less than 1% of the total income budget and includes a 7.5% reduction on the service charges to tenants due to Covid,

5.7 Bad Debt Provision (£130k underspend)

- 5.7.1 Within the first 3 months of lockdown, rent arrears increased by £1m compared to the same period the year before. We believe there is a number of factors for this rise. Firstly, the Government placed an embargo on actioning evictions and court referrals for possession orders, until the 23rd August 2020 (since extended to March 2021) which meant we could not pursue those tenants who were already in the system prior to lockdown for breach of tenancy, and no payments were made during this time which has worsened the position. Secondly, our tenants did not have access to all the normal facilities for payment, in particular our cash offices, meaning some tenants did not have immediate alternatives to make payments. Prior to the March lockdown, a substantial number of tenants used our face to face facilities at the cash office (37%) or door-step collection service (4%). Significant staff resources were needed to contact these tenants to arrange suitable alternatives of payment e.g. Post Office, and online facilities. Also, some of our tenants were shielding or self-isolating so could not physically make payments or have access to a rent collector service, as that was also withdrawn during lockdown. Initially there was also an increase in Universal Credit claims suggesting financial hardship for some of our tenants
- 5.7.2 Every effort was made to support all our tenants during this period, and this is still ongoing. Reassurance calls were attempted to every tenant ensuring they had the required level of support or signposted where appropriate. No debt recovery took place due to the embargo, but reassurance letters were sent out to those in arrears that could not be contacted by phone, asking them to contact the rent department so that support could be offered.
- 5.7.3 Welsh Government now require a 6 month notice period (which is in place until March 2021) before an application for a possession order can be made to the County Courts. Any Notice of Seeking Possession Orders (NOSP) issued up to this date must therefore have a 6 month notice period and long standing cases for

eviction will not be considered whilst in local lockdown. There is also a priority order for courts to consider which includes anti-social behaviour cases, extreme arrears of more than 12 months, domestic abuse, fraud and subletting cases. Our tenants will only be issued a NOSP where there has been no engagement despite efforts from the Tenancy Support team, or where agreements have not been maintained.

- 5.7.4 As at end of October the additional arrears (when compared to the previous year) are showing a reduction from £1m in the first 3 months to about £515k, suggesting that some tenants have started to pay their arrears. There has also been a lot of support to those tenants who originally paid at the cash office, and a significant shift has been made to other payment methods such as BACS, Post Office & Internet payments. The doorstep rent collection service has stopped with a recommendation to Cabinet to withdraw this permanently.
- 5.7.5 Furthermore, the Department of Work and Pensions (DWP) have altered the timing of their housing cost payments as from 14th September, so we now receive this payment on the day the tenant receives their personal allowance rather than 5-6 weeks in arrears. This will improve the arrears position when compared to the previous years, due to the payments no longer being retrospective, and although this is a welcomed change, it does make it difficult to monitor how much of the arrears are due to Covid related issues alone.
- 5.7.6 However, the likelihood is that not all of the additional arrears will be recoverable and the provision for bad debts needs to account for this. There are however, some offsetting savings on the write-offs which cannot be pursued due to the issues mentioned above, in particular for Debt Relief Orders, due to resources being concentrated elsewhere, so the net decrease is currently £130k, although this is being regularly monitored, and it is expected that the write-offs will be considerable once recovery action recommences next year.

5.8 Revenue Contributions to Capital Outlay (RCCO) (£55k under spend)

- 5.8.1 The HRA allows for some £17.8m of revenue contributions towards the WHQS Programme and this includes an element for the WHQS management team responsible for the delivery of the WHQS Programme which is anticipating a £55k underspend as explained in 5.4.5 above.
- 5.8.2 The total expenditure on the HRA capital programme as at period 7 is some £7.5m which is a significant decrease compared to the same period last year of £23.6m. This year also includes spend on property acquisitions and new build development work of £787k. This reduction in spend is as a consequence of not being able to progress with programmed works during the Covid-19 pandemic (with the exception of essential work), but the WHQS programme still has to be delivered. Any savings, therefore made this year, will be required to fund the programme to meet its deadline by December 2021.
- 5.8.3 The HRA RCCO allocation will fund the spend this year in addition to the £7.3m Major Repairs Allowance (MRA) from Welsh Government, with any remaining balance being funded from HRA working balances and borrowing. The MRA allowance will need to be utilised first as this funding does not carry over into financial years. The HRA RCCO is affected by any adverse expenditure within the HRA, and if there is a projected deficit on the HRA, the RCCO budget will need to reduce accordingly.
- 5.8.4 Borrowing of £23m was taken up for the first time since the start of the WHQS Programme to fund expenditure in 2018/19. A further £34m borrowing was initially

projected for 2019/20 based on a £56m spend in that financial year. However, due to recent concerns regarding the performance and quality of work by some of the DPS (Dynamic Purchasing System) contractors within the final stages of the programme, it was agreed to allocate the remaining contracts to the In-House workforce. This resulted in a revised target completion date from March 2020 to June 2020 to allow the In-House workforce time to absorb the additional properties (approx. 150). Subsequently this also reduced the borrowing requirement to £17.9m in 2019/20 due to the work programme being reprofiled over two financial years.

- 5.8.5 Further re-profiling is now necessary, and officers are working on this whilst having confirmation of the revised completion date of December 2021 by Welsh Government. Early indications are that internal works will be completed by August 2021, Externals works including leaseholders to be completed by February 2021.
- 5.8.6 WHQS Internal works as at period 7 is 97.59% compliant – monitored weekly
- 5.8.7 WHQS External works at period 7 is 97.91% compliant – monitored monthly
- 5.8.8 Full WHQS compliance (where properties have achieved both internal and external compliance on a contract basis) is 96.30%
- 5.8.9 External work re-started in Mid-May and 2 contractors worked through lockdown. Although the majority of this work is outside of the tenant's property, appropriate detailed risk assessments were issued by the Contractors to ensure compliance to the government guidelines of working during the pandemic was adhered to. All contracts remaining in the programme are now in progress and early indications suggest a 10% increase of costs to allow for supply issues and some restrictions when entering tenants' homes (e.g. installing doors). It is anticipated that all external works (excluding leaseholders) will be completed by February 2021 pending no further delays from adverse weather conditions, or further lockdowns.
- 5.8.10 Internal works had in the main been on hold since lockdown, with the exception of essential works, particularly to a number of properties that would have been left without basic amenities during lockdown. As mentioned earlier in the report, work was transferred to empty properties and recent buy-backs to try and continue momentum within the workforce. Pace was expected to increase when we commenced work in Mid-August, and property compliance has shown some movement. However, some tenants will undoubtedly refuse works if they are shielding or have any medical issues or just fear about having the work completed etc, so we will record these as acceptable fails in the meantime. A reasonable assumption at this stage would be completion around August 2021 to allow for the impact of restarting contracts, risk assessments, social distancing etc, pending no further delays from potential future lockdowns.
- 5.8.11 A Post Asset Management Strategy (PAMS) working group has been set up to ensure that the WHQS standard is continuously maintained once full compliance is achieved. A 5 year external programme is currently being worked on, but this will now need to be re-profiled to ensure the WHQS programme is completed. On a positive note, some of the work that was earmarked for the PAMS programme may be completed as part of the WHQS programme such as the buy-backs that were too late to be entered into the WHQS programme for June 2020 completion.
- 5.8.12 A viable Housing Business Plan was submitted to Welsh Government as part of the annual MRA application in March 2020. This was just before the lockdown and the

subsequent issues surrounding the Covid-19, which is still ongoing. The Business Plan, therefore, is not relevant as it stands. An initial review of the additional costs needed to complete the WHQS programme, and the impact of the rent arrears has been factored into the plan and has been explained in 5.5.2 above. The next submission to Welsh Government is due on 31st March 2021.

5.9 HRA Working Balances

5.9.1 Working balances at the start of 2020/21 financial year were £4.1m. This is expected to be fully utilised this year against the WHQS Programme.

5.9.2 Whilst priority will be given to the delivery and achievement of the WHQS Programme, borrowing may be required to increase the supply of council housing to meet the West Government's proposal that 20,000 new homes be delivered in Wales by 2021 (Caerphilly Homes Building Together report presented to Housing & Regeneration Scrutiny Committee on 26th November 2019). This has started to progress, and Cabinet recently approved on the 9th September 2020 to move forward on the site investigations and developments of several sites at a cost of £4m. There is grant funding available up to 58% of the development costs if certain timescales are met.

5.10 COVID-19 (£700k overspend)

5.10.1 Additional costs to be able to operate under Covid conditions as at period 7 are as follows, and are projected to be £700k by the end of the year. These costs were not anticipated so there is no budget allocated. Some costs such as voids and rent allowances have also been captured and are charged direct to the Covid account

PPE equip	£57k
Buddy mileage/add'n postage/IT equip	£20k
Agency contracts extended	£84k
Service charge discount	£12k
Additional vehicles for social distancing	£6k
Prolonged voids	£207k
Extension of rent allowances	£66k
TOTAL	£452k

5.10.2 In addition to this, increases within existing budgets as a result of Covid are estimated to be as follows, and have been included in variances shown elsewhere within this report (with the exception of rent arrears which are held within the balance sheet)

Additional CFR charges	£302k
Additional rent arrears	£515k
Council tax for prolonged void properties	£38k
Security for prolonged void properties	£81k
Lost time (operatives trading)	£600k
Savings	(£383k)
TOTAL	£1.15m
TOTAL ESTIMATED COVID COST	£1.6m

- 5.10.3 Savings as a result of Covid are estimated to be about £383k in relation to reduced mileage, office costs & training, together with a delay in write offs of £150k which are included in the variances to this report. Savings as a result of reduced fleet demand have also been offset against the lost time shown above.
- 5.10.4 There are other costs as yet to be established, extra deep cleaning of properties during handover and tipping/clearance charges, overtime for the backlog of repairs, costs to ensure social distancing measures, and increase in costs on the WHQS programme to ensure safety of our tenants and staff, including the impact on the delay in delivering the programme.
- 5.10.5 To date Welsh Government has funded 38k of the above costs which relate to PPE and 50% of the IT cost. However, WG have since confirmed they will disallow any HRA claims on the basis that not all local authorities have retained their housing stock and the sector would therefore not be treated equally because transferred RSL's and traditional RSL's are not offered the same assistance.
- 5.10.6 This will significantly impact on the HRA Business Plan. Arrears have increased when compared to the previous year by over £500k, and, although some of this may be recovered, there is the additional cost of recovering it, the increase in bad debt provision and possible write-offs for those we are unable to recover. At the time of writing this report, we are yet to restart our normal debt recovery procedure which means arrears are increasing weekly. Other costs mentioned above, will also have to be funded. It is anticipated that Covid costs will be in the region of £1.6m in total this year, none of which will receive any financial assistance.
- 5.10.7 Members should note that rent increases are governed by the Welsh Governments Rent Policy which do not allow for increased costs to be passed onto the tenant without an appropriate affordability and value for money test. Early indications for the 2021/22 rent increase is at least 1% lower than what has been projected within the business plan. It is, therefore, unlikely that Covid costs can be funded from future rent increases.

6. ASSUMPTIONS

- 6.1 The projected outturn position is based on actual income and expenditure details to the end of October 2020, together with data used to forecast future income and expenditure, following discussions with Managers. However, spend and income activity has been unprecedented during this time which makes it difficult to accurately forecast the year end position.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on 20th February 2020.
- 7.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations (Wales) Act 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 management including the effective utilisation of external grant funding is a key element in ensuring that the Well-being Goals within the Well-Being of Future Generations (Wales) Act 2015 are met

9. EQUALITIES IMPLICATIONS

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

10. FINANCIAL IMPLICATIONS

- 10.1 As detailed throughout the report
- 10.2 Members should note that the impact on the HRA in terms of the coronavirus is significant and there are no appropriate measures at this time to recover these costs. Options to consider are therefore reductions in large scale spend areas such as future programmes, which could impact on the delivery of our new build agenda.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

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

13. STATUTORY POWER

- 13.1 Local Government Acts 1972 and 2003 and the Council's Financial Regulations

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Consultees: Cllr A Whitcombe, Chair Housing & Regeneration Scrutiny Committee
Cllr C Forehead, Vice Chair Housing & Regeneration Scrutiny Committee
Cllr L Phipps, Cabinet Member for Housing & Property
D Street, Corporate Director Social Services & Housing
S Couzens, Chief Housing Officer
S Harris, Head of Corporate Finance & S151 Officer
F Wilkins, Housing Services Manager
P Smythe, Housing Technical Manager

Appendices:
Appendix 1 HRA Financial Plan 2020/21 (Period 7).

Housing	Estimate 2020/211	Projected Outturn 2020/21	Variance 2020/21
<u>Housing Revenue Account</u>	£	£	£
<u>SUMMARY</u>			
General Management	1,759,257	2,304,098	(544,841)
Capital Financing	8,348,031	8,649,988	(301,957)
Central Recharges	2,793,870	2,757,285	36,585
Strategy and Performance	1,053,637	887,567	166,070
Public Sector Housing	5,750,762	5,294,808	455,954
Supported Housing	-	-	-
Building Maintenance Services	31,978,154	30,690,322	1,287,832
Gross Expenditure	51,683,711	50,584,067	1,099,644
INCOME	(51,683,711)	(51,411,472)	(272,239)
(Surplus)/Deficit Contribution (to)/From Working Balances	-	(827,405)	827,405
<u>Housing Revenue Account</u>	£	£	£
<u>GENERAL MANAGEMENT</u>	1,759,257	2,304,098	(544,841)
<u>CAPITAL FINANCING COSTS</u>			
Interest Charge	5,556,468	5,802,209	(245,741)
Principal	2,740,513	2,795,729	(56,216)
Debt Management	51,050	51,050	-
Rescheduling Discount	-	-	-
Expenditure to HRA Summary	8,348,031	8,649,988	(301,957)

<u>CENTRAL RECHARGES</u>			
Central Recharges	2,301,671	2,270,138	31,533
Grounds Maintenance recharge to HRA	492,199	487,147	5,052
Expenditure to HRA Summary	2,793,870	2,757,285	36,585
<u>Housing Revenue Account</u>	£	£	£
Housing Strategy & Development	537,382	419,526	117,856
Transforming Lives & Communities	516,255	468,041	48,214
Expenditure to HRA Summary	1,053,637	887,567	166,070
<u>Housing Revenue Account</u>	£	£	£
<u>Public Sector Housing</u>			
Landlord General	308,641	209,067	99,574
Sheltered Accommodation	1,432,175	1,310,381	121,974
Holly Road Community Support	4,129	3,955	174
Eastern Valley Area Housing Office	669,116	732,490	(63,374)
Upper Rhymney Area Housing Office	844,428	798,140	46,288
Lower Rhymney Valley Area Housing Office	37,450	33,096	4,354
Lansbury Park Neighbourhood Housing Office	322,430	335,580	(13,150)
Graig Y Rhacca Neighbourhood Housing Office	291,857	282,253	9,604
Housing Allocations Contribution	128,857	106,547	22,310
Tenants & Communities Involvement	473,558	304,184	169,374
Leaseholders Management	73,333	70,404	2,929
Tenancy Enforcement	295,830	286,256	9,574
Rents	912,690	863,997	48,693
Community Wardens	(43,732)	(41,541)	(2,191)
Expenditure to HRA Summary	5,750,762	5,294,808	455,954

<u>Housing Revenue Account</u>	£	£	£
<u>Response Repairs & Maintenance</u>			
Employee Expenses net of recharges	1,260,628	1,222,509	138,119
<u>Repairs & Maintenance on Housing Stock</u>			
Responsive Repairs	9,438,067	9,299,415	138,652
Revenue Contribution to Capital – WHQS Programme	17,809,772	17,755,255	54,517
Group/Planned Repairs (priorities 5 & 8)	-	-	-
Void Repairs (priority 6)	-	-	-
Depot Recharges	100,000	92,414	7,586
Revenue Projects	1,444,000	767,059	676,941
Planned Cyclical	1,747,336	1,445,553	301,783
Planned Programme	-	-	-
	30,539,175	29,359,695	1,179,480
Transport Related	52,500	46,601	5,899
Supplies & Services	125,851	161,516	(35,665)
Expenditure to HRA Summary	31,978,154	30,690,322	1,287,832
<u>Housing Revenue Account</u>	£	£	£
<u>INCOME</u>			
<i>Rents – Dwelling</i>			
Gross Rent – Dwellings	(45,953,276)	(46,138,583)	185,307
Gross Rent – Sheltered	(4,158,368)	(3,965,328)	(193,040)
Gross Rent – Hostel	-	-	-
Voids – General Needs Dwelling/Sheltered	800,000	856,154	(56,154)
Additional Income O/Side Rent Debit (WHQS)	-	-	-
Voids – Hostel	-	-	-
Net Rent	(49,311,644)	(49,247,757)	(63,887)

<i>Rents – Other</i>			
Garages	(346,497)	(346,070)	(427)
Garage Voids	121,215	121,010	205
Shop Rental	(59,872)	(59,872)	-
	(285,154)	(284,931)	(223)
<i>Service Charges</i>			
Sheltered – Service Charges	(1,394,522)	(1,246,156)	(148,366)
Sheltered – Heating & Lighting	(113,786)	(103,802)	(9,984)
Sheltered & Dispersed – Alarms	-	-	-
Catering Recharge – Sheltered Accommodation	-	-	-
Voids Schedule Water	64,372	111,930	(47,558)
Non Scheduled Water Rates	(38,448)	(32,167)	(6,281)
Welsh Water Commission	(579,379)	(579,379)	-
Leaseholder – Service Charges	(10,000)	(14,060)	4,060
	(2,071,763)	(1,863,633)	(208,130)
<i>Government Subsidies</i>			
Housing Subsidy	-	-	-
	-	-	-
<i>Interest Receivable</i>			
Mortgage Interest	(150)	(150)	-
Investment Income	(10,000)	(10,000)	-
	(10,150)	(10,150)	-
<i>Miscellaneous</i>			
Miscellaneous	-	-	-
Private Alarms	-	-	-

Ground Rent	(5,000)	(5,000)	-
	(5,000)	(5,000)	-
<i>INCOME TO HRA SUMMARY</i>	(51,683,711)	(51,411,472)	(272,239)

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HOUSING AND REGENERATION SCRUTINY COMMITTEE – 26TH JANUARY 2021

SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2021/2022

REPORT BY: CORPORATE DIRECTOR OF SOCIAL SERVICES AND HOUSING

1. PURPOSE OF REPORT

- 1.1 For Members to consider and take a view on the increased Council Housing rent charges proposed in this report, prior to consideration by Cabinet on the 10th February 2021. The charges predominantly focus on council house rents, but also include garages, and are intended to be effective for the Housing Revenue Account (HRA) for the 2021/2022 financial year.

2. SUMMARY

- 2.1 Members will be aware that the preparation of the Housing Revenue Account (HRA) budget is quite separate to the work involved in setting the General Fund Budget and Council Tax. The HRA is funded by rental income received from council tenants, rather than the Council Taxpayer. Whilst there is a clear separation of these funds, the majority of the proportion of council tenants rent is funded from financial support in the form of Housing Benefit or Universal Credit (72%) which is derived from the taxpayers' purse, therefore value for money must always be sought. We charge our council tenants rent over a 48-week basis but The Welsh Government (WG) base their rents on a 52-week basis so this report shows the 52 week equivalent.
- 2.2 The Affordable Housing Supply Review was published in April 2019. The purpose of the review was to examine current arrangements supporting the development of affordable housing, and to make recommendations for changes designed to increase supply and improve delivery from the resources available. One of the tasks included making a recommendation on how a sustainable rent policy can help determine long term affordability for tenants and the viability of existing and new housing developments.
- 2.3 The key recommendations from this review in correlation to the rent policy was
1. *The Welsh Government should implement a five year rent policy from 2020-21*
 2. *There should be a focus on landlords considering Value for Money alongside affordability. An explicit annual assessment on cost efficiencies should be part of the rationale for justifying any rent increase*
- 2.4 In reaction to this review, The Minister for Housing and Local Government has stated “*There must be a clear balance between the interest of landlords and residents. Affordability for tenants must take into account the whole cost of living in a property and Landlords are expected to consider these costs when setting rents each year. Affordability is an issue I take very seriously, and I am mindful of not placing excessive financial burdens upon tenants*”..

- 2.5 Having considered the review, along with wider factors such as the pressures arising from growing levels of homelessness, the need to decarbonise our existing stock, to maintain the Welsh Housing Quality Standard and to build new high quality homes that are near zero carbon, The Minister confirmed the following for the 2020/21 Rent Policy:-
1. An annual uplift of up to CPI+1% each year for 5 years from 2020-21 to 2024-25 using the level of CPI from the previous September each year.
 2. CPI+1% will be the maximum increase allowable in any one year but this must not be regarded as an automatic uplift. Landlords decisions on rent should take into account the affordability of rents for tenants.
 3. The level of rents for individual tenants can be reduced or frozen or can rise by up to an additional £2 over and above CPI+1%, on condition that total average rental income collected by the landlord increases by no more than CPI+1%.
 4. As an intrinsic part of the 5 year policy, landlords will be expected to set a rent and service charge policy which ensures that social housing remains affordable for current and future tenants. As part of their annual decision they should make an assessment of costs efficiencies, value for money and affordability for tenants.
- 2.6 In determining the rent increase for 2021/2022, The Minister has confirmed the above criteria will remain. However, in light of the pandemic, the lack of data collection whilst government resources have been re-prioritised, has meant no robust data available to generate the Target Rent Bands for the year ahead, and The Minister has therefore suspended the role of Target Rent Bands for this year. Members will recall that the original policy set a Target Rent Band for each Authority which allows Authorities flexibility to increase the rent to ensure the level is within the Target Rent Band envelope, conversely, if the average weekly rent is above the Target Rent Band, average rents will increase at a lower rate, to bring the rent back within the Target Rent Band envelope.
- 2.7 The Minister is also keen to progress with a number of new initiatives as part of the wider rental agreement which include
- Strengthen approaches designed to minimise all evictions and deliver on a new agreement not to evict into homelessness.
 - Undertake a standardised tenant satisfaction survey for publication on a central website to assist tenants in scrutinising and comparing landlord performance. First survey results to be available for publication by April 2021. However, this will now be based on existing satisfaction data, with officials discussing a revised set of core questions for survey results to be published in April 2022.
 - Build on existing commitments to deliver high quality homes with BHS (Beautiful Homes and Spaces) 2021 space standards applying across tenure, to attract WG funding, phased from 2021
 - Work towards energy efficiency standards of no less than EPC A (Energy Performance Certificate) on new build sites which attract any WG funding from April 2021.
- 2.8 The previous Septembers CPI inflation figure was 0.5%. The policy therefore allows a maximum of 1.5% increase on our total rental income.
- 2.9 The Business Plan has assumed a rent increase of 2.5% for 2021/22 to 2024/25.
- 2.10 Members will recall there was limited time to consider a full affordability options appraisal for setting the rent for 2020/21, and the intention was to conduct a data gathering exercise later in 2020, in advance of the 2021/22 rent setting cycle.

- 2.11 A working group was set up to discuss an appropriate way forward, including a questionnaire to tenants specifically on rent affordability. It soon became apparent that there were many complexities to address if the affordability appraisal was to evidence meaningful outcomes. What is considered affordable to one tenant will not be affordable to another. The lack of information regarding tenants income and outgoings (e.g. utility bills, wages etc), and their individual circumstances and expectations means that affordability becomes difficult to measure.
- 2.12 Unfortunately, due to the Covid pandemic, the working group could not progress to the extent desired, as resources were prioritised elsewhere. However, some progress has been made, in the hope it is an adequate base on which to develop further. An affordability survey to tenants was agreed and posted on social media and the Councils website on 16th November, with a 30 day deadline. Tenants who have registered to receive EGov updates also received the survey directly, and officers made our engaged tenants aware of the survey in several communications with some surveys being carried out over the phone. The responses received have been considered within the proposals of this report.
- 2.13 In addition to the affordability survey, as a landlord. we are obliged to survey our tenants under a standard STAR survey which is a consistent framework for social landlords to collect, report and measure on tenant's satisfaction. The survey consists of seven key questions and one of these key questions include a direct reference to value for money. 155 respondents completed this questionnaire.

3. RECOMMENDATIONS

- 3.1 Members are requested to consider and give a view on the following recommendations which will be presented to Cabinet on the 10th February 2021.
- (a) Members recommend to Cabinet the level of increase per property from April 2021 based on the options explained in the report, which are :-
- (i) 1.5% (CPI plus 1%) – (£92.02/52 week – additional £1.36/wk) the maximum allowed under the rent policy which will set our rent just within the low end of the previous year's policy target rent band but, will reduce our income by £0.5m to that assumed within our business plan, compounded year on year. This would be the preferred officer recommendation.
 - (ii) 1% – (£91.57/52 week – additional 91p/wk) this reduces our income by £0.8m to that assumed within our business plan. Higher increases may need to be considered in the future to get back within the policy target rent band , on the assumption this is re-introduced and uplifted by inflation.
 - (iii) 0% (No increase) – (£90.66/52 week) would reduce our income by £1.2m to that assumed within our business plan. Higher increases may need to be considered in the future to get back within the policy target rent band, on the assumption this is re-introduced and uplifted by inflation.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 Inflationary increases on providing all aspects of the housing service are experienced annually, however as the HRA cannot legitimately set a deficit budget, the loss of additional income will result in reduced resources being available to effectively manage and maintain the stock, or result in increased levels of borrowing.

- 4.2 Housing Benefit/Universal Credit will cover the increased costs for the rent charge in this report for 72% of our tenants up to the Housing Benefit limitation rate (yet to be confirmed).
- 4.3 If charges are not increased annually it has a detrimental effect on subsequent years as higher increases are then needed to recover the shortfalls from previous years.
- 4.4 The Council's Business Plan relies on inflationary increases to remain viable and cover increasing costs associated with the delivery of the service.
- 4.5 Additional resource is necessary to be able to meet the demands from Welsh Government on maintaining the WHQS, the provision of new affordable housing, decarbonisation of the existing stock and increasing support for tenants in order to sustain tenancies and reduce homelessness.
- 4.6 The impact of Covid has significantly impacted on the HRA, in particular rent arrears. In addition, costs have remained the same with a considerable reduction in productivity, meaning that our budget has been delivering less. This has resulted in a backlog of work which will increase costs in 2021/22 as properties on the WHQS programme will take longer to complete
- 4.7 The officer preferred recommendation of 1.5% will be the lowest rent increase set by the authority for a number of years. The average increase over the last 7 years is 3.33%.

5. THE REPORT

5.1 Rent Increase

- 5.1.1 For a number of years the WG have effectively determined the level of annual rent increases, and these increases have been linked with the Housing Revenue Account Subsidy (HRAS) calculations, thus restricting an Authority from completely controlling its rental income. Members will be aware of the buy-out of the HRAS system which introduced self-financing from April 2015.
- 5.1.2 The standard uplift policy for Local Authorities was based on the previous September Retail Price Index (RPI) plus a 2% real increase in support of rent convergence. The Minister for Housing and Regeneration revised the rent uplift policy as part of the new Policy for Social Housing Rents in April 2015, which was accepted by Members in the 2015/16 HRA charges report. The policy set a target rent band for each Authority and if the average weekly rent is below the target rent, the Authority will have to increase average rents, and if the average weekly rent is above the target rent, average rents will increase at a lower rate, to bring the rent back within the target envelope.
- 5.1.3 The uplift on the revised rent policy was fixed for five years up to 2018/19 and used the previous September Consumer Price Index (CPI) inflation figure (as opposed to the RPI inflation figure) and also applied a 1.5% real increase to the average local authority rent. There was also an option to add up to £2 per week if social landlords needed to increase their rent to keep in line with their target rent band, or if rents were being restructured and if their local rent policy was being revised.
- 5.1.4 2018/19 was the final year of the initial five year agreement. The Minister considered the position for 2019/20 and agreed that the increase should be based on CPI only. The discretion to apply "up to £2 per week" was removed for those social landlords whose average weekly rent was within or above their Target Rent Band. This decision applied for one year only (2019/20) while Welsh Government awaited the outcome of the Affordable Housing Supply Review. As we were below the target rent band we could apply the "up to £2" discretion which resulted in a 3% increase in 2019/20.

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

5.1.6 As a result of the housing benefit limitation scheme, rent increases above DWP rent limits do not produce extra income from the benefits system, as any shortfall would be required to be met by the tenant. This would therefore be an added financial burden to some of our most vulnerable tenants. At this stage however, as in previous years, details regarding the DWP limit under the current rent policy are yet to be confirmed, but as all the recommendations contained within this report are compliant with the WG rent policy, it is assumed that the proposed increases will be within the DWP rent limits. Approximately 72% of tenants are in receipt of financial support in the form of Housing Benefit or Universal Credit.

5.1.7 The 2020/2021 policy target rent band for CCBC was

- Low end £90.41 per week
- Mid-point £95.17 per week
- High end £99.92 per week

The rent increase applied in 2020/21 of 2.7% meant that the average rent was £90.66 which was just within the low end of the target rent band.

5.1.8 However the target rent band for 2021/2022 has been suspended as a consequence of the Covid pandemic, so we are unable to measure the impact of any increase proposal against this. We can, however, evidence the impact that a lower than required increase can have when compared to the Housing Business Plan.

5.1.9 CCBC's average rent debit, net of voids for 2020/21 is £90.66 (52 week basis) which met the minimum rent band for that year. Applying the maximum of 1.5% increase means our average rent would be £92.02. Even with the suspension of the target rent band, this still places the rent within the low end of the previous year's banding. The 2020/21 Housing Business Plan however assumed a 2.5% rent increase for 2021/22 which was on the assumption that the rent policy would be CPI +1%, and that CPI would be 2%, and allowing for a prudent 0.5% reduction. These assumptions were pre-Covid and were accepted by Welsh Government when the Business Plan was validated.

5.1.10 Initially, WG have stated in their policy that "*The rent policy allows you to apply the inflation plus £2 (per week) if you are aiming to move to a higher point within the Target Rent Band to meet your business plan commitments...*" This was removed for 2019/20 and was only applicable if Social Housing Landlords were below the rent envelope. This has subsequently been changed under the 2020/21 policy, and the "plus £2" can now only be applied on condition that the total rental income collected by the landlord is no more than CPI +1% (1.5%). This provision is designed to enable social landlords to restructure rents where appropriate.

5.1.11 The latest business plan submitted to WG in March 2020 included a rent increase of 2.5% for 2020/21 (assuming CPI would be 2%) and this resulted in a total £45m borrowing requirement in order to meet the WHQS by 2020. Meeting the WHQS standard by December 2020 was at that time a statutory requirement.

5.1.12 As the pandemic hit and lockdown was imposed in late March 2020, this inevitably altered our course in completing the WHQS programme. Only essential work was carried out during the first few months of lockdown while the majority of the programme was on hold. It is worth noting that the WHQS programme was on target to be completed by June 2020 had the pandemic not occurred. Welsh Government have since extended this target to December 2021 as a result of the pandemic, and this will be factored into the next housing Business Plan due to be submitted in March 2021.

- 5.1.13 Council agreed on the 26th February 2020 to a £75m borrowing level in order to complete the WHQS programme and progress with new build. This was estimated to be in the region of £45m for WHQS and £30m for new build. In the light of the pandemic it has become clear that progress of the WHQS programme will be inhibited due to social distancing regulations, tenant refusals, and potential sickness of the workforce, contractors or tenants. Work has progressed internally within tenants homes, but it is now done on an elemental basis as opposed to all elements completed at the same time. This will delay progress and be more costly to operate, a factor that needs to be considered in the next Business Plan.
- 5.1.14 Furthermore, the pandemic has resulted in additional costs to the HRA. Early projections predict this to be in the region of £1.6m which includes £515k increase in arrears, £600k in operatives lost time, and over £300k in void costs. Again, this is another factor that needs to be considered in the next Business Plan. The arrears position in particular will be a significant factor in determining the viability of the HRA.
- 5.1.15 A rent increase of less than 2.5% will mean less income to deliver housing services which will obviously result in a review of the services and the way they are currently delivered, the extent of work to be undertaken, alternative options for increasing income or an increase in borrowing. However, we are restricted under the current rent policy and cannot increase rent by more than 1.5%. This would increase the average weekly rent by £1.36.
- 5.1.16 A smaller increase of 1% for 2021/22 would increase the average weekly rent by £91p to £91.57/wk. This would also result in reduced income of some £800k to that assumed within our business plan to ensure the WHQS programme is financed and maintained. Again, to be prudent we should also reduce the forthcoming years to reflect the pattern of reducing CPI. This in itself does not hinder the WHQS programme any further, as this is due to be completed in the 2021/22 financial year, but members must consider the pressure Local Housing Authorities are facing from Welsh Government on increasing housing supply and ensuring we meet the decarbonisation agenda, both of which require significant investment. The report to The Housing and Regeneration Scrutiny committee on 26th November 2019 outlined the need for £14m additional borrowing to kick start the new build programme with the aim to deliver 400 affordable homes between 2020 and 2025. This directly links with the Councils 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. The £14m was on the assumption of a 3% rental increase over the next 5 years.
- 5.1.17 A nil increase for 2021/22 would mean the rent would remain at £90.66 but this would require considerable future rent increases to get back into the target rent band envelope range if this is re-introduced. This would also result in reduced income of £1.2m to that assumed within our business plan. Again members must consider the ongoing effect of this reduced rent to address the significant investment required as explained above.
- 5.1.18 Generally the DWP increases the Housing Benefit Subsidy Limit within similar lines to the rent policy guidance, meaning for the majority of our tenants, the 1.5% increase would be covered.
- 5.1.19 Additional borrowing as a consequence of income shortfalls must be affordable under the Prudential Code and also means an increase in debt and interest charges which takes resources away from the HRA to manage and maintain our housing stock and support our tenants.
- 5.1.20 In addition, affordability for tenants is now a factor that has to be considered as part of setting any rent increases. This could involve engaging with tenants to capture relevant data and establishing a suitable model that would evidence affordability and a system for accurately recording such information. Unfortunately, due to restrictions from the pandemic, this was not progressed fully in 2020. However, a tenant's affordability survey was sent out on the 16th November 2020.

- 5.1.21 There were 240 responses to the survey. At least 2200 people were reached on social media and 6036 residents, who had previously registered, received the EGov bulletin. No data is available for any subsequent web page viewings. Of these responses 134 tenants confirmed they were happy for us to contact them in the future to discuss their responses.
- 5.1.22 45% of the tenants were represented from the East of the Borough, 26% from the South and 29% from the North. 89% of the tenants were General Needs, with the remaining 11% from our sheltered schemes.
- 5.1.23 The majority of responses were from tenants in a 3 bed house, with the main source of income being from full time employment, closely followed by pension.
- 5.1.24 51% of the respondents received some form of benefit support towards paying their rent. 49% of respondents received no support.
- 5.1.25 77% of the respondents said their main source of income had not been affected by the Coronavirus pandemic. Of the 23% who had been affected, 49% said they had a lot less income, and 49% said they had slightly less income, with 2% having slightly more income. Responses to why their income had been affected included "I was made redundant due to the pandemic", "My money is going more on food shopping, gas & electric since lockdown even more than normal" and "being furloughed".
- 5.1.26 56% of tenants think our rents are fair and affordable and 44% did not. Mixed responses vary from "it's a lot cheaper than private rent", "Because I have housing benefit to help" "it's a fair price for the size of the property and the quick turnaround time when a repair is needed", to "I receive £1000 Universal Credit and rent is half of that", "rent is not reflected with the wages in the area", and "Expensive for 1 adult to pay".
- 5.1.27 52% agreed that Caerphilly Homes should take into account the average household income when setting rent, with the top 3 costs to consider being Energy, Council Tax, and General Living Expenses. 28% agreed with charging a higher rent for a more energy efficient home.
- 5.1.28 60% of tenants are very or fairly satisfied that their rent provides value for money. "I think Caerphilly Council do a great job in taking care of repairs", "Always had a good service", followed by "Response repairs are very slow... ", and "My home is draughty, there is a need for an upstairs bathroom, and more secure garden".
- 5.1.29 The survey overall gave us a mixed response, and there are clearly some responses that need to be followed up, but it does suggest a higher proportion of our tenants agree that their rent is affordable and offers value for money
- 5.1.30 In addition to the survey. We are able to measure certain indicators against an All Wales Average to ascertain from a statistical point of view, if rents appear affordable within the Caerphilly Borough. Due to the lack of resources explained in 2.6 above, WG have not yet published 2020/21 data, so we have used the previous year as a comparator.
- 5.1.31 The average social rent for Caerphilly CBC in 2019/20 is £88.27/wk, which is nearly 4% lower than the All Wales Average for Local Authorities of £91.65/wk. The All Wales Average for Registered Social Landlords is £92.50/wk. Caerphilly CBC is ranked the 3rd lowest Local Authority in terms of its weekly rent.
- 5.1.32 Private rents in Caerphilly CBC for 2019/20 is £105.80/wk, some 6.4% lower than the All Wales Average at £113.00/wk.
- 5.1.33 Caerphilly CBC ranked 5th highest out of the 22 Local Authorities in terms of workplace earnings at £384.47, which is some 3.5% higher than the All Wales Average of £371.63/wk.

5.1.34 These statistics together with the tenants survey suggest that the rent is affordable and provides value for money. As noted earlier in this report, officers will develop this initial survey further and record relevant indicators to track our position.

5.1.35 Furthermore, results of the 2020 STAR survey to tenants, on their satisfaction of the housing service, confirmed 87% were very or fairly satisfied with the service provided by Caerphilly Homes, and 87% were also very or fairly satisfied that their rent provides value for money

5.2 Garage Charges

5.2.1 The garage rationalisation and refurbishment programme, linked to the WHQS programme has led to a reduction in our garage stock and but has resulted in improvements to our remaining stock .This work, had a significant impact on void levels as the blocks of garages had to be fully vacated prior to commencement of works on each site. On completions of works to each block, former garage tenants and former leaseholders of garage plots have been offered new tenancies of the newly built or refurbished garages, prior to new tenants being sought for the remainder from existing waiting lists or through marketing. In addition a number of garages have been demolished due to unsuitability and lack of demand. However, due to Covid-19 the void position on garages has not yet improved due to resources being deployed in more critical areas.

5.2.2 The rent on garages has not been increased for 3 years while the rationalisation programme was being undertaken. Currently our garage charge is £8.11 per week and is below the average of other Local Authorities charges, furthermore 75% of garage tenants are not council tenants. After investing considerably into the garage stock it is proposed that an increase should now be implemented. The business plan assumed a 2.5% increase, but officers recommend an increase in line with the rental policy of 1.5%. to £8.23 per week. For non-council tenants the weekly charge will be £9.88 to include VAT.

Tenants in receipt of benefit

5.2.3 Garage rents are not eligible for housing benefit and the majority (75%) of garage tenants are not actually council house tenants.

Financial impact

5.2.4 The Business Plan has included a 2.5% increase on garage rental income. Not increasing the income will mean a loss of approximately £5k in the Business Plan in 2021/22. Although this does not appear significant, there has also been a compounding loss of approx. £30k from the previous 3 years where increases were not applied.

6. ASSUMPTIONS

6.1 Assumptions are prevalent within the Housing Business Plan and are necessary to create a 30 year projection as requested by Welsh Government. Assumptions are included on key drivers such as (i) Interest rates (ii) Inflation (iii) Rental Increases (iv) Staffing levels (v) stock movement (vi) capital programme expenditure (vi) level of rent arrears, and (vii) level of voids and are taken from projections, local knowledge and Welsh Government guidance.

7. LINKS TO STRATEGY

7.1 The recommendations within this report provide the council with additional income that will be used to supplement existing funding arrangements to provide management, repair and improvement of the housing stock. This funding is used to maximize the resources available

to assist in meeting and maintaining the WHQS. The rent increase is applied equally to all tenants. The report therefore links to the following strategic objectives:

- The Caerphilly We Want (CCBC, 2018-2023) – Well-Being Plan Objective 4: Positive Places – Enabling our communities to be resilient and sustainable
- Corporate Plan (CCBC, 2018-2023) Well-being Objective 3: the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve peoples' well-being.
- Caerphilly Homes Service Plan.

7.2 Improving Lives and Communities: Homes in Wales (Welsh Government, 2010) which sets out the national context on meeting housing need, homelessness and housing related support services.

7.3 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A globally responsible Wales

7.4 Whilst Housing services contribute towards the Act, this is a financial report for information only and therefore does not directly contribute towards the above wellbeing goals.

8. WELL-BEING OF FUTURE GENERATIONS

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

9. EQUALITIES IMPLICATIONS

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

10. FINANCIAL IMPLICATIONS

10.1 This report deals with the financial implications of the proposed rent increases which affects the HRA.

10.2 The impact of the Welfare Reform Act is not taken into consideration

11. PERSONNEL IMPLICATIONS

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

12. CONSULTATIONS

- 12.1 All consultation responses have been reflected in this report. The report will be presented to Cabinet on the 10th February 2021.

13. STATUTORY POWER

- 13.1 Local Government Acts 1972 . This is a Cabinet function.

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Consultees:

- CLlr A Whitcombe - Chair Housing & Regeneration Scrutiny Committee
- CLlr C Forehead - Vice Chair Housing & Regeneration Scrutiny Committee
- CLlr L Phipps - Cabinet Member for Houses & Property
- Dave Street - Corporate Director Social Services & Housing
- Shaun Couzens - Chief Housing Officer
- Robert Tranter - Head of Legal Services/Monitoring Officer
- Stephen R Harris - Head of Corporate Finance & S151 Officer
- Sandra Isaacs - Rents Manager
- Amanda Main - Acting Benefits Manager
- Fiona Wilkins - Housing Services Manager
- Paul Smythe - Housing Technical Manager
- Mandy Betts - Tenants & Community Involvement Manager

Background Papers: Initial Snap Survey to tenants