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CAERPHILLY COUNTY BOROUGH COUNCIL
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**Date: 18th February 2016**

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Dear Sir/Madam,

A **Special Meeting** of **Council** will be held in the **Council Chamber - Penallta House, Tredomen, Ystrad Mynach** on **Wednesday, 24th February, 2016** at **5.00 pm** to consider the matters contained in the following agenda.

Yours faithfully,

Chris Burns

**Chris Burns**
INTERIM CHIEF EXECUTIVE

## A G E N D A

Pages

1 To receive apologies for absence.

2 Declarations of interest.
Councillors and Officers are reminded of their personal responsibility to declare any personal and/or prejudicial interest(s) in respect of any item of business on this agenda in accordance with the Local Government Act 2000, the Council's Constitution and the Code of Conduct for both Councillors and Officers.

To receive and consider the following reports: -



**Circulation:**
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# SPECIAL COUNCIL - 24TH FEBRUARY 2016

**SUBJECT:** **TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2016/2017**

**REPORT BY:** **ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER**

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## 1. PURPOSE OF REPORT

1.1 To submit for approval the Authority's Annual Strategy for Treasury Management.

1.2 To submit for approval a dataset of Prudential Indicators relevant to Treasury Management and Capital Finance. The report also cross-references to the report by the Acting Director of Corporate Services & S151 Officer on Revenue and Capital Budgets ["the budget report"] also considered in this meeting.

1.3 To seek approval for the Minimum Revenue Provision (MRP) policy to be adopted by the Authority for 2016/2017.

## 2. SUMMARY

2.1 The revised (2011) "Code of Practice for Treasury Management in the Public Services" provides that an Annual Strategy be submitted to Members on or before the start of a financial year to outline the activities planned within the parameters of the Treasury Management Policy Statement and the Treasury Management Practices.

2.2 The Local Government Act 2003 (the '2003 Act') also requires the Authority to set out its Treasury Management Strategy for borrowing for the forthcoming year and to prepare an Annual Investment Strategy, which sets out the policies for managing its investments, giving priority to the security and liquidity of those investments.

2.3 Under Section 15 of the '2003 Act', the Welsh Government (WG) issued guidance on local government investments which is incorporated within the report. Definitions of Local Government investments are given in Appendix 1.

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

2.5 With effect from 31 March 2008, WG introduced the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 [the "Amendment Regulations"] which requires the Authority to prepare an Annual Minimum Revenue Provision Policy Statement. This report sets out what the Authority needs to do in order to comply with this requirement.

## 3. LINKS TO STRATEGY

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

## 4. THE REPORT

4.1 The format of the report is as follows:

Section 5 will deal with Treasury Management, supported by, and cross-referenced to Appendices 1 to 5 attached.
Section 6 discloses the Authority's policy on financial derivatives.
Section 7 and 8 deal with Treasury Management Adviser and training respectively.
Section 9 will consider the Prudential Indicator requirements for Capital Finance, cross-referenced to Appendices 6 to 7 attached.
Section 10 will consider the calculation of the Minimum Revenue Provision, cross-referenced to Appendix 8 attached.
Section 11 will deal with specific treasury management issues relating to the Authority.

## 5. TREASURY MANAGEMENT

### 5.1 Interest Rate Prospects - Short-term

5.1.1 The Authority uses Arlingclose Limited as its Treasury Management Adviser and part of their service is to assist the Authority to formulate a view on interest rates.

5.1.2 The Monetary Policy Committee [MPC] decreased Bank Rate in March 2009 to 0.50% as part of the Government's strategy to stimulate the economy. No further changes to the Bank Rate have been made since then.

5.1.3 There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. Consumption will continue to be supported by real wage and disposable income growth. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and household's disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the MPC. Whilst business investment indicators continue to signal strong growth, the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainty surrounding global growth and financial market shocks. Inflationary pressure is likely to remain low in the short-term and a rise in the CPI rate is likely to be towards the end of 2016. China's economy is performing below expectations as growth slows down, thus reducing the demand for commodities. This will affect China's trading partners. The devaluation in the Chinese currency will keep Sterling strong against many other currencies and depress imported inflation. The US continues on an upward path in recovery that has resulted in the Federal Reserve raising interest rates in December 2015 by 0.25%.

5.1.4 As the UK economy is showing signs of positive growth and recovery the first rise in official interest rates is forecasted to be in September 2016 and a slow pace of increases thereafter, with the average for 2016/17 being around 0.75%. It is anticipated that the UK Bank Rate will settle around 2% or 3% in several years' time. Persistently low inflation, the ongoing weakness in the Eurozone economic recovery, and the slowdown in the Chinese economy could result in the Bank of England deferring the interest rate rise, and potentially reduce the Bank Rate to 0.25%. A table showing forecasts of the Bank Rate is included in Appendix 2.

### 5.2 Interest Rate Prospects - Long-term

5.2.1 The general view is that Public Works Loan Board [PWLB] rates are likely to follow an upward trend and increase in the medium-term. The delay in the rise of UK and US interest rates will result in short-term volatility in gilt yields. A forecast of the various periods is shown in Appendix 2.

### 5.3 External Debt - Capital Borrowings and Borrowing Portfolio Strategy

5.3.1 The difference between current long-term borrowing rates and short-term investment rates has resulted in a "cost of carry" scenario, indicating that it is more advantageous to use internal funding in lieu of borrowing. The cost of carry is likely to remain an issue until the Bank Rate and short term market rates increase in the future. The Authority, having adopted the policy of internal borrowing from the latter half of 2008/09, has an internal borrowing position of £8m (as at 31st March 2015) from which capital expenditure has been funded. Unless the policy is prudent, the Authority will no longer adopt the policy of internal borrowing. It is anticipated that the borrowing requirement of some £9.2m will need to be taken up in 2016/17 for the General Fund to support the capital programme and provision has been made in the budget to fund this level of borrowing. A further £5.0m of 2015/16 borrowing approvals will be carried forward into 2016/17 as no new loans were raised in 2015/16 to support the capital programme.

5.3.2 Therefore the total 2016/17 borrowing requirement will comprise of:

- 2016/17 supported borrowing approvals - £5.0m
- 21st Century Schools LGBI- £4.2m
- 2015/16 supported borrowing approvals- £5.0m

The LGBI borrowing is funded by WG contributions to support the 21st Century Schools capital programme. There is no borrowing requirement in 2016/17 for the HRA WHQS programme as this will be funded from internal reserves and the MRA grant.

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

5.3.4 Current PWLB forecasts suggest interest rates are likely to increase throughout 2016/17. In the event that the Authority decides to fund the 2016/17 capital expenditure from internal reserves, the decision to defer borrowing could expose the Authority to rising interest rates thus making it expensive to borrow at a later date. A budget to cover the cost of raising new debt finance will remain in place irrespective of the decision to borrow internally or externally.

5.3.5 Any short-term funding would need to be in line with the 'Upper Limit for Variable Rates' as defined in the prudential indicators in Appendix 6 (30% of Net Debt Outstanding) within the CIPFA "Prudential Code for Capital Expenditure in Local Government".

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

- Internal reserves
- Public Works Loan Board (PWLB) {or its successor}
- Local Authorities
- European Investment Bank (NB the EIB will only lend up to 50% towards the funding of a specific project and needs to meet the EIB's specific criteria. The project cost must also be at least €25m)
- Leasing

- Capital market bond investors
- Other commercial and not for profit sources
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues

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

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

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

5.3.9 **PWLB Reform-** Members will need to be made aware that HM Treasury, under legislative powers, will abolish the PWLB in order to address the current governance structure. The Authority has been advised that this development will not have any impact on existing PWLB loans held by local authorities or effect new loans being raised. HM Treasury have stressed that local authorities will continue to access the same level of facilities and terms from the new successor body. The benefit of the changes in the governance structure will allow HM Treasury to intervene in policy and rate setting, as well as the possible introduction of frequent daily rate resets (currently done twice a day by the PWLB). A consultation document will be issued in due course and Members will be advised accordingly.

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

### 5.4 Authorised Limit for External Debt (The Authorised Limit)

5.4.1 As a consequence of 5.3.1 to 5.3.8 above**,** the Authorised Limit will be the upper limit of the Authority's borrowing, based on a realistic assessment of risks. It will be established at a level that will allow the Authority to borrow sums, in excess of those needed for normal capital expenditure purposes in the event that an exceptional situation arises and would allow for take-up of supported borrowing. It is not a limit that the Authority would expect to borrow up to on a regular basis.

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

### 5.5 The Operational Boundary

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

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

**5.6 Interest Rate Exposure**

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

**5.7 Maturity Structure of Borrowing**

5.7.1 Whilst the periods of loans are dictated by the interest rates prevalent at the time, it is important to be mindful of the maturity profile of outstanding debt. Large 'peaks' are to be avoided, as it is possible for substantial loans to reach maturity at times when prevailing interest rates are high, and conversely, when interest rates are low, windows of opportunity may be lost.

5.7.2 As a result, it is necessary to determine both an upper and lower limit for borrowings which will mature in any one year.

5.7.3 Over the course of the medium term financial plan and future years, a number of high interest rate PWLB loans will mature resulting in a saving to the Authority as the interest rate on replacement loans are likely to be lower in comparison.

5.7.4 Historically, the Authority has favoured PWLB loans with a twenty five year loan maturity profile, but in the current climate of low interest rates (including Bank Rate); the Authority will also consider shorter dated loans (including local authority borrowing) to fund capital expenditure.

5.7.5 The Authority has £40m of LOBO loans (Lender's Option Borrower's option) of which £20m of these can be "called" within 2016/17. A LOBO is called at its contract review date when the Lender is able to amend the interest rate on the loan at which point the Borrower can accept the new terms or reject and repay the loan. Any LOBOs called will be discussed with the Treasury Management Adviser prior to acceptance of any revised terms. Depending on the advice received, the Authority will consider, in the event of a repayment, the use of its cash investments balances or raising new debt to repay the loan.

**5.8 Gross Debt and the Capital Financing Requirement**

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

**5.9 Debt Rescheduling**

5.9.1 Due to the difference in the rates, it is unlikely that there will be many viable opportunities to reschedule loans (General Fund and the HRA) in the foreseeable future. However, should any such opportunities arise; any decision on debt rescheduling will be supported by the appropriate report detailing the options and potential savings from the Authority's Treasury Management Adviser.

**5.10 Policy on Borrowing In advance of Need**

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

**5.11 Annual Investment Strategy**

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

5.11.2 Current strategy (2015/16) - At present the Authority lends to financial institutions, corporates and the UK Government using a range of financial instruments to diversify risk. These include unsecured corporate bonds; covered bonds (secured); fixed term deposits; certificate of deposits (CDs); T-Bills; the DMADF (DMO) and call accounts.

5.11.3 The 2016/17 Investment Strategy will continue with the lending approach as set out in the 2015/16 Strategy.

5.11.4 This Strategy (2016/17), in line with the Welsh Government guidance, sets out the Authority's policies for (and in order of priority) the security, liquidity and yield of its investments. It will have regard to credit ratings and determine the periods for which funds may be prudently invested, whilst aiming to achieve, or better a target rate for investments of **0.25%.** Creditworthiness approach, investment periods and the rationale for the target rate are explained in ***Appendix 3.*** The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

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

5.11.6 The transposition of two European Union directives into UK legislation will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The Bank Recovery and Resolution Directive promote the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank.

5.11.7 The increase in risk stemming from European regulations associated with Bank Bail-In, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2016/17. Short-term cash that is required for liquidity management will be deposited with local authorities (secured), Government securities (secured), money market funds (unsecured) and bank and building society investments (unsecured). Up to £50m will be made available for long-term investments.

5.11.8 In view of the ongoing economic recovery, and change in bank regulations, it is recommended that investments (both new and maturing) be placed with the most secure institutions as well as the most secure instruments (subject to liquidity requirements) as detailed in ***Appendix 3***. Currently this would be the Government (Debt Management Account Facility and Treasury Bills and Gilts), other Local Authorities and Public Bodies, such as Police and Fire Authorities, AAA rated covered bonds, Repos, Registered Landlords, AAA Money Market Funds, and highly credit rated banks (subject to the creditworthiness limits referred to in the appendix 3). In light of Statutory and regulatory changes being adopted by the Bank of England and Regulators with respect to Bail-In, it is recommended that the Authority moves away from unsecured lending (where possible and subject to liquidity requirements) to secured investments. Bank bail-in is explored further in Appendix 3.

5.11.9 The Welsh Government maintains that the borrowing of monies for the purposes of investing or on-lending to benefit from differences in interest rates is unlawful. This Authority will not engage in such activity.

5.11.10 Under the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2004 regulation 12(b), the acquisition of share or loan capital in any body corporate would not be defined as capital expenditure as long as it is an investment for the purposes of the prudent management of the Authority's financial affairs. Due to the high risk of capital loss involved with such instruments, this Authority will not engage in such activity.

5.11.11 A loan or grant to another body for capital expenditure by that body is also deemed by the 2003 Regulations to be capital expenditure by the Authority. This Authority will only engage in such activity with the approval of Council.

5.11.12 In the event that any existing investment appears to be at risk of loss, the Authority will make proper revenue provision of an appropriate amount in accordance with the relevant Accounting Regulations.

5.11.13 At the end of the financial year, the Authority will prepare a report on its investment activity as part of its Annual Treasury Management Strategy Report. This report will be supported throughout the year by quarterly monitoring reports to the Policy & Resources Scrutiny Committee (the responsible body for scrutiny of Treasury Management activities as required by the Code), which will include a review of the current strategy. A report to Council will also be prepared on a half-yearly basis.

5.11.14 It is a fundamental requirement of the Code that officers engaged in Treasury Management follow all Treasury Management policies and procedures and all activities must comply with the Annual Strategy.

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

## 6. POLICY ON USE OF FINANCIAL DERIVATIVES

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

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

## 7. TREASURY MANAGEMENT ADVISER

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

## 8. TREASURY MANAGEMENT TRAINING

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

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

8.2 Officers will look to schedule Member training for autumn 2016. Further training will be undertaken as and when required.

## 9. PRUDENTIAL INDICATORS

### 9.1 Capital Financing Requirement

9.1.1 The Capital Financing Requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the authority does not associate borrowing with particular items or types of expenditure.

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

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

### 9.2 Prudential Indicators – "Prudence"

9.2.1 The proposed Prudential Indicators for Treasury Management Strategy, discussed in 5.4, are detailed in *Appendix 5*.

### 9.3 Prudential Indicators – "Affordability" [*Appendices 6 and 7*]

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

9.3.2 The estimate of the incremental effect on council tax and housing rents for 2016/17 as a consequence of the proposed capital investment is shown in *Appendix 6*. It should be noted that this is a notional, not an actual, figure.

9.3.3 The General Fund future revenue streams are based upon the content of "the Budget Report".

9.3.4 Future revenue streams for Housing Revenue Account (H.R.A.) have been projected on the basis of 4% inflation (2% inflation and 2% growth) applied to the rental income (using 2015/16 as a base), less an adjustment for estimated reduction in housing stock as a result of the "Right to Buy" sales.

### 9.4 Capital Expenditure and Funding

9.4.1 The summary Capital Expenditure and funding, as shown in *Appendix 7* of this report has been considered in "the Budget Report".

9.4.2 The Revenue Support Grant (RSG) provided by the Welsh Government (WG) includes an element to off-set the costs of borrowing funds for capital purposes. WG has announced an indicative level of supported borrowings of £4.99m in respect of the 2016/17 financial year, together with General Capital Grant funding of £3.04m.

9.4.3 For calculation purposes, it has been assumed that those two elements of funding support will remain static for 2017/18 and for 2018/19. HRA provisional values for the years 2016-2019 are based on the 2016/17 allocation of the Major Repairs Allowance of £7.35m and assumed to continue at this level for future years.

## 10. MINIMUM REVENUE PROVISION (MRP)

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

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

10.3 A different approach to MRP calculation is now applied depending upon whether the borrowing concerned is "supported" (for which the revenue implications are provided for by WG in the annual revenue settlement) or "unsupported" (also known as "prudential", the revenue effects of which are not provided for in the settlement and authorities must fund from other sources). The options available and the recommended approach for 2016/17, which continues the policy approved by Council for 2015/2016, are detailed in Appendix 8.

## 11. OTHER LOCAL ISSUES

### 11.1 The Authority's Banker

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

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

### 11.2 Policy on Apportioning Interest to the HRA

11.2.1 On 1st April 2015 the HRA exited the subsidy mechanism by way of the HRA buyout process. As a result, the Authority will operate a single consolidated pool of debt that will hold all debt (new and old loans), and annually recharge the HRA the interest payable on all loans using the average rate of interest as a recharge rate.

## 12. EQUALITIES IMPLICATIONS

12.1 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.

## 13. FINANCIAL IMPLICATIONS

13.1 The Treasury Management Strategy for 2016/17 as outlined in this report, if approved by Members, is likely to generate estimated interest of £583k and this has been reflected in the budget report for 2016/17. A provision has also been made to cover the estimated costs of the supported borrowing requirements for 2016/17.

13.2 The number of credit warnings and downgrades have significantly reduced and the UK economic recovery is gaining momentum (but will be constrained by the weak recovery in the Eurozone and China, and deflation). Whilst financial markets have stabilised, a slowed down in the recovery of global economies is likely to create further volatility in the bond markets which will have a consequence on PWLB rates. If the UK economy continues to grow, and if inflation hits the 2% target level along with the unemployment rate falling (below 7% target), the Bank of England will consider raising the Bank rate from the current level of 0.50%. Whilst inflation continues to remain a risk, any incremental rise in the Bank Rate will be slow and eventually settling between 2 and 3% in the long-term.

## 14. PERSONNEL IMPLICATIONS

14.1 There are no personnel implications.

## 15. CONSULTATION

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

## 16. RECOMMENDATIONS

16.1 That the Annual Strategy for Treasury Management 2016/17 be approved.

16.2 That the strategy be reviewed quarterly within the Treasury Management monitoring reports presented to Policy & Resources Scrutiny Committee and any changes recommended be referred to Cabinet, in the first instance, and to Council for a decision. The Authority will also prepare a half-yearly report on Treasury Management activities.

16.3 That the Prudential Indicators for Treasury Management be approved as per Appendix 5.

16.4 That the Prudential Indicators for Capital Financing be approved as per Appendices 6 & 7.

16.5 That Members approve the use of Option 2 (for supported borrowing) and Option 3 Equal Instalment Method (for unsupported borrowing) for MRP purposes for 2016/17.

16.6 The continuation of the 2015/16 investment strategy and the lending to financial institutions and corporates in accordance with the minimum credit rating criteria disclosed within this report.

16.7 That the Authority borrows £14.20m for the General Fund to support the 2016/17 capital programme.

16.8 That the Authority continues to adopt the investment grade scale as a minimum credit rating criteria as a means to assess the credit worthiness of suitable counterparties when placing investments.

16.9 That the Authority adopts the monetary and investment duration limits as set in Appendix 3 of the report.

## 17. REASONS FOR THE RECOMMENDATIONS

17.1 The Annual Strategy report is a requirement of the CIPFA “Code of Practice for Treasury Management in the Public Services”.

17.2 The Investment Strategy is a requirement of the Local Government Act 2003.

17.3 To comply with the legislative framework and requirements as indicated in paragraph 1.2.

## 18. STATUTORY POWER

18.1 Local Government Acts 1972.

| | |
|---|---|
| Authors: | N Akhtar – Group Accountant- Group Accountant -Treasury Management & Capital |
| Consultees: | C. Burns –Interim Chief Executive |
| | N. Scammell – Acting Director of Corporate Services & S151 Officer |
| | S. Harris - Interim Head of Corporate Finance |
| | A. Southcombe – Finance Manager, Corporate Finance |
| | Cllr Barbara Jones - Deputy Leader & Cabinet Member for Corporate Services |

Appendices:

| | |
|---|---|
| Appendix 1 | Local Government Investments - Definitions |
| Appendix 2 | Interest Rates – Forecasts/Indicative |
| Appendix 3 | Credit Policy, Investment Ratings, Periods and Targets |
| Appendix 4 | Investments to be used and “in house” authorisations |
| Appendix 5 | Treasury Management Strategy Indicators |
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| Appendix 7 | Capital Expenditure and Funding |
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**Appendix 1**

**Local Government Treasury Management Definitions**

- **Investment**

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

- **Long-term Investment**

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

- **Credit Rating Agency**

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

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

- **Specified Investment**

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

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

- **Non-specified Investments**

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

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Appendix 2

**Interest Rate Forecasts**

**Bank Rate (Forecasts as at 31/12/2015 and subject to change)**

| | Arlingclose (Central case) |
|---|---|
| 2016/17- Q1 | 0.50% |
| Q2 | 0.75% |
| Q3 | 0.75% |
| Q4 | 1.00% |
| 2017/18 | 1.00% |
| 2018/19 | 1.25% |

**PWLB (Forecasts as at 31/12/2015 and subject to change- Source Arlingclose (Central case)**

| | Q1 – 2016/17 | Q2 – 2016/17 | Q3 – 2016/17 | Q4 – 2016/17 |
|---|---|---|---|---|
| 5 Year | 2.60% | 2.70% | 2.80% | 2.90% |
| 10 Year | 3.25% | 3.30% | 3.40% | 3.45% |
| 25 year | 3.83% | 3.85% | 3.88% | 3.90% |
| 50 Year | 3.85% | 3.90% | 3.95% | 4.00% |

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

| Budget Period | Investment Returns | Borrowing Rates (PWLB 50 Years) |
|---|---|---|
| 2016/17 | 0.50% | 5.00% |
| 2017/18 | 0.75% | 5.50% |
| 2018/19 | 1.25% | 6.00% |
| 2019/20 | 1.75% | 6.00% |
| 2020/21 | 2.25% | 6.00% |

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**Appendix 3**

**Credit Risk Policy**

## Bank Bail-In

In recent times Governments bailing out failed banks has resulted in public condemnation for the use of taxpayer funds to support insolvent banks. As a result Governments and Regulators from the G20 nations have all signed up to the Bail-In proposals, an approach where retail customers of a failing bank are protected under compensation schemes (up to a threshold) and losses are covered by investors equity capital in the first instance, followed by junior debt and then senior unsecured debt and deposits. The timing of the G20 nations to introduce bank bail-in will vary between nations.

The EU has been discussing bail-in for several years, and a draft Bank Recovery and Resolution Directive was published in June 2013. This was originally planned to take effect from 2018, alongside the Basel III international rules on capital adequacy but a number of member states wanted an immediate introduction. On 12th December 2013, political agreement was reached to have the bail-in directive apply across all EU member states from 1st January 2016, two years earlier than originally planned. This would make it illegal for any EU government to bail-out (i.e. use taxpayer's funds to support a failing bank) failed/ insolvent banks.

In the UK the Independent Commission on Banking recommended introducing bail-in as a resolution tool for failing banks in 2011. Government statements since have consistently agreed with the approach of having institutional investors in banks take on the risk of failure, not the taxpayer. The Financial Services (Banking Reform) Act 2013 became law on 18th December 2013 incorporating bank bail-in.

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

- junior or subordinated bonds, in order of increasing seniority;
- senior unsecured bonds issued by the non-operating holding company (if any);
- senior unsecured bonds issued by the operating bank companies;
- **Uninsured deposits (money market funds, call accounts and fixed-term deposits with banks and building societies) and certificates of deposit (except interbank deposits of less than seven days original maturity); and**
- **Insured deposits that are larger than the FSCS £75,000 coverage limit.**

Note that from July 2015, the deposits of all private and voluntary sector non-financial organisations will be covered by the Financial Services Compensation Scheme. **Public sector bodies and financial companies including pension funds and Money Market Funds will remain uninsured.**

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

**Counterparty Criteria**

The Authority considers, in order of priority, security, liquidity and yield when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk. The intention of the strategy is to provide security of investment and minimisation of risk which will also enable diversification and thus avoidance of concentration risk.

The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. In accordance with the 2011 Treasury Management Code of Practice, the Authority will use the following key tools to assess credit risk:

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

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

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

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

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

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

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

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

| **Maximum Monetary and Investment Duration Limits** | | | | | | |
|---|---|---|---|---|---|---|
| **Credit Rating (Long-Term)** | **Banks Unsecured** | **Banks Secured** | **Government** | **Local Authorities** | **Corporates** | **Registered Providers** |
| UK Govt | - | - | £ Unlimited<br>50 years | - | - | - |
| AAA | £10m<br>5 years | £10m<br>20 years | £10m<br>25 years | £10m<br>5 years | £5m<br>20 years | £5m<br>20 years |
| AA+ | £5m<br>5 years | £10m<br>5 years | £10m<br>25 years | £5m<br>5 years | £5m<br>10 years | £5m<br>10 years |
| AA | £5m<br>4 years | £10m<br>4 years | £10m<br>15 years | £5m<br>4 years | £5m<br>5 years | £5m<br>5 years |
| AA- | £5m<br>3 years | £10m<br>4 years | £10m<br>10 years | £5m<br>3 years | £5m<br>4 years | £5m<br>4 years |
| A+ | £5m<br>2 years | £10m<br>3 years | £5m<br>5 years | £5m<br>2 years | £5m<br>3 years | £5m<br>3 years |
| A | £5m<br>12 months | £10m<br>2 years | £5m<br>5 years | £5m<br>12 months | £5m<br>2 years | £5m<br>2 years |
| A- | £5m<br>6 months | £10m<br>6 months | £5m<br>5 years | £5m<br>6 months | £5m<br>12 months | £5m<br>12 months |
| BBB+ | £5m<br>100 days | £5m<br>100 days | £5m<br>2 years | £5m<br>100 days | £5m<br>6 months | £5m<br>6 months |
| BBB | £5m<br>next day only | £5m<br>next day only | - | £5m<br>next day only | - | - |
| None Rated | £1m<br>6 months | - | - | | - | - |
| Pooled funds | | £10m per fund | | | | |

**Banks Unsecured:** Call accounts, term deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Authority's current account bank [Barclays Bank Plc] or the Debt

Management Office. The use of Banks unsecured instruments will be limited to aid the management of cashflow liquidity.

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

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

**Local Authorities**: Fixed term deposits issued by local authorities who include police and fire authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Local authorities are not rated by credit rating agencies (though a handful of authorities have obtained a credit rating), but it is assumed that local authorities have the same credit rating as the UK Government (AA+). Therefore a limit of £5m and duration of 5 years will be applied.

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

**Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain a high likelihood of receiving government support if needed.

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

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

In accordance with advice from the Authority's Treasury Management adviser, International banks will also be considered.

**Investment periods**

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

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

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

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

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

  The Authority will continue to invest in long-term investments. Excluding the UK Government, It is suggested that no more than £10m be placed with any one institution with duration as set out in the table above. The Authority will not have more than £50m deposited in long-term investments (the Upper Limit).

**Target Rate**

Forecasts of base rates can be quite diverse as illustrated by the table in ***Appendix 2***. In view of the uncertainty inherent in such predictions, it would be imprudent to set a target rate which may be difficult to achieve. In view of the foregoing, it is proposed to set a target rate of return for short-term deposits in 2016/17 of at least **0.25%.**

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

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**Appendix 4 - Specified and Non-Specified Investments**

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

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

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

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

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

## Authorisation for the in-house team

### A. Short-term Investments

Due to the nature of the in-house team's duties, in that they need to respond to cash-flow fluctuations by dealing on the money market generally between 9.00am and 10.00am each day, it is impractical for each decision to be referred to the most senior management levels.

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

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

### B. Long-term Investments

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

### C. General Authorisations

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

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

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

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

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## Appendix 5 Treasury Management Strategy Indicators 2016/17-2018/19

| | Budget 2016-17 | Budget 2017-18 | Budget 2018-19 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Authorised limit for external debt -** | | | |
| Borrowing | 366,267 | 395,564 | 425,929 |
| Other long term liabilities | 35,599 | 34,211 | 32,486 |
| **Total** | **401,866** | **429,775** | **458,415** |
| **Operational boundary for external debt -** | | | |
| Borrowing | 293,014 | 316,451 | 340,743 |
| Other long term liabilities | 35,599 | 34,211 | 32,486 |
| **Total** | **328,613** | **350,662** | **373,229** |
| Capital Financing Requirement | 338,941 | 354,474 | 375,874 |
| **Upper limits for interest rate exposure** | | | |
| Principal outstanding on borrowing | 293,014 | 316,451 | 340,743 |
| Principal outstanding on investments | 110,000 | 100,000 | 90,000 |
| **Net principal outstanding** | **183,014** | **216,451** | **250,743** |
| **Fixed rate limit – 100%** | 183,014 | 216,451 | 250,743 |
| **Variable rate limit – 30%** | 54,904 | 64,935 | 75,223 |
| **Upper limit for total invested for over 364 days** | **50,000** | **50,000** | **50,000** |

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

| **Gross Debt and Net Debt** | **2016/17** | **2017/18** | **2018/19** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **Outstanding Borrowing** | 293,014 | 316,451 | 340,743 |
| **Other long term liabilities** | 35,599 | 34,211 | 32,486 |
| **Gross Debt** | **328,613** | **350,662** | **373,229** |
| **Less investments** | 110,000 | 100,000 | 90,000 |
| **Net Debt** | **218,613** | **250,662** | **283,229** |

| **Gross and The CFR** | **2016/17** | **2017/18** | **2018/19** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Gross Debt | 328,613 | 350,662 | 373,230 |
| CFR | 338,941 | 354,474 | 375,874 |
| CFR Breached? | No | No | No |

## Appendix 6 - Prudential Indicators - Capital Finance

| **Ratio of Financing costs to net revenue stream** | **Budget 2016-17** | **Budget 2017-18** | **Budget 2018-19** |
|---|---|---|---|
| **General Fund** | **£000** | **£000** | **£000** |
| Principal repayments | 7,740 | 7,829 | 7,884 |
| Interest costs | 8,667 | 9,394 | 9,839 |
| Debt Management costs | 45 | 42 | 39 |
| Rescheduling discount | -226 | -153 | -110 |
| Investment income | -583 | -750 | -1,125 |
| Interest applied to internal balances | 745 | 807 | 886 |
| **Total General Fund** | **16,388** | **17,169** | **17,413** |
| Net revenue stream | **322,984** | **320,184** | **318,271** |
| **Total as percentage of net revenue stream** | **5.07%** | **5.36%** | **5.47%** |
| | | | |
| **Housing Revenue Account** | | | |
| Principal repayments | 2,340 | 2,278 | 2,606 |
| Interest costs | 5,646 | 6,113 | 7,053 |
| Rescheduling discount | -58 | -39 | -28 |
| Debt Management costs | 23 | 33 | 38 |
| **Total HRA** | **7,951** | **8,386** | **9,669** |
| Net revenue stream | 44,710 | 46,275 | 47,894 |
| **Total as percentage of net revenue stream** | **17.78%** | **18.12%** | **20.19%** |

| **Estimate of incremental impact of capital investment on Council Tax and Housing Rents** | **Budget 2016-17** | **Budget 2017-18** | **Budget 2018-19** |
|---|---|---|---|
| **General Fund** | **£000** | **£000** | **£000** |
| Unsupported borrowings - principal | 366 | 336 | 200 |
| - interest | 441 | 405 | 243 |
| Loss of investment income | 35 | 6 | 5 |
| **Total** | **842** | **747** | **448** |
| **Impact on Band D council tax** £ | **14.20** | **12.48** | **7.48** |
| | | | |
| **Housing Revenue Account** | | | |
| Loss of investment income | 438 | 5 | 0 |
| Unsupported borrowings - principal | 0 | 388 | 428 |
| - interest | 0 | 1,067 | 1,284 |
| **Total** | **438** | **1,460** | **1,712** |
| **Impact on average weekly rent** £ | **0.04** | **0.10** | **0.78** |

*This is a notional calculation*

| **Capital financing requirement [end of year position]** | **Budget 2016-17** | **Budget 2017-18** | **Budget 2018-19** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Council Fund | 225,024 | 224,198 | 227,582 |
| Housing Revenue Account | 113,916 | 130,275 | 148,292 |
| **Total Authority** | **338,940** | **354,473** | **375,874** |

## Appendix 7 - Capital Expenditure and Funding

| | Budget 2016-17 | Budget 2017-18 | Budget 2018-19 |
|---|---|---|---|
| **Expenditure** | **£000** | **£000** | **£000** |
| Council Fund | 17,099 | 8,887 | 8,400 |
| Housing Revenue Account | 36,021 | 41,983 | 43,662 |
| **Total** | **53,120** | **50,870** | **52,062** |
| **Funding** | | | |
| Surplus/ (Deficit) Balance b/f | 1,971 | 971 | 242 |
| Borrowings - Supported (GF) | 4,992 | 4,992 | 4,992 |
| General Capital Grant - WG | 3,038 | 3,038 | 3,038 |
| RCCO Budget | 128 | 128 | 128 |
| Capital underspends from previous years | 657 | | |
| Ring-fenced uncommitted capital budgets | 610 | | |
| Capital Receipts 2015/16 | 829 | | |
| General Fund Working Balances | 5,845 | | |
| RCCO- (HRA) | 28,676 | 14,968 | 14,647 |
| Capital Receipts (HRA) | | 270 | 270 |
| Borrowings - Unsupported (HRA) | | 19,400 | 21,400 |
| Major Repairs Allowance (HRA) | 7,345 | 7,345 | 7,345 |
| **Total** | **54,091** | **51,112** | **52,062** |
| **Surplus C/f** | **971** | **242** | **-** |

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**Appendix 8**

**MRP 2016/17 Policy and Options**

## 1. SUPPORTED BORROWING

| **OPTION 1**<br>**Regulatory Method** | **OPTION 2**<br>**Capital Financing Requirement Method** |
|---|---|
| Existing method of charge, no change to revenue account | Similar to Option 1, but with a change that omits a Calculation 'Adjustment A' that was caused by LGR in 1996. |

**Recommendation** - to use Option 2 which reflects the continuation of current arrangements.

## 2. UNSUPPORTED BORROWING

| **OPTION 3**<br>**Asset Life Method** | **OPTION 4**<br>**Depreciation Method** |
|---|---|
| Two approaches to calculate charge to revenue: -<br><br>a) Equal Instalment Method (EIM) Divides value of borrowing by estimated life of asset. Currently use 25 years.<br>b) Annuity Method More complex with lower charge in early years, higher charge towards end of asset, when life of asset coming to end. | Similar to Option 3 but considers the revaluation of the asset and revisions to the expected asset life. Can lead to uncertainty in respect of future charges to revenue account. |

**Recommendation** - to use Option 3 and EIM which reflects the continuation of current arrangements.

One further change, applicable to the introduction of Options 3 and 4, is a delay in the commencement of the MRP charge. Under the existing statutory approach, the charge commences in the financial year following that in which the borrowing was incurred. Under these Options, it commences when the asset, which the borrowing has been used to finance, becomes operational. There will be no ongoing effect to the revenue account as a consequence of this change.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

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# SPECIAL COUNCIL - 24TH FEBRUARY 2016

**SUBJECT:** **BUDGET PROPOSALS 2016/17 AND MEDIUM TERM FINANCIAL STRATEGY 2016/2021**

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

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1.1 The attached report was considered by the Cabinet on 17th February 2016. The recommendations of Cabinet will be reported verbally to Special Council on 24th February 2016.

1.2 Members will be asked to consider the recommendations of Cabinet.

Author: Helen Morgan, Senior Committee Services Officer

Appendix - Report to Cabinet 17th February 2016.

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APPENDIX

# CABINET – 17TH FEBRUARY 2016

**SUBJECT:** **BUDGET PROPOSALS 2016/17 AND MEDIUM-TERM FINANCIAL STRATEGY 2016/2021**

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

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## 1. PURPOSE OF REPORT

1.1 To seek Cabinet endorsement of the 2016/17 budget proposals contained within this report prior to final determination at Council on the 24th February 2016.

## 2. SUMMARY

2.1 On the 14th October 2015 Cabinet received a report providing details of updated projected savings requirements for the period 2016/17 to 2018/19 pending confirmation of the Welsh Government (WG) 2016/17 Local Government Financial Settlement. The report sought Cabinet endorsement of an updated Medium-Term Financial Plan (MTFP), draft savings proposals for 2016/17 and a proposed 3.9% increase in the Council Tax. The report also provided a brief update on progress in relation to potential savings for the 2017/18 financial year. At the meeting Cabinet: -

- endorsed a proposed package of 2016/17 savings totalling £12.432m;
- agreed that the 2016/17 savings proposals should be subject to a further period of consultation prior to final 2016/17 budget proposals being presented to Cabinet and Council in February 2016;
- supported the proposal to increase Council Tax by 3.9% for the 2016/17 financial year to ensure that a balanced budget is achieved;
- noted the current savings proposals for 2017/18 totalling £6.930m; and
- agreed to a consultation process being undertaken in relation to proposed savings in 2017/18 for Home to School/College Transport.

2.2 This report provides an updated position based on the Provisional 2016/17 Local Government Financial Settlement announced by WG on the 9th December 2015. The report seeks Cabinet endorsement of the final 2016/17 budget proposals prior to consideration by Council on the 24th February 2016.

## 3. LINKS TO STRATEGY

3.1 The budget setting process encompasses all the resources used by the Council to deliver services and meet priorities.

## 4. THE REPORT

### 4.1 Background

4.1.1 The 'Draft Savings Proposals for 2016/17' report presented to Cabinet on the 14th October 2015 made reference to the Comprehensive Spending Review being undertaken by the UK Government and the fact that savings of between 25% and 40% may be required for non-protected areas. As a consequence of this, Cabinet was advised that the financial outlook for Local Government in Wales was likely to worsen and that this would be exacerbated by the likelihood of WG continuing to offer a degree of protection to the NHS.

4.1.2 The Spending Review outcome was not due to be announced until the 25th November 2015 and as a result details of the WG 2016/17 Provisional Local Government Financial Settlement were not expected until the 9th December 2015. However, in light of the messages coming from the UK Government, the October Cabinet report included an updated MTFP based on a range of revised assumptions. The updated MTFP is attached as Appendix 1 of this report and shows the following potential savings requirements for Caerphilly CBC: -

Table 1 – Updated Cash Savings Targets 2016/17 to 2018/19

| Year | Annual Cash Savings Target £m | Cumulative Cash Savings Target £m |
|---|---|---|
| 2016/17 | 14.321 | 14.321 |
| 2017/18 | 11.441 | 25.762 |
| 2018/19 | 9.423 | 35.185 |

4.1.3 Significant work had already been undertaken during 2015 to identify savings proposals in line with the following principles that had previously been agreed by Council: -

- Protecting front-line services where we can and reducing expenditure on management and administrative costs.
- Increasing fees and charges where appropriate.
- Reducing, rather than removing services where possible.
- Focussing on priorities.
- Looking at alternative ways of delivering services (collaboration, partnerships, community trusts, etc.).

4.1.4 The October Cabinet report provided details of the savings proposals identified at that time and explained that all of the proposals had been subject to an impact assessment to determine whether there would be an impact on service users and/or the public. The savings proposals are summarised in the following table: -

Table 2 – 2016/17 and 2017/18 Savings Proposals (Cabinet 14th October 2015)

| Description | 2016/17 £m | 2017/18 £m | Total £m |
|---|---|---|---|
| | | | |
| **Full-year impact of approved 2015/16 savings** | **1.980** | **0.000** | **1.980** |
| | | | |
| **New savings proposals: -** | | | |
| Nil impact | 8.661 | 3.025 | **11.686** |
| Low impact | 1.973 | 0.797 | **2.770** |
| Medium impact | 1.521 | 1.894 | **3.415** |
| High impact | 0.277 | 1.214 | **1.491** |
| | | | |
| **TOTAL: -** | **14.412** | **6.930** | **21.342** |

4.1.5 The 2016/17 'nil impact' savings proposals totalling £8.661m were categorised into a single line for each service area in the Appendices attached to the 14th October Cabinet report. This was consistent with the approach adopted for the 2015/16 financial year and the proposals in this category consist in the main of vacancy management, structural reviews, budget realignment and minor changes to service provision. Details of the 2016/17 low, medium and high impact savings were appended to the Cabinet report and these were endorsed by Cabinet along with a recommendation that the proposals would be subject to a period of consultation as set out in the report. Cabinet also endorsed a proposed increase of 3.9% in the Council Tax for 2016/17 to ensure that a balanced budget could be achieved.

4.1.6 Cabinet noted the progress on identifying potential savings for 2017/18.

**4.2 Headline Issues in the 2016/17 Provisional Local Government Financial Settlement**

4.2.1 Details of the Comprehensive Spending Review were announced on the 25th November 2015 and the outcome was much better than anticipated. The UK Government block grant to WG for 2016/17 shows an increase of 0.85% and whilst this includes significant protection for the NHS, the ensuing cut in the 2016/17 Provisional Local Government Settlement is much less than feared. The key points of the 2016/17 Provisional Settlement are summarised below: -

- An average 1.4% cut across Wales in Aggregate External Finance (AEF). The AEF consists of the Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates funding received from WG.
- The cut in AEF does vary by Authority due to the funding formula and the provisional position for Caerphilly CBC is a reduction of 0.9%. This reduction factors in the transfer into the RSG of the Outcome Agreement Grant (£1.876m) and results in an overall net cash reduction of £2.275m compared to the 2015/16 financial year.
- There were three other grants passported into the settlement totalling £125k and two grants passported out totalling £372k. Details are provided in paragraph 4.2.2.
- As in previous years, WG, through the RSG formula, has placed a requirement on Local Authorities to include provision of a 1% protection for schools based on the percentage applied by the UK Government to WG's block grant. For 2016/17 this represents a 1.85% increase in respect of schools formula funding.
- No indicative settlement figures have been provided by WG for future years.
- The capital allocations available to Caerphilly CBC in the RSG and from the General Capital Grant increase by £15k from 2015/16 levels.

4.2.2 Table 3 provides details of the grants passported into/out of the WG provisional financial settlement: -

Table 3 – Grants Passported In/Out 2016/17

| | **£m** |
|---|---|
| **Transfers In: -** | |
| LGBI – 21st century schools | 0.076 |
| Council Tax Reduction Scheme (CTRS) | 0.046 |
| CTRS administration subsidy | 0.003 |
| **Transfers Out: -** | |
| First Steps Improvement Package | (0.171) |
| Private Finance Initiative | (0.201) |
| **TOTAL** | **(0.247)** |

4.2.3 As in previous years, it is proposed that the above (both the increases and decreases in funding) are passed directly to those services that they relate to.

### 4.3 Updated Medium-Term Financial Plan (MTFP)

4.3.1 As mentioned in paragraph 4.1.2, at its meeting on the 14th October 2015 Cabinet was presented with an updated MTFP which showed a potential savings requirement of £14.321m for 2016/17, £11.441m for 2017/18 and £9.423m for 2018/19. This assumed a reduction of 4.3% on the AEF for 2016/17 and 2017/18 with a further reduction of 3% for 2018/19. An assumed Council Tax increase of 3.9% was also factored in for each of the three financial years. Cabinet was also provided with details of potential savings totalling £12.432m for 2016/17 and £6.930m for 2017/18.

4.3.2 Following the announcement of the Provisional 2016/17 Local Government Financial Settlement the MTFP has been reviewed again. This latest update now covers a five-year period in line with Wales Audit Office (WAO) recommended practice and is based on a number of revised assumptions, the most significant of which are the following: -

- A 0.9% reduction in the AEF in line with the Provisional Settlement.
- An assumed reduction of 1.4% in the AEF for the three-year period 2017/18 to 2019/20.
- A cash flat position for the AEF in 2020/21.
- Council Tax increase of 1% for 2016/17 and 2017/18 with an indicative increase of 2.35% for the following three years.
- The schools "pledge" to be met throughout the five-year period covered by the Plan (i.e. schools funded at 1% above the UK Government block grant to WG).

4.3.3 The updated MTFP is attached as Appendix 2 and Cabinet will note that the revised potential savings requirement for the three-year period 2016/17 to 2018/19 is now £24.504m instead of the £35.185m reported to Cabinet in October 2015. However, the savings requirement for the five-year period 2016/17 to 2020/21 is £36.252m. This means that all of the £21.342m savings proposals identified in the October Cabinet report will still be required and further savings proposals will need to be identified. On a positive note, the Authority now has more time to agree and deliver the savings required.

4.3.4 If we focus on the four-year period 2016/17 to 2019/20, to tie in with a potential Local Government Reorganisation, the anticipated savings requirement for this period is £32.159m. This means that additional savings of £10.817m will be required over and above the proposals presented in the October Cabinet report.

### 4.4 Schools Medium-Term Financial Plan

4.4.1 An updated Medium-Term Financial Plan for schools is attached as Appendix 3. This update assumes that the schools "pledge" will continue to be honoured. The "pledge" requires schools to manage their own cost pressures and resulting savings requirements. Cabinet will note that there is a shortfall of 1.60% for 2016/17 but growth in subsequent years of 0.89% for 2017/18, 0.17% for 2018/19, 0.38% for 2019/20 and 0.41% for 2020/21.

### 4.5 2016/17 Budget Proposals

4.5.1 The net 2016/17 revenue budget for the Council, if approved, would be £324.384m (as shown in Appendix 4). The proposals contained within this report would deliver a balanced budget for 2016/17 on the basis that Council Tax is increased by 1%. Table 4 provides a summary: -

Table 4 – 2016/17 Budget Summary

| Paragraph | Description | £m | £m |
|---|---|---|---|
| 4.5.2 | Whole-authority cost pressures | 3.270 | |
| 4.5.3 | Inescapable service pressures | 4.603 | |
| 4.5.6 | Reduction in WG funding | 2.275 | |
| 4.6.3 | Draft savings proposals 2016/17 | | 11.117 |
| 4.6.2 | Earmarked Reserve – Dry recyclable waste | 1.600 | |
| 4.6.2 | One-off funding for carbon management initiatives | 0.215 | |
| 4.10.1 | Council Tax uplift (1%) | | 0.846 |
| | **TOTAL** | **11.963** | **11.963** |

4.5.2 The whole-authority cost pressures totalling £3.270m are set out in Table 5 (cost pressures for schools are excluded as the full cash pledge growth has been provided): -

Table 5 – Whole Authority Cost Pressures

| | £m |
|---|---|
| Pay excluding teachers and other school staff (weighted average 1.2%) | 1.386 |
| Living Wage increase (adjusted for schools and HRA) | 0.296 |
| Employer NI increase – April 2016 (adjusted for schools and HRA) | 1.792 |
| Increase in Fire Service levy | 0.043 |
| Passported grants in 2016/17 Provisional Settlement | (0.247) |
| **TOTAL** | **3.270** |

4.5.3 It is incumbent upon Council to set a realistic budget each year. Table 6 provides details of those 2016/17 inescapable service commitments/pressures that have been identified and require consideration in respect of funding: -

Table 6 – Inescapable Service Pressures and Other Service Commitments

| | £m |
|---|---|
| Council Tax Reduction Scheme additional liability | 0.146 |
| Education Workforce Council registration fees | 0.019 |
| Meeting the schools “pledge” | 1.938 |
| Social Services cost pressures contingency | 2.500 |
| **TOTAL** | **4.603** |

4.5.4 With effect from 1 April 2016, all learning support staff in maintained schools and FE colleges in Wales will need to be registered with the Education Workforce Council (EWC). School and FE teachers already register with the EWC. Registration does not depend on a job title and in general if a role supports learning and teaching, workers will need to be registered with the EWC. Following a consultation, the Welsh Government has set a fee for learning support staff of £15 for 2016/17. The Council currently pays the cost of registration with a specific registration body if there is a requirement by law to be registered in order to practice. Learning support staff will now fall into this category resulting in a cost to the Authority of £19k per annum.

4.5.5 The £2.5m Social Services cost pressures contingency will initially be held within Miscellaneous Finance. The contingency is required to meet the cost of anticipated increases in demand for services and to fund other potential cost pressures arising from UK Government and WG policy changes that will impact on this service area.

4.5.6 The WG Provisional Financial Settlement has decreased the available funding by 0.9% for the 2016/17 financial year. This reduction factors in the transfer into the RSG of the Outcome Agreement Grant (£1.876m) and results in an overall net cash reduction of £2.275m compared to the 2015/16 financial year. The Outcome Agreement Grant has funded core base budgets in previous years and it is proposed that this will continue now that the funding has been transferred into the RSG.

## 4.6 2016/17 Savings Proposals

4.6.1 The report presented to Cabinet on the 14th October 2015 included draft 2016/17 savings proposals totalling £14.412m as summarised in Table 7: -

Table 7 – 2016/17 Savings Proposals (Cabinet 14th October 2015)

| Description | £m |
|---|---|
| | |
| **Full-year impact of approved 2015/16 savings** | **1.980** |
| | |
| **New savings proposals: -** | |
| Nil impact | 8.661 |
| Low impact | 1.973 |
| Medium impact | 1.521 |
| High impact | 0.277 |
| | |
| **TOTAL: -** | **14.412** |

4.6.2 Cabinet will note from the updated MTFP attached as Appendix 2 that the savings requirement for 2016/17 based on the Provisional Local Government Settlement is now £9.302m. In light of this, the savings proposals in the October Cabinet report have been reviewed and a revised package of 2016/17 proposals has been put together totalling £11.117m. This exceeds the 2016/17 savings target by £1.815m but Cabinet should note that this £1.815m will be needed to balance the budget in 2017/18. For 2016/17 only, Cabinet is asked to endorse a proposal to set aside £1.6m of the £1.815m in an earmarked reserve to meet cost pressures in dry recyclable waste, and to set aside the remaining balance of £215k to provide one-off match-funding to support carbon management initiatives. The £1.815m funding will be held corporately in the first instance.

4.6.3 The updated proposed savings totalling £11.117m are summarised in Table 8: -

Table 8 – 2016/17 Revised Savings Proposals

| Description | 2016/17 Saving £m |
|---|---|
| | |
| **Full-Year impact of approved 2015/16 savings** | **1.980** |
| | |
| **New savings proposals: -** | |
| Nil impact | 8.661 |
| Other (with a service user and/or public impact): - | |
| - Council Tax/NNDR – Increase in Court Fees | 0.075 |
| - Customer Services – Further reduction in opening hours | 0.052 |
| - Cease mobile Customer Services Centre | 0.070 |
| - Disposal of surplus buildings | 0.015 |
| - Market Place, Blackwood – Transfer of lease to HRA | 0.016 |
| - Pre-planning advice income | 0.005 |
| - Housing – Withdrawal of Care & Repair funding | 0.010 |
| - Housing – Withdrawal of funding for Family Intervention Project | 0.015 |
| - Schools – Introduction of charge for sandwich places | 0.102 |
| - Schools – Breakfast Club staff reductions | 0.070 |
| - Review of Community Centres | 0.046 |
| | |
| **Total 2016/17 revised savings proposals: -** | **11.117** |
| | |

| | |
|---|---|
| **Updated 2016/17 savings requirement** | **9.302** |
| | |
| **Savings in advance (One-off for 2016/17 only)** | **1.815** |
| | |
| - Earmarked Reserve – Dry Recyclable Waste | **(1.600)** |
| - One-off funding for Carbon Management Initiatives | **(0.215)** |
| | |
| **NET POSITION** | **0.000** |

4.6.4 As mentioned in paragraph 4.1.5, the 2016/17 'nil impact' savings proposals were categorised into a single line for each service area in the Appendices attached to the October Cabinet report and this is consistent with the approach adopted for the 2015/16 financial year. The proposals in this category consist in the main of vacancy management, structural reviews, budget realignment and minor changes to service provision.

4.6.5 Appendix 5 provides brief details of the proposed savings for 2016/17 that will have an impact on service users and/or the public. Detailed reports on these proposals were presented to Special Scrutiny Committees in November and December 2015.

**4.7 Future Years Savings Requirements**

4.7.1 As mentioned in paragraph 4.3.3, the updated potential savings requirement for the five-year period 2016/17 to 2020/21 is £36.252m. This means that all of the £21.342m savings proposals identified in the October Cabinet report will still be required and further savings proposals will need to be identified.

4.7.2 If we focus on the four-year period 2016/17 to 2019/20, to tie in with a potential Local Government Reorganisation, the anticipated savings requirement for this period is £32.159m. This means that additional savings of £10.817m will be required over and above the proposals presented in the October Cabinet report.

4.7.3 Work is ongoing to re-profile the remaining savings identified in the October Cabinet report and it is likely that most of the savings that have an impact on service users and/or the public will not be required until 2018/19 and 2019/20. However, further work will also be required to identify new proposals to address the additional savings of £10.817m that are likely to be required. This work will be led by the Corporate Management Team in consultation with appropriate Cabinet Members. Heads of Service will be heavily involved throughout the process with support from colleagues in Finance. Areas for consideration will include: -

- Further 'back office' efficiencies.
- Potential collaborations.
- Further channel shift.
- Asset rationalisation.
- Review of Treasury Management activities.
- Review of Leisure Services.
- Review of Youth Services.
- Review of Library Services.

4.7.4 The above list is not exhaustive and Heads of Service will be asked to review all budgets to identify potential future savings. Regular updates will be provided to Members as this work progresses.

**4.8 Capital Programme 2016/17 to 2018/19**

4.8.1 The proposed Capital Programme for the three-year period 2016/17 to 2018/19 is detailed in Appendix 6 of this report and is summarised in Table 9: -

Table 9 – Summary of Capital Programme 2016/17 to 2018/19

| | 2016/17 £m | 2017/18 £m | 2018/19 £m |
|---|---|---|---|
| **Capital Programme proposals** | **17.099** | **8.887** | **8.400** |
| **WG funding available** | **8.030** | **8.030** | **8.030** |
| **Capital funding gap** | **(9.069)** | **(0.857)** | **(0.370)** |
| | | | |
| **Funded by: -** | | | |
| Surplus/(Deficit) b/fwd | 1.971 | 0.971 | 0.242 |
| Capital underspends from previous years | 0.657 | | |
| Ring-fenced capital uncommitted | 0.610 | | |
| 2015/16 capital receipts | 0.829 | | |
| RCCO budget (Miscellaneous Finance) | 0.128 | 0.128 | 0.128 |
| General Fund working balances | 5.845 | | |
| **Total Additional Funding** | **10.040** | **1.099** | **0.370** |
| | | | |
| **Surplus (Deficit) carried forward** | **0.971** | **0.242** | **0.000** |

4.8.2 The proposals in Table 10 below have been provisionally included in the proposed Capital Programme. However, these proposals will require further review and/or business cases to justify seeking Cabinet approval to release the funds to the service area.

Table 10 – Proposals Requiring Further Review/Business Cases

| Service Area | Description | 2016/17 £000's | 2017/18 £000's | 2018/19 £000's |
|---|---|---|---|---|
| | | | | |
| Countryside | Environmental Schemes | 217 | 230 | 232 |
| Economic Dev. | Voluntary Sector Capital Grants | 170 | 0 | 0 |
| Urban Renewal | Commercial and Industrial Grants | 50 | 50 | 50 |
| Urban Renewal | Town Centres | 30 | 40 | 20 |
| Urban Renewal | Navigation Colliery Site Regeneration | 0 | 20 | 20 |
| | | | | |
| **TOTAL** | | **467** | **340** | **322** |

4.8.3 Appendix 6 includes £7.9m that can be transferred to an earmarked capital reserve. This funding has been made available through the release of General Fund balances, capital underspends in previous years and 2015/16 capital receipts. This earmarked reserve is required to enhance the Authority's Leisure Centres and to generate additional 21st Century Schools match-funding which will likely be targeted at the primary phase. There are also some unfunded liabilities that may require the release of some of this reserve. Cabinet will need to be presented with the details of specific projects/liabilities, along with a business case where appropriate, prior to approving the release of these funds.

**4.9 General Fund Balances**

4.9.1 Details of the projected movement on General Fund balances are provided in Appendix 7. There are no known further allocations to General Fund at this time over and above those identified.

4.9.2 The General Fund balance at the end of the 2014/15 financial year was £14.615m. This is higher than usual but due to the significant financial challenges facing the Authority and the uncertainty around WG financial settlements it was considered prudent at the time to maintain the balance at this higher level.

4.9.3 Cabinet will note that projected underspends for 2015/16 will result in £3.573m being transferred into the General Fund. A significant proportion of this underspend is due to MTFP savings in advance.

4.9.4 It is proposed that £5.845m should be transferred into the proposed capital earmarked reserve as detailed in paragraph 4.8.3 of this report.

4.9.5 The Authority has recently received notice from Municipal Mutual Insurance (MMI) that the levy imposed under its Scheme of Arrangement is likely to increase from the current level of 15%. MMI was previously the largest insurer for Local Authorities and provided insurance cover for the former Mid-Glamorgan and Gwent County Councils as well as Islwyn and Rhymney Valley District Councils. Following substantial losses suffered by MMI between 1990 and 1992 the company ceased to write new, or to renew, general insurance business. A Scheme of Arrangement was subsequently established under Section 425 of the Companies Act 1985. This is a legally binding arrangement between MMI and its creditors which allows a levy to be imposed to avoid MMI going into insolvent liquidation. An increase in the levy of up to 34% is possible and this would result in a cost of circa £1m for Caerphilly CBC. It is therefore proposed to establish a provision of £1m pending final confirmation of the increase in the levy.

4.9.6 The Authority has determined at Council, in recent years, to keep the General Fund reserves at a level of circa £10m, which is 3% of the net revenue budget. It is still considered appropriate to maintain the General Fund balance at this level. The proposals in this report, if approved, would result in a projected General Fund balance of £10.105m as at the 31st March 2016.

**4.10 Council Tax Implications 2016/17**

4.10.1 The budget proposals within this report include a proposed increase of 1% in Council Tax for the 2016/17 financial year. This will increase the Caerphilly CBC Band D precept from £992.02 to £1,001.94 i.e. an annual increase of £9.92 or weekly increase of £0.19.

4.10.2 Cabinet will note that the 2016/17 budget proposals set out in this report are based on the WG Provisional Financial Settlement. This is highly unusual but is due to the Comprehensive Spending Review and the consequential late announcement of the WG draft budget for 2016/17. The Final Settlement will be confirmed for Caerphilly CBC on the 9th March 2016, albeit that WG officials have advised that there will be minimal change from the Provisional Settlement. The Authority would normally set its budget after the Final Settlement has been agreed but for 2016/17 it will be necessary to agree the budget in advance of the confirmed Settlement to ensure that Council Tax collection arrangements are not compromised.

4.10.3 In the event that the Final Settlement requires additional savings to be made for 2016/17, it is proposed that the shortfall will be met from the proposed £215k funding set aside for Carbon Management Initiatives. It is not anticipated that the shortfall will be greater than £215k but if this situation does arise a further report will be presented to Council outlining proposals to ensure that a balanced budget is achieved.

**5. EQUALITIES IMPLICATIONS**

5.1 Equality Impact Assessments have been completed for all of the savings proposals contained in this report that impact on the public and/or service users. Arrangements are currently underway to ensure that these are available on the Council's website and a link will emailed to Members as soon as they are available.

## 6. FINANCIAL IMPLICATIONS

6.1 As detailed throughout the report.

## 7. PERSONNEL IMPLICATIONS

7.1 The 2016/17 savings proposals will result in the loss of 97 posts. 67 of these posts are currently vacant and at least 12 posts will be lost through voluntary severances or retirements. The remaining 18 posts will be dealt with through the Council's redeployment policy with a view to finding alternative suitable employment. Every effort will be made to redeploy staff but where this is not possible then compulsory redundancy will need to be considered.

7.2 For schools there is likely to be a requirement to reduce school based posts by up to 35, the majority of which will be through voluntary redundancies and early retirements.

7.3 In addition to the above, the savings proposals in relation to the setting up of sandwich places in schools and the reduced staffing in Breakfast Clubs will require a reduction in paid hours: -

**Sandwich places –** Schools may decide not to pay the proposed charge for this service and use their lunchtime supervisors to undertake the task. On average, the service provides cover for 5 hours per week. In a worst-case scenario if all primary schools decided not to pay for the service a reduction of 375 paid hours per week would be required, potentially affecting 75 posts (working on average 1 hour per day). Some of the reduction would be met through casual workers and in larger sites it may be possible to spread the 5 hours per week loss across all staff. The Catering Service employs a total of circa 800 staff and there is regular turnover creating vacancies (45 vacancies in the last 6 months in addition to a number of relief workers being recruited). The redeployment opportunities arising from these vacancies, along with a reduction in casual workers and voluntary severances should cover the potential loss of hours. However, if this is not the case, the Authority will use service reserves until the required reduction in hours is achieved, thus avoiding compulsory redundancies.

**Breakfast Clubs –** The Catering Service operates 68 Breakfast Clubs in the Authority's primary schools so the proposed 1 hour reduction in staffing per day would require a weekly reduction of 340 paid hours (potentially affecting 68 posts). Again, redeployment opportunities arising from turnover in the Catering Service, along with a reduction in casual workers and voluntary severances should cover the loss of hours. However, if the required reduction is not achieved within anticipated timescales the Authority will use service reserves until the reduction in hours is achieved, thus avoiding compulsory redundancies.

## 8. CONSULTATIONS

8.1 At its meeting on the 14th October 2015, Cabinet agreed that the proposed 2016/17 savings that would impact on service users and/or the public should be subject to an extensive consultation process prior to final budget proposals being presented to Cabinet and Council in February 2016. Full details of the consultation process adopted and the feedback received will be posted on the Council's website. Appendix 8 provides a summary report and the following are some of the key messages that have emerged from the consultation process: -

- Generally speaking, residents are aware of the financial pressures facing local authorities and the need for cuts in this period of austerity.
- General acceptance that our proposed savings are not too bad compared to other areas (i.e. no major closure of facilities or deep cuts).
- We should avoid increasing fees and charges if possible.
- We should prioritise frontline services.
- We should ensure that the elderly and vulnerable are protected.

- Strong agreement with our general approach to budget management in particular protecting frontline services, reducing management/admin costs and reducing office accommodation costs by rationalising council-owned buildings.
- Proposed cuts to Social Services raise most concern (respite, domiciliary care, day care services, children's services and foster care).
- Broad disagreement with proposals to increase fees and charges.
- Other areas of concern include car parking charges, cuts to road resurfacing budget and reduction of environmental health post.
- Need to consider the long-term impact of the proposed savings not just the short-term benefit.
- Think about the 'knock on effect' on service users and other agencies.
- Investment in prevention saves money in the long-term, especially where some of the savings are small and impact can be potentially big e.g. carers support, pest control charges etc.
- Mixed views on proposed 3.9% Council tax increase.

8.2 As mentioned in paragraph 8.1, the consultation process focussed on the proposed 2016/17 savings included in the 14th October 2015 Cabinet report that would impact on service users and/or the public. In light of the better than anticipated Financial Settlement only a small number of these proposals are now under consideration for 2016/17 as set out below: -

Table 11 – 2016/17 Savings Proposals with a Service User/Public Impact

| **Description** | **2016/17 Saving £m** |
|---|---|
| | |
| 1) Council Tax/NNDR – Increase in Court Fees | 0.075 |
| 2) Customer Services – Further reduction in opening hours | 0.052 |
| 3) Cease mobile Customer Services Centre | 0.070 |
| 4) Disposal of surplus buildings | 0.015 |
| 5) Market Place, Blackwood – Transfer of lease to HRA | 0.016 |
| 6) Pre-planning advice income | 0.005 |
| 7) Housing – Withdrawal of Care & Repair funding | 0.010 |
| 8) Housing – Withdrawal of funding for Family Intervention Project | 0.015 |
| 9) Schools – Introduction of charge for sandwich places | 0.102 |
| 10) Schools – Breakfast Club staff reductions | 0.070 |
| 11) Review of Community Centres | 0.046 |
| | |
| **TOTAL** | **0.476** |

8.3 Appendix 9 provides details of specific feedback received during the consultation process in relation to the above savings proposals.

8.4 The specific savings proposals in Table 11 were also considered as part of the Special Scrutiny Committee meetings held during November and December 2015: -

- Proposals 1 to 5 and 7 and 8 were supported by the Policy and Resources Scrutiny Committee at its meeting on the 7th December 2015.
- Proposal 6 was supported by the Regeneration & Environment Scrutiny Committee at its meeting on the 26th November 2015.
- Proposals 9 and 10 were not supported by the Health, Social Care & Wellbeing Scrutiny Committee at its meeting on the 23rd November 2015. However, the proposals were supported by the Education for Life Scrutiny Committee on the 15th December 2015. It should be noted that by the 15th December it was apparent that schools would be receiving an additional £1.3m of cash growth due to the better Financial Settlement.
- Cabinet approved the proposed saving of £46k in community centres at its meeting on the 20th January 2016.

8.5 The Trade Unions acknowledge the need to reduce the Customer First arrangements to reflect reducing demand but require all efforts to be made to ensure that the Mobile Customer First bus is utilised by another service area in the Authority or even one of the Authority's partners.

8.6 At its meeting on the 14th October 2015, Cabinet agreed that a consultation process should be undertaken in relation to proposed savings in 2017/18 for Home to School/College Transport. These proposed savings will now be deferred and are unlikely to be considered further until 2019/20. The planned consultation will therefore now be postponed until the 2018/19 financial year.

## 9. RECOMMENDATIONS

9.1 Prior to consideration and determination at Council on the 24th February 2016, Cabinet is asked to endorse the following: -

9.1.1 That the grants passported into/out of the Financial Settlement are passed directly to those services that they relate to (paragraphs 4.2.2 and 4.2.3).

9.1.2 That the Outcome Agreement Grant of £1.876m transferred into the RSG continues to fund core base budgets as in previous years.

9.1.3 The proposed savings for 2016/17 totalling £11.117m as set out in paragraph 4.6.3 of this report.

9.1.4 The proposal to transfer £1.6m into an earmarked reserve for dry recyclable waste and the setting aside of one-off funding of £215k for carbon management initiatives (as set out in paragraph 4.6.2).

9.1.5 The Revenue Budget proposals for 2016/17 of £324.384m as set out in this report and summarised in Appendix 4.

9.1.6 The proposed Capital Programme for the period 2016/17 to 2018/19 as set out in Appendix 6.

9.1.7 The proposed use of General Fund balances as detailed in Appendix 7.

9.1.8 The use of service reserves to smooth the impact of the reduction in hours in the Catering Service to avoid compulsory redundancies (paragraph 7.3).

## 10. REASONS FOR THE RECOMMENDATIONS

10.1 The Council is required annually to approve proposals to set a balanced budget, agree a Council Tax rate and update its Medium-Term Financial Plan.

10.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

## 11. STATUTORY POWER

11.1 The Local Government Acts 1998 and 2003.

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Consultees: Corporate Management Team
Cllr Keith Reynolds, Leader
Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services

Andrew Southcombe, Finance Manager, Corporate Finance
Lianne Dallimore, MTFP Programme Co-ordinator
Gail Williams, Interim Head of Legal Services & Monitoring Officer
David A. Thomas, Senior Policy Officer (Equalities and Welsh Language)

Background Papers: -

- Cabinet Report 14th October 2015 – Draft Savings Proposals for 2016/17.
- Provisional 2016/17 Local Government Settlement (9th December 2015).
- Reports to Health, Social Care & Wellbeing Scrutiny Committee (23rd November 2015).
- Reports to Regeneration & Environment Scrutiny Committee (26th November 2015).
- Reports to Policy & Resources Scrutiny Committee (7th December 2015).
- Reports to Education for Life Scrutiny Committee (15th December 2015).

Appendices: -

| | |
|---|---|
| Appendix 1 | Updated Medium-Term Financial Plan 2016/17 to 2018/19 (Cabinet 14/10/15) |
| Appendix 2 | Updated Medium-Term Financial Plan 2016/17 to 2020/21 |
| Appendix 3 | Schools Medium-Term Financial Plan 2016/17 to 2020/21 |
| Appendix 4 | Net Revenue Budget 2016/17 |
| Appendix 5 | 2016/17 Savings Proposals with a Service User and/or Public Impact |
| Appendix 6 | Capital Programme 2016/17 to 2018/19 |
| Appendix 7 | Movement on General Fund |
| Appendix 8 | Budget Consultation Feedback 2016/17 |
| Appendix 9 | Consultation – Specific Comments on 2016/17 Savings Proposals with a Service User and/or Public Impact |

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APPENDIX 1

## UPDATED MEDIUM-TERM FINANCIAL PLAN 2016/17 TO 2018/19

## (Cabinet 14/10/15)

| Description | 2016/17 £m | 2017/18 £m | 2018/19 £m |
|---|---|---|---|
| | | | |
| Aggregate External Finance (AEF) -4.3%. -4.3%, -3% | (11.339) | (10.851) | (7.245) |
| Council Tax @ 3.90% | 2.588 | 2.702 | 2.821 |
| **Total Funding** | **(8.751)** | **(8.149)** | **(4.424)** |
| | | | |
| Pay 1.0%, 1.0%, 1.0% | 1.165 | 1.177 | 1.189 |
| Living Wage (assumes pledge funds schools) | 0.109 | 0.111 | 0.114 |
| Employer NI Increase (April 2016) - Excludes schools | 1.815 | 0.000 | 0.000 |
| Non-Pay Inflation 0%, 0%, 1.5% | 0.000 | 0.000 | 1.668 |
| Non-Pay Inflation (1.5% p.a.) - Fees and Charges | (0.218) | (0.221) | (0.224) |
| **Sub-Total** | **2.871** | **1.067** | **2.747** |
| | | | |
| **Service Pressures/Additional Funding** | | | |
| CTRS Additional Liability @ 3.90% | 0.571 | 0.593 | 0.616 |
| Schools Pledge | 0.628 | 0.632 | 0.636 |
| Social Services Cost Pressures Contingency | 1.500 | 1.000 | 1.000 |
| **Sub-Total** | **2.699** | **2.225** | **2.252** |
| | | | |
| **Total Shortfall** | **14.321** | **11.441** | **9.423** |

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**APPENDIX 2**

## UPDATED MEDIUM-TERM FINANCIAL PLAN 2016/17 TO 2020/21

**(Provisional 2016/17 Local Government Settlement)**

| Description | 2016/17 £m | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|---|---|---|---|---|---|
| AEF (-0.9%, -1.4%, -1.4%, -1.4%, 0%) | (2.275) | (3.686) | (3.634) | (3.584) | 0.000 |
| Council Tax (1%, 1%, 2.35%, 2.35%, 2.35%) | 0.846 | 0.886 | 1.721 | 1.770 | 1.820 |
| **Total Funding** | **(1.429)** | **(2.800)** | **(1.913)** | **(1.814)** | **1.820** |
| | | | | | |
| Pay (weighted average increase of 1.2% per annum) | 1.386 | 1.403 | 1.417 | 1.431 | 1.445 |
| Living Wage (assumes pledge funds schools) | 0.296 | 0.296 | 0.296 | 0.296 | 0.296 |
| Employer NI Increase (April 2016) - Excludes schools | 1.792 | 0.000 | 0.000 | 0.000 | 0.000 |
| Non-Pay Inflation (0%, 0.5% then 1.5%) | 0.000 | 0.559 | 1.678 | 1.703 | 1.729 |
| Non-Pay Inflation (Fees and Charges) - 0%, 0.5% then 1.5% | 0.000 | (0.074) | (0.222) | (0.225) | (0.229) |
| Fire Service Levy | 0.043 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other Passported Grants | (0.247) | 0.000 | 0.000 | 0.000 | 0.000 |
| **Sub-Total** | **3.270** | **2.184** | **3.169** | **3.205** | **3.241** |
| | | | | | |
| **Service Pressures/Additional Funding** | | | | | |
| CTRS Additional Liability (1%, 1%, 2.35%, 2.35%, 2.35%) | 0.146 | 0.148 | 0.351 | 0.359 | 0.367 |
| Education Workforce Council Registration Fees | 0.019 | 0.000 | 0.000 | 0.000 | 0.000 |
| Schools Pledge (1.85%, 1.92%, 1.46%, 1.61%, 1.61%) | 1.938 | 2.049 | 1.588 | 1.777 | 1.805 |
| Social Services Cost Pressures Contingency | 2.500 | 0.500 | 0.500 | 0.500 | 0.500 |
| **Sub-Total** | **4.603** | **2.697** | **2.439** | **2.636** | **2.672** |
| | | | | | |
| **Annual Shortfall** | **9.302** | **7.681** | **7.521** | **7.655** | **4.093** |
| | | | | | |
| **Cumulative Shortfall** | **9.302** | **16.983** | **24.504** | **32.159** | **36.252** |

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**APPENDIX 3**

## SCHOOLS MEDIUM-TERM FINANCIAL PLAN 2016/17 TO 2020/21

| | 2016/17 £m | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|---|---|---|---|---|---|
| **Funding to meet the "pledge"** | **1.938** | **2.049** | **1.588** | **1.777** | **1.805** |
| **Inflationary pressures** | | | | | |
| Pay award – Teachers (EST 1%, 1%, 1%, 1%, 1%) | 0.672 | 0.684 | 0.691 | 0.691 | 0.691 |
| Pay award - APT&C (Weighted average of 1.2%) | 0.145 | 0.146 | 0.147 | 0.148 | 0.149 |
| Non-pay inflation (0%, 0.5%, then 1.5%) | 0.000 | 0.094 | 0.283 | 0.283 | 0.283 |
| Superannuation (2.3% increase from 01/09/15) | 0.589 | 0.000 | 0.000 | 0.000 | 0.000 |
| Employer NI increase Contracted-out staff | 1.680 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Service pressures** | | | | | |
| Premises related changes (i.e. floor area) & FSM | 0.220 | 0.160 | 0.160 | 0.160 | 0.160 |
| Demographic increase | 0.150 | 0.150 | 0.150 | 0.150 | 0.150 |
| **TOTAL PRESSURES** | **3.456** | **1.234** | **1.431** | **1.432** | **1.433** |
| **Less "pledge" monies** | **1.938** | **2.049** | **1.588** | **1.777** | **1.805** |
| **Projected (shortfall)/growth** | **(1.518)** | **0.815** | **0.157** | **0.345** | **0.372** |
| **Percentage (shortfall)/growth** | **(1.60%)** | **0.89%** | **0.17%** | **0.38%** | **0.41%** |

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**APPENDIX 4**

## NET REVENUE BUDGET 2016/17

| | £m | £m |
|---|---|---|
| **Base Budget 2015/16** | **325.613** | |
| | | |
| Base adjustment for Outcome Agreement Grant | (1.876) | |
| | | |
| **Revised Base Budget 2015/16** | | **323.737** |
| | | |
| **2016/17 Transfers In** | | |
| Outcome Agreement Grant | | **1.876** |
| | | |
| **Whole Authority Cost Pressures** | | |
| Pay excl. teachers and other school staff @ 1.2% (weighted average) | 1.386 | |
| Living Wage increase (adjusted for schools and HRA) | 0.296 | |
| Employer NI increase – April 2016 (adjusted for schools and HRA) | 1.792 | |
| Increase in Fire Service levy | 0.043 | |
| Passported grants in 2016/17 Provisional Settlement | (0.247) | |
| | | **3.270** |
| | | |
| **Inescapable Service Pressures** | | |
| Council Tax Reduction Scheme additional liability | 0.146 | |
| Education Workforce Council registration fees | 0.019 | |
| Meeting the schools "pledge" | 1.938 | |
| Social Services cost pressures contingency | 2.500 | |
| | | **4.603** |
| | | |
| **Draft Savings Proposals 2016/17** | | |
| Whole-Authority | 3.049 | |
| Corporate Services | 2.320 | |
| Social Services | 1.980 | |
| Communities | 1.959 | |
| Education & Lifelong Learning | 1.609 | |
| | | **(10.917)** |
| | | |
| **Transfers to Earmarked Reserves** | | |
| Dry Recyclable Waste | 1.600 | |
| Carbon Management Initiatives | 0.215 | |
| | | **1.815** |
| | | |
| **Proposed Expenditure** | | **324.384** |
| | | |
| **Funding - Final Settlement** | | |
| | | |
| WG Support | | (263.293) |
| Council Tax (1.0%) | | (59.691) |
| Council Tax Surplus 2015/16 | | (1.400) |
| | | |
| **Total Funding** | | **(324.384)** |

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**APPENDIX 5**

## 2016/17 SAVINGS PROPOSALS WITH A SERVICE USER AND/OR PUBLIC IMPACT

1. Council Tax/NNDR – Increase in Court Fees (Public Impact: Low)

   Proposed to increase the fees charged by the Council to council tax payers and business rate payers when serving a magistrates' court summons and obtaining a liability order. A review of costs has recently been undertaken and this reveals that the costs incurred by Caerphilly CBC are £68.06 per case (this amount excludes the statutory £3.00 fee payable to the magistrates' court). Given that the fee charged per case is currently £57.30, there is a clear need to consider increasing the fees in order to recoup the actual costs incurred (subject to a £70 limit imposed by regulation).

   At its meeting on the 7th December 2015, the Policy & Resources Scrutiny Committee considered a proposal to increase the fees payable by 4% (£2.30) from the 1st April 2016. The Scrutiny Committee was also asked to consider the potential for further incremental annual increases from 2017/18 (subject to a further report at a later date setting out detailed proposals).

   Having considered the proposal and after noting that 16 Local Authorities in Wales are already charging the maximum £70, the Scrutiny Committee recommended to Cabinet that Caerphilly CBC's fee should be increased to £70 from the 1st April 2016. Based on the latest information available this will generate an additional contribution of £75k towards the actual costs incurred.

2. Customer Services – Further reduction in opening hours (Public Impact: Low)

   A further reduction in the opening hours of Customer Service Centres to reflect the reducing public demand for this service will generate a saving of £52k, principally in staff-related costs. This proposal was supported by the Policy and Resources Scrutiny Committee at its meeting on the 7th December 2015.

3. Customer Services – Cease Mobile Customer First Centre (Public Impact: Low)

   The Mobile Customer Service Centre has had very limited uptake by residents. It is therefore proposed that this service is discontinued which will generate a saving of £70k per annum. This proposal was supported by the Policy and Resources Scrutiny Committee at its meeting on the 7th December 2015.

4. Disposal of surplus buildings (Public Impact: Low)

   Property Services contributes to the running costs/maintenance costs of some of the council buildings. The following buildings have been declared surplus and either have been or will be disposed of in accordance with the Council's Disposal Protocol: -

   - Caerphilly Day Centre
   - Risca Cash Office – Under Offer
   - Trigfan, Rhymney - Sold
   - The Chapel, Rhymney - Sold
   - Caerphilly Retirement Project – Lease expired

   The disposal of the above properties will realise a service saving of £15k in 2016/17 and a further £18k in 2017/18. This proposal was supported by the Policy and Resources Scrutiny Committee at its meeting on the 7th December 2015.

5. Market Place, Blackwood – Transfer of lease to HRA (Public Impact: Low)

The Customer First Centre in the Market Place, Blackwood has moved to Blackwood Library. Their place in the Market Place will be occupied by the Area Housing Team as part of the proposals to maintain a council presence in Blackwood Town Centre following the closure of Ty Pontllanfraith. This relocation realises a service saving of £16.3k.

6. Pre-planning advice income (Public Impact: Low)

Fees for pre-planning advice were introduced as part of MTFP savings for the 2014/15 financial year with an estimated target of £20k. An increase in applications in 2014/15 meant that this target was slightly exceeded with the changes delivering an income of £22.5k. As application numbers remain more buoyant, it is proposed that increasing the target by a further £5k is realistic. Moreover, in tandem with other Authorities it is proposed to levy a modest charge of £48 on householder applications (not chargeable at present).

Most Planning Authorities in Wales and the UK now charge for advice, including from householders. Since Caerphilly introduced charges for other categories in April 2014 there have been very few complaints. Indeed, the charges are fairly modest as a percentage of the overall cost of a development and developers and agents are aware that obtaining advice and guidance at the early stages of a development can often decrease uncertainties. This enables applicants to obtain planning permission at the first attempt, thus saving money in the long run. It is important to note that at time of writing, Welsh Government are consulting on pre-application advice charges with the aim of introducing fixed and uniform charges throughout Wales as part of their planning reforms. Should this go ahead, Caerphilly CBC's charges will require modification in due course. However, should the tariffs suggested by WG be introduced rather than our own locally set charges, the overall income to the Planning Authority should remain much the same.

This proposal was supported by the Regeneration & Environment Scrutiny Committee at its meeting on the 26th November 2015.

7. Housing – Withdrawal of Care & Repair funding (Public Impact: Low)

The proposed phased withdrawal of funding support for Care & Repair Caerphilly will generate a saving of £10k in 2016/17 and a further saving of £5k in 2017/18. Care & Repair is a third sector organisation with agencies in every Local Authority in Wales whose main source of funding comes from the Welsh Government. Some agencies are located within Housing Associations, whilst others, as with Care & Repair Caerphilly, are independent agencies with their own management committees.

This Authority has supported Care & Repair Caerphilly since 1996. At that time they were based in private sector accommodation at Maesycwmmer and the Authority's support was via an annual cash contribution of around £50k. Some years later, however, Members took the decision to relocate the agency into Ty Pontllanfraith and provide imputed support in relation to accommodation and day-to-day office costs of around £5k together with an annual cash contribution which currently stands at approximately £15k per annum. Care & Repair Caerphilly have an annual budget of some £185k.

The savings proposal is to withdraw cash funding of £10k in 2016/17 and £5k in 2017/18, which is expected to have a low impact on the public. Care & Repair provide a variety of services, one of which is a handyperson scheme. The Agency Director has indicated that it is this service which may be under threat as a result of the withdrawal of the Authority's funding. However, the decision on which areas of the service to review will be a matter for the Care & Repair Board of Management to determine.

The Care & Repair service nationally is currently undertaking a restructuring exercise which sees Care & Repair Caerphilly merging with Care & Repair Blaenau Gwent. Merger discussions have already commenced, a Shadow Board is in place, and it is hoped that advance warning of the savings proposals can be addressed as part of their merger process with a view to a reshaped service being provided.

This proposal was supported by the Policy and Resources Scrutiny Committee at its meeting on the 7th December 2015.

8. Housing – Withdrawal of funding for the Family Intervention Project (Public Impact: Low)

The proposed withdrawal of funding for the Family Intervention Project (FIP) has already been considered by the Crime and Disorder Scrutiny Committee on 10th September 2015 and will generate a saving of £15k. The project was funded jointly by Housing (Homelessness Prevention Funding) and the Youth Crime Prevention Fund. The initiative has, however, only ever supported a small number of cases and for 2014/15 no referrals were received. Other benefactors from the service are not supporting the project financially.

The Authority does, however, continue to support the Valleys Inclusion Project (VIP) which is considered to be a very similar service to the FIP. This project is one which works with any vulnerable household and is thought to be far more cost effective than the FIP.

It is considered that this savings proposal will have a minimal effect on its service users as alternative support can be provided by both the Valleys Inclusion Project and by directly employed staff within the Council's Housing Advice Team as part of their homelessness prevention duties, which are now substantially greater as a result of the recent introduction of the Housing (Wales) Act 2014.

This proposal was supported by the Policy and Resources Scrutiny Committee at its meeting on the 7th December 2015.

9. Schools – Introduction of charge for sandwich places (Public Impact: Low)

The Catering Service provides a school meals service in 75 primary schools and in doing so currently sets out and clears away places for those pupils eating their own sandwiches; even disposing of any subsequent waste at the expense of Catering. It is proposed that a charge is introduced for this service which is currently provided free of charge to schools. The Catering Service has to cover this cost amounting to 1 hour of staff time per day at each school which is approximately £2.3k per school each year.

It is proposed that the charge will be introduced from September 2016 and if all schools buy in to the service the annual income generated will be £174k.There will be a part-year saving in 2016/17 of £102k with the balance of £72k being delivered in the 2017/18 financial year.

There is no direct impact upon the public although there is a financial impact upon schools. This impact will be funded from the additional growth in the schools "pledge" of £1.3m. Schools may choose to make their own arrangements for setting out and clearing away sandwich places, in which case the Catering Service will be able to reduce staffing hours and still realise the saving identified.

This proposal was not supported by the Health, Social Care & Wellbeing Scrutiny Committee at its meeting on the 23rd November 2015. However, the proposal was supported by the Education for Life Scrutiny Committee on the 15th December 2015. It should be noted that by the 15th December it was apparent that schools would be receiving an additional £1.3m of cash growth due to the better Financial Settlement.

10. Schools - Breakfast Club staff reductions (Public Impact: High)

The Catering Service operates 68 Breakfast Clubs in our primary schools. This is a proposal to reduce the staffing hours by 1 hour per day in each Breakfast Club. The operating times of the

Breakfast Clubs would be unchanged, but the level of supervision of pupils throughout the Breakfast Club provision would reduce.

It is proposed that the staffing reductions will be implemented from September 2016 and this will generate an annual saving of £120k. There will be a part-year saving in 2016/17 of £70k with the balance of £50k being delivered in the 2017/18 financial year.

This proposal was not supported by the Health, Social Care & Wellbeing Scrutiny Committee at its meeting on the 23rd November 2015. However, the proposal was supported by the Education for Life Scrutiny Committee on the 15th December 2015.

11. Review of Community Centres (Public Impact: Medium)

At its meeting on the 20th January 2016, Cabinet considered a report on a Task & Finish Group review of community centres. Following consideration of the report Cabinet agreed the following proposed savings: -

- A cut in the budget for payment of water rates for community centres to achieve savings of £27k.
- A reduction in the Council's caretaking contribution from 12 hours per week to 11 hours per community centre with each centre being recharged one hour per week to achieve savings of £14k.
- A reduction in miscellaneous items of £5k.

**APPENDIX 6**

## CAPITAL PROGRAMME 2016/17 – 2018/19

| Scheme | Indicative | | |
|---|---|---|---|
| | **2016-17 £000s** | **2017-18 £000s** | **2018-19 £000s** |
| **Education & Lifelong Learning** | | | |
| | | | |
| Health & Safety Reg Works | 0 | 300 | 300 |
| Basic Needs Accommodation | 225 | 225 | 225 |
| School Security | 0 | 100 | 100 |
| Asset Management | 1,150 | 600 | 600 |
| School Boiler Replacement Programme | 70 | 220 | 220 |
| **Total Education** | **1,445** | **1,445** | **1,445** |
| | | | |
| Ystrad Mynach Library | 48 | 0 | 0 |
| **Total Lifelong Learning** | **48** | **0** | **0** |
| | | | |
| **Total Education & Lifelong Learning** | **1,493** | **1,445** | **1,445** |
| | | | |
| **Communities** | | | |
| | | | |
| Cemeteries | 406 | 409 | 0 |
| Sports Pitches (Drainage) | 30 | 30 | 30 |
| **Total Community & Leisure Services** | **436** | **439** | **30** |
| | | | |
| Countryside Schemes | 217 | 230 | 232 |
| **Total Countryside** | **217** | **230** | **232** |
| | | | |
| Voluntary Sector Capital Grants | 170 | 0 | 0 |
| **Total Economic Development** | **170** | **0** | **0** |
| | | | |
| Infrastructure Retaining Walls | 317 | 317 | 317 |
| Forward Programme Advance Design/Land | 42 | 42 | 42 |
| Major Highway Reconstruction | 750 | 750 | 750 |
| Bridge Strengthening | 447 | 447 | 447 |
| Land Drainage - Corporate | 125 | 125 | 125 |
| Land Drainage - Non Corporate | 125 | 125 | 125 |
| Vehicle Restraint Systems | 150 | 150 | 150 |
| Corporate Maintenance: Tips/Mines/Spoils | 250 | 250 | 250 |
| Street Lighting | 50 | 50 | 50 |
| Monmouth & Brecon Canal | 212 | 212 | 212 |
| Footway Reconstruction | 150 | 150 | 150 |
| **Total Engineers** | **2,618** | **2,618** | **2,618** |

| Scheme | Indicative | | |
|---|---|---|---|
| | 2016-17 £000s | 2017-18 £000s | 2018-19 £000s |
| | | | |
| Disabled Facility Grants | 1,150 | 1,150 | 1,150 |
| Home Improvement Grants/Misc | 250 | 250 | 250 |
| Minor Works | 800 | 800 | 800 |
| **Total Private Housing** | **2,200** | **2,200** | **2,200** |
| | | | |
| Commercial and Industrial Grants | 50 | 50 | 50 |
| Town Centres | 30 | 40 | 20 |
| Navigation Colliery Site Regeneration | 0 | 20 | 20 |
| **Total Urban Renewal** | **80** | **110** | **90** |
| | | | |
| **Total Communities** | **5,721** | **5,597** | **5,170** |
| | | | |
| **Social Services/Public Protection** | | | |
| | | | |
| CCTV Replacement | 75 | 75 | 75 |
| Kitchen Refurbishments | 425 | 425 | 425 |
| **Total Public Protection** | **500** | **500** | **500** |
| | | | |
| Condition Surveys | 350 | 350 | 350 |
| **Total Social Services** | **350** | **350** | **350** |
| | | | |
| **Total Social Services/Public Protection** | **850** | **850** | **850** |
| | | | |
| **Corporate Services** | | | |
| | | | |
| IT Hardware & Software | 235 | 295 | 235 |
| **Total ICT & Customer Services** | **235** | **295** | **235** |
| | | | |
| Corporate Asset Management | 700 | 700 | 700 |
| Ystrad Mynach Centre of Sporting Excellence | 200 | 0 | 0 |
| **Total Property** | **900** | **700** | **700** |
| | | | |
| **Total Corporate Services** | **1,135** | **995** | **935** |
| | | | |
| **Earmarked Capital Reserve** | **7,900** | **0** | **0** |
| | | | |
| **Total General Fund Capital Programme: -** | **17,099** | **8,887** | **8,400** |

**APPENDIX 7**

## MOVEMENTS ON GENERAL FUND

| | £000's | £000's |
|---|---|---|
| **Opening Balance 01/04/2015** | | **14,615** |
| **Winter Maintenance Reserve Adjustment** | | **(52)** |
| **2014/15 Council Tax Surplus to Support 2015/16 Budget** | | **(1,200)** |
| **Projected 'Take' from 2015/16 Underspends: -** | | |
| - Education and Lifelong Learning | 210 | |
| - Social Services | 277 | |
| - Environment | 389 | |
| - Corporate Services | 560 | |
| - Miscellaneous Finance | 2,137 | **3,573** |
| **Council Tax Surplus 2015/16 (Estimated)** | | **1,414** |
| **Contribution to Capital Earmarked Reserve** | | **(5,845)** |
| **2015/16 Council Tax Surplus to Support 2016/17 Budget** | | **(1,400)** |
| **Provision for Potential Increase in MMI Levy** | | **(1,000)** |
| **Projected Balance 31/03/16** | | **10,105** |

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**APPENDIX 8**

**SUBJECT: BUDGET CONSULTATION FEEDBACK 2016/17**

**REPORT BY: COMMUNICATIONS MANAGER**

## 1. PURPOSE OF REPORT

To provide Members with a detailed overview of the feedback gathered during the extensive budget consultation undertaken between 19th October 2015 and 8th January 2016.

The data will be used to help inform the decision-making process prior to the 2016/17 budget being set in February.

## 2. SUMMARY

CCBC wants to ensure that residents and other key stakeholders across the county borough have the opportunity to help shape the way the council delivers its services in the face of unprecedented budget cuts.

On Wednesday 14th October, Caerphilly county borough council's Cabinet agreed a list of draft savings for the next financial year. The proposals also included a 3.9% increase in Council Tax for 2016/17.

Effective consultation and community engagement is a key factor in informing the budget debate and the resulting feedback will assist members in their decision making process when agreeing the new budget for 2016/17 and beyond.

The budget consultation started on the 19th October 2015 with the launch of a survey. This was followed by a comprehensive programme of engagement activities seeking views both face to face and in writing.

## 3. LINKS TO STRATEGY

All consultation activity carried out by the council is done in line with the principles and standards as outlined in the CCBC Citizen Engagement Strategy and the Corporate Communications Strategy.

## 4. THE REPORT

On Wednesday 14th October 2015 Caerphilly county borough council's Cabinet agreed a list of draft savings for the next financial year. The proposals also included a 3.9% increase in Council Tax for 2016/17.

The council wants to ensure that stakeholders from all sections of the community are informed and get the opportunity to engage and have their say about the budget setting process and the ongoing savings agenda.

The focus of the engagement activity was: -

- To inform all residents and stakeholders of the detailed proposals.
- To seek their views about how we can work together to make alternative or additional ways to make savings.
- To manage the impact of the savings proposals on the wider community before the final budget is agreed by Council in February 2016.

Our engagement activities are undertaken in the most inclusive way possible to ensure that as many people as possible get the chance to provide feedback on issues that are important to them.

**Audiences**
Our audiences were broadly split into the following categories: -

- All CCBC Residents
- Young People
- Older People
- Business Community
- Voluntary Sector
- Viewpoint Panel
- Partner Organisations (LSB etc.)
- Town and Community Councils

**Methods**
Various engagement methods were used to inform and capture as much feedback as possible from residents and stakeholders including: -

**Social Media**
In this increasingly digital world, social media is fast becoming the preferred channel of communication for large sections of society. Channels such as Facebook and Twitter were used to signpost residents to the online survey and encourage attendance at face to face sessions.

**Survey Online Consultation**
The CCBC Website Survey was launched on 19th October 2015 and ran until 8th January 2016. The survey and supporting documentation was made available with a prominent banner link from the home page of the Website to provide direct access to the relevant web pages. User-friendly 'SNAP' software was used for the survey template and this was laid out in a simple and easy to understand format.

**Paper documentation**
Printed versions of questionnaires and other supporting material were made available and widely circulated across the community. They were also available on request. Completed surveys could be returned by post, or to make this even easier, residents were able to drop them off (without the need for a stamp) at convenient community locations such as libraries, leisure centres, customer service centres and housing offices to encourage the return of completed responses.

**Stakeholder survey**
Copies of the supporting information and questionnaire were distributed to the following stakeholder groups either electronically or in paper format: -

- Business Forum
- Caerphilly 50+ Forum
- Voluntary sector including GAVO, Valleys Voices projects and the Parent Network
- Viewpoint Panel members (all 800+ were contacted)
- Partner Organisations (LSB)
- All Town/Community Councils
- Online Watch Link (OWL) network
- Equalities Network contacts
- All head teachers for parents

- Intergenerational clubs.

**Newsline**
This is a key consultation vehicle as Newsline is posted to every home in the county borough (80,000+ properties). A front page article explaining the budget cuts and the consultation process and a 4 page, centre spread 'pull-out' featuring a fully bilingual survey were included in the December 2015 edition of Newsline. Again, completed surveys could be returned at convenient community locations or via the post.

**Face-to-face**
Stakeholders had the chance to engage face-to-face with officers and members in a number of ways. A series of 10 **drop-in sessions** were organised at venues across the county borough to enable local people to call in for a chat with officers and members and provide feedback on savings proposals.

| Date | Time | Venue |
|---|---|---|
| Tues 27th Oct | 2.00pm–6.00pm | Blackwood Library |
| Tues 3rd Nov | 2.00pm–6.00pm | Bargoed Library |
| Tues 10th Nov | 10.30am-2.30pm | Tabernacle Baptist Church, Newbridge |
| Thur 12th Nov | 10.30am-2.30pm | White Rose Resource Centre, New Tredegar |
| Tues 17th Nov | 2.00pm–6.00pm | Ystrad Mynach Library |
| Wed 18th Nov | 2.00pm–6.00pm | Caerphilly Library |
| Mon 23rd Nov | 2.00pm–6.00pm | Risca Library, The Palace |
| Thur 26th Nov | 10.30am-1.00pm | Hafod Deg, Rhymney |
| Tue 8th Dec | 2.00pm–5.00pm | Abertridwr Library |
| Wed 16th Dec | 2.00pm–5.00pm | Nelson Library |

**Viewpoint Panel**
Viewpoint Panel members were also invited to attend a meeting in late November to consult members and gather feedback in a structured 'focus group' environment. The meeting was also attended by young people and representatives of the Welsh speaking community.

**Additional face to face meetings**
Additional face-to-face sessions were arranged for British Sign Language users, Caerphilly Parent Network, Caerphilly Youth and Junior Forums and the Caerphilly 50+ Forum.

**Scrutiny meetings**
In order to provide Elected Members with every opportunity to fully scrutinise and comment on the specific savings proposals, a series of Special Scrutiny Committee meetings were held in November and December and the views of Members were fed back.

**Trade Unions**
Trade Unions were engaged throughout the budget setting process.

## Summary of Feedback

In total, over 500 people engaged directly across the variety of face-to-face sessions and over 400 surveys were completed online, via Newsline or in paper format. Of these only one was returned in the Welsh language.

A few comments about Senior Pay were submitted as part of the consultation feedback. These comments have been noted, but they are not included in this report due to the authority's ongoing internal investigations.

Generally speaking, respondents were aware of the financial pressures facing the local authority and that the proposals were measured, well thought out and achievable in light of the difficult financial restraints facing the council over the coming years.

> *"I accept the savings proposals outlined, but I am concerned that you might have to look for alternative cuts in other services should any of these cut backs prove to be unattainable."*
>
> *"Mostly in agreement with your savings proposals but sad that these have to be addressed. Hopefully things will improve in years to come."*
>
> *"Generally, well thought out and endeavour to be fair to all sections. Will be interesting to see it in practice."*
>
> *"Overall the council is doing a good job because of all the cuts from this Tory government but there is a lot more you can do….."*
>
> *"Llanbradach Council …accepted the situation given the difficult task faced by Caerphilly County Borough Council."*

There was overwhelming support for **protecting frontline services** and reducing management admin costs and **reducing office accommodation** costs through rationalisation. There was also a high degree of support for **reducing rather than removing** services, **focussing on priorities** and being prepared to reduce other things and looking at **alternative ways** of delivering services.

However, less than half of public/stakeholder respondents to the survey agreed with **increasing fees and charges**.

> *"… Do not increase charges such as Meals on Wheels by more than inflation."*
>
> *"I cannot give carte blanche to increasing charges, although some fees for leisure activities may merit a small increase."*
>
> *"I am in agreement with some fees & charges for certain things to be increased but not others i.e.: charge the going rate for registry office facilities but car parking charges are high enough as it is!"*

There were mixed views in relation to the proposed Council Tax rise.

> *"The council cannot just keep cutting and cutting. I suggest you raise council tax if necessary."*
>
> *"As a council tax payer I would support the Council's raising council tax to the maximum*

*permitted level in order to protect services."*

*"A near 4% rise in council tax is outrageous."*

*"The continuing rises in council tax may well cause more defaulters on payments."*

The proposals of most concern to residents came under the remit of **Social Services,** in particular cuts in support for carers, respite care, day care services, learning disability services and stroke services

*"I strongly disagree with the cuts to the social services budget, particularly those where there is an impact on Carers. Carers save the UK 119 billion pounds annually (Carers UK, 2014), and reducing access to respite, curtailing services like shopping, and limiting access to day care will impact on those who are the most vulnerable."*

*"I am whole-heartedly against any sort of cut that affects social services, vulnerable children/adults."*

*"I fear that many of the cost saving proposals, particularly in the Social Services and Public Protection arena, will impact on the most vulnerable people in our borough and impact on people at times of considerable stress/trauma."*

*"I am greatly concerned at the proposal to withdraw the contract with the Stroke Association. … Currently this contract funds a service to put stroke victims in touch with the Stroke Association and is the major source of new contacts. If this service is withdrawn an alternative system of referral to the Stroke Association must be found and put in place."*

Others areas of concern included: -

- Removal of the trading standards post

*"I also don't agree with the removal of trading standards or EHO posts. It is important to ensure that these areas are monitored in a borough such as Caerphilly to keep on top of rouge traders and those who seek to run food business in ways which could threaten the health of those of us paying our council tax."*

- Reducing breakfast club costs and charging schools for sandwich placements:

*"Some children don't have breakfast at home it is essential to keep breakfast clubs in school, we must look after the next generation."*

*"Sandwich places - will charge the schools. School will pass on costs - schools will not have money to spend on other things."*

- Review Blackwood Miners and the Winding House

*"I am writing to protest at the proposed cuts to Blackwood Miner's Institute - a most valued local asset. … I can't help but feel that the figure has been plucked from the air and is in no way based upon any careful consideration of the likely impact to the wide-ranging service offered to Caerphilly residents"*

*"I am especially sad to see that two of the County Borough's leading cultural facilities (Blackwood Miners Institute and the Winding House) have been identified for cost savings and are now under threat of having their budgets substantially slashed"*

- Cuts to road resurfacing budget

*"I'm worried that the proposed £100k cut to roads could be a false economy. The roads will get worse and will need to be fixed eventually, by which time it could cost the council more"*

*"Reducing road maintenance is folly. It will increase the council's costs as roads will need more repair work"*

A general theme was identified around the need to consider the **long-term impact** of the proposed savings and not just the short term benefits. In particular, the 'knock-on' effect on service users and other agencies should be taken into account. Investment in prevention saves money in the long term, particularly where savings are small and the impact can be potentially big e.g. carers support, pest control charges etc.

*"The cuts being made will have huge impact on the elderly population of Caerphilly, at a time when the NHS is at breaking point and there is bed blocking and delayed discharges already taking place. The cuts being made to Third sector/voluntary organisations e.g. Age Cymru, Stroke Association will have a huge impact."*

Many of the issues raised in the survey responses reflect the views of the Youth Forum, Viewpoint Panel members and 50+ Forum members.

Details are set out in the appendices shown below and are available by visiting the Council website: http://www.caerphilly.gov.uk/involved/Consultations

Appendix 1 Overview and survey analysis and feedback
Appendix 2 Drop in Session feedback
Appendix 3 Youth and Junior Forum feedback
Appendix 4 Viewpoint Panel feedback
Appendix 5 Voluntary Sector Liaison Committee Report
Appendix 6 Caerphilly 50+ Forum feedback

**5. EQUALITIES IMPLICATIONS**

Due consideration was given to Equalities in the methodology used and in the construction of the relevant surveys.

Each survey included equalities monitoring questions and a question to seek views on how any of the proposed changes would impact differently on those covered protected characteristics under the Equalities Act (2010).

Equality Impact assessments for each saving proposal that affects the public and/or service users was undertaken alongside the consultation by service areas.

**6. FINANCIAL IMPLICATIONS**

The costs associated with the consultation activities outlined within this report have been covered by a specific public engagement budget which falls within the overall Communications Unit budget.

**7. PERSONNEL IMPLICATIONS**
None

**8. RECOMMENDATIONS**

Members are asked to note the content of this report.

**Author:** **Stephen Pugh, Communications Manager**
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## CONSULTATION – SPECIFIC COMMENTS ON 2016/17 SAVINGS PROPOSALS WITH A SERVICE USER AND/OR PUBLIC IMPACT

Council Tax/NNDR – Increase in Court Fees

*"Council tax - court fees increase. People already struggling to pay council tax - court fees increase even more worrying only just over the threshold."*

*"Increasing Council Tax Court Fees; many defaults are because individuals can't afford to pay in the first instance, this will only lead to and increase more debt that would realistically not be recoverable, with less resources available to recover such debt - what a joke."*

Customer Services – Further reduction in opening hours

*"Closing libraries and customer first centres is a counter-productive measure that saves very little yet causes disruption for many. This is one minor example."*

*"Reducing the hours of all customer service centres is worse than closing one of them. In fact people who work are relying on the early or late opining hours and have been negated this option completely. There could be fewer customer services but accessible at normal opening times and provided they can be accessed easily with public transport, bearing in mind that most vulnerable residents categories would have a reduced if not free bus pass, would have been a fairer and possibly more efficient choice. Some fixed costs are there whether you operate a building/office for 7 or 5 hours."*

*"I write on behalf of Bargoed Town Council who have great concerns on the proposed reduction of hours in relation to the library service and cash offices / customer first centres. Members believe that any reduction in hours or days to either of these services will have a detrimental impact to footfall within towns."*

*"Changes to customer services proposals appears to assume that 'everyone' is in the digital era, well, there are many of our citizens who are not (approx. 1/3rd)."*

*"Reducing face to face/physical opportunities will lead to poorer and less efficient services, increasing barriers, and increasing 'waste' in our service provision by reducing opportunities for 'getting things right first time' and 'enabling citizen engagement."*

*"Either open one night till 5pm and close all day one day a week or put more staff on duty on a Saturday morning."*

*"Moving services online adversely affects the elderly and financially disadvantaged disproportionately. The rationalisation of council accommodation has had a similar impact. For example, my elderly mother and her friends have been complaining about the loss of the customer first office in Blackwood - these services have moved to the Library which although is nearby involves crossing a busy road with fast traffic which is a serious concern for them."*

Cease Mobile Customer Services Centre

*"Customer first van - decommissioned - no need for it."*

*“Dropping the customer first van at this point is NOT a saving. it is a realisation, FINALLY, that it was a waste of money in the first place. I am more interested in how much was wasted on the project from the start rather than how much is 'saved' from cancelling this folly.”*

Corporate Property - Disposal of surplus buildings

*“Yes, look for savings in admin costs, rationalise buildings.”*

*“Sell off parts of public land that are not already in the process of being sold. I don't mean fields or old buildings I mean grass verges, land between council houses, corners of car parks etc. Look to change the use of council buildings - create flats in shops, convert houses to flats, etc.”*

*“I do CCBC need to look at restructuring their staffing and their premises costs to run the buildings.”*

*“I seriously wonder if we need a building like Ty Penallta and question if the current facilities are too large for current usage?”*

*“I agree that council owned buildings should be rationalised but it would be sensible if services which had regular contact with the public were located in places which could be easily accessed by the public e.g. the Planning Division is moving from Ty Pontllanfraith to Tredomen. It is a service which has regular contact with the public but it is being relocated to an office which is difficult to access by public transport.”*

*“Can I suggest that the council looks to cut its own bills via the following Property and land sales.”*

*“I stated a number of years ago via online budget etc., about reducing buildings - that should have been the main objective when Ty Penallta conceived. A number of years down the line CCBC is still closing offices - how much could have been saved if this was done initially.”*

*“Review all departments to see if buildings/storage spaces are being rented from the private sector. Reallocate staff/materials/storage to council owned premises'.”*

*“Rationalise Council offices and asset portfolio, don't hold onto land and buildings we don't need as a Council.”*

Transfer of lease to HRA (Market Place, Blackwood)

No comments received.

Pre-planning advice income

*“There is no mention of a charge for developers. A flat fee of £48 discriminates against ordinary members of the public if developers are to be charged the same. Surely **all those who want Pre-Planning Advice** should pay a fee which reflects the time taken to give that advice. It would be more equitable if the advice were charged on an hourly basis.”*

Phased withdrawal of Care & Repair Funding (Housing)

*“Care and repair could go, as, although useful sometimes, are often more expensive than private handymen.”*

*“I believe that a (more) robust risk and needs assessment process should be introduced to ensure that the safety and security of individuals is protected and that cuts made in current council services do not result in increased costs elsewhere in the public purse, especially for the NHS - e.g. the decommissioning of care and repair, home adaptations, hospital discharge services could result in delayed discharges and bed blocking in hospitals.”*

*“We may need help from Care and Repair or with equipment in the future and don't have independent means to fund this ourselves.”*

*“If care and repair services are cut, communities should be given as much warning as possible, perhaps vocational courses students at local colleges could be involved in a reasonable scheme to provide them with experience and older individuals with a free or low cost service.”*

<u>Withdrawal of funding for Family intervention project (Housing)</u>

*“Housing – cease payment for family intervention – strongly disagree – people need help with housing and the council.”*

<u>Introduce charge to school for setting up Sandwich Places</u>

*“Sandwich places - will charge the schools.  School will pass on costs - schools will not have money to spend on other things.”*

*“Introducing school charges for sandwich places is ridiculous.”*

*“Introduce charge to schools for setting up sandwich places – NO! Dinner ladies are paid to cover lunch time. Parents also do packed lunch as can’t afford dinners.”*

*“Introduce charge to schools for the setting up of sandwich places: I strongly disagree with this as table and chairs have to be set up for dinners anyway plus parents can’t afford to pay for this that why they chose for their child to have packed lunch.”*

*“I strongly disagree with all cuts to the education sector and social care sector such as: introduce charge to schools for the setting up of sandwich places.”*

*“The introduction of a charge to schools to set up sandwich places will, I believe, impact on already stretched school budgets and thereby reduce the monies available for teaching and learning.  I would oppose this proposal.”*

*“Gelligaer Community Council disagree with Introduce charge to schools for the setting up of sandwich places.”*

*“School meals/Sandwhich places - the costs of administering these services could be outweighed exponentially if food services were to be funded through mainstream school budgets and not separate service provisions.  The impact of these affects the opportunities for children to develop/be engaged properly in educational establishments and succeed, not to mention future health implications (this could widen the deprivation gap even more)?”*

<u>Reduce Breakfast Club staff cover by 1 hour per day</u>

*“Some children don't have breakfast at home it is essential to keep breakfast clubs in school, we must look after the next generation.”*

*“Reduce operational Breakfast Clubs costs by 1 hour of staffing per day- Gelligaer community council object as this service is beneficial to a child’s day and learning.”*

*“I have never understood why we waste money on school breakfast clubs.”*

*“There are many services provided by Caerphilly Borough Council (CBC) which I do not use and a few whose validity I question.  I am totally opposed to the notion of 'Breakfast Clubs' and have no idea what 'Adventure Services' provide.  I think these should be privately financed services.”*

*“Some children don't have breakfast at home it is essential to keep breakfast clubs in school, we must look after the next generation.”*

*“Breakfast Clubs should be free for free meal pupils, a lot use as and early drop off, Charge parents who can afford it like the after school clubs.”*

# SPECIAL COUNCIL - 24TH FEBRUARY 2016

**SUBJECT:** **COUNCIL TAX RESOLUTION 2016/17 AND COUNCIL TAX REDUCTION SCHEME**

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

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## 1. PURPOSE OF REPORT

1.1 To provide Members with details of the Authority's Council Tax for the 2016/17 financial year prior to passing the necessary statutory resolutions.

1.2 To seek Council approval to continue with the Council Tax Reduction Scheme for 2016/17.

## 2. SUMMARY

2.1 The report provides details of the Council Tax Setting Resolutions for 2016/17 along with a recommendation that they be approved.

2.2 The report also recommends continuing to operate a Council Tax Reduction Scheme for the 2016/17 financial year, on the same basis as the scheme used in 2015/16.

## 3. LINKS TO STRATEGY

3.1 The Council is required annually to approve a balanced budget and agree Council Tax levels.

## 4. THE REPORT

### 4.1 Council Tax Resolutions

4.1.1 The Local Government Finance Act 1992 and The Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995 set out the rules for the calculation of the Council Tax base. This is the amount required by the Local Government Finance Act 1992 to be used in the calculation of the Council Tax.

4.1.2 At its meeting on the 9th December 2015, Cabinet agreed the Council Tax base for 2016/17 as 59,575.14.

4.1.3 Earlier in this evening's meeting Council was asked to agree the total revenue budget for 2016/17 as £324.384m, which included a proposed Council Tax increase of 1% i.e. Council Tax Band D set at £1,001.94 per annum (an increase of 19p per week).

4.1.4 In accordance with the requirements of The Local Government Act 1992, the resolutions attached as Appendix 1 are submitted for consideration along with a recommendation that they be approved.

**4.2 Council Tax Reduction Scheme 2016/17**

4.2.1 On 28th January 2014, the Council adopted a Council Tax Reduction Scheme for 2014/15 (its local scheme) in accordance with the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 (as amended). These regulations prescribe the main features of the scheme to be adopted by all Councils in Wales and allow for some limited local discretions. The scheme provides for claimants to receive a reduction of up to 100% of their Council Tax bill in certain circumstances.

4.2.2 At its meeting on the 25th February 2015, Council endorsed the Council Tax Reduction Scheme for 2015/16 in line with the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2015. These amended regulations reflected changes related to social security benefits and uprated figures in line with Housing Benefit for the 2015/16 financial year, together with minor technical changes and some administrative improvements.

4.2.3 The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (Wales) (Amendment) Regulations 2016 have now been agreed and these apply in relation to a Council Tax Reduction Scheme made for a financial year beginning on or after 1 April 2016. The regulations uprate certain figures used to calculate an applicant's entitlement to a reduction under a Council Tax Reduction Scheme, and the subsequent level of reduction. It also makes consequential amendments as a result of changes to the wider welfare system.

4.2.4 As the 2016 regulations do not contain any significant changes for claimants, it is proposed that the Council continues its local scheme in line with the regulations as recently amended for the financial year 2016/17, effective from 1st April 2016, and continues to exercise the previously approved discretions.

4.2.5 The 2016/17 budget for the Council Tax Reduction Scheme totals £14.780m.

## 5. EQUALITIES IMPLICATIONS

5.1 As part of the 2016/17 budget-setting process Equalities Impact Assessments have been completed for the savings proposals that impact on service users and/or the public.

5.2 An Equalities Impact Assessment has previously been carried out for the Council Tax Reduction Scheme. As the proposed Scheme for 2016/17 has no significant changes from previous years, a further impact assessment will not be required at this time.

## 6. FINANCIAL IMPLICATIONS

6.1 As detailed throughout the report.

## 7. PERSONNEL IMPLICATIONS

7.1 There are no direct personnel implications arising from this report.

## 8. CONSULTATIONS

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

## 9. RECOMMENDATIONS

9.1 It is recommended that Council:-

9.1.1 Approves the statutory Council Tax Resolutions as detailed in Appendix 1 of this report.

9.1.2 Agrees that the current Council Tax Reduction Scheme should continue for the 2016/17 financial year along with the previously agreed local discretions.

## 10. REASONS FOR THE RECOMMENDATIONS

10.1 The Council is required annually to agree a Council Tax rate and adopt the Council Tax Reduction Scheme and local discretions.

## 11. STATUTORY POWER

11.1 Local Government Finance Act 1992 and regulations made under the Act.

11.2 Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013 (as amended).

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Andrew Southcombe, Finance Manager, Corporate Finance
Nicola Roberts, Principal Group Accountant, Corporate Finance
John Carpenter, Council Tax & NNDR Manager
Amanda Main, Acting Housing & Council Tax Benefits Manager
Gail Williams, Acting Head of Legal Services & Monitoring Officer

Background Papers:
- Council Report 28th January 2014 – Council Tax Reduction Scheme 2014/15.
- Special Council Report 25th February 2015 – Council Tax Resolution 2015/16 and Council Tax Reduction Scheme.
- Cabinet Report 9th December 2015 – Council Tax Base 2016/17.
- Cabinet Report 17th February 2016 - Budget Proposals 2016/17 and Medium-Term Financial Strategy 2016/2021.

Appendices:
Appendix 1 – Council Tax Resolutions 2016/17.

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## COUNCIL TAX RESOLUTIONS 2016/17

In accordance with the requirements of The Local Government Finance Act 1992 the following resolutions are submitted for consideration with the recommendation that they be approved:-

1. That it be noted that at its meeting on the 9th December 2015 the Cabinet calculated the following amounts for the year 2016/2017 in accordance with regulations made under Section 33(5) of The Local Government Finance Act 1992 and powers granted under The Local Authorities Executive Arrangements (Functions and Responsibilities) (Amendment) (Wales) Regulations 2007 as amended.

(a) **59,575.14** Being the amount calculated by the Cabinet, in accordance with Regulation 3 of The Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995, as its council tax base for the year.

(b) **Part of Council's Area**

| | Tax Base No. of D Band Equivalent Properties |
|---|---|
| **Aber Valley** | **2,005.88** |
| **Argoed** | **848.38** |
| **Bargoed** | **3,572.94** |
| **Bedwas, Trethomas & Machen** | **3,764.62** |
| **Blackwood** | **2,895.51** |
| **Caerphilly** | **6,121.31** |
| **Darren Valley** | **694.96** |
| **Draethen,Waterloo & Rudry** | **594.48** |
| **Gelligaer** | **6,200.21** |

| | Tax Base<br>No. of D Band<br>Equivalent Properties |
|---|---|
| **Llanbradach & Pwllypant** | **1,459.69** |
| **Maesycwmmer** | **762.73** |
| **Nelson** | **1,589.62** |
| **New Tredegar** | **1,346.09** |
| **Penyrheol, Trecenydd & Energlyn** | **4,413.45** |
| **Rhymney** | **2,530.14** |
| **Risca East** | **2,036.27** |
| **Risca West** | **1,774.58** |
| **Van** | **1,639.02** |
| **Remainder** | **15,325.26** |
| **Total** | **59,575.14** |

*being the amounts calculated by the cabinet, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.*

**2.** That the following amounts be now calculated by the Council for the year 2016/2017 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992:-

***(a)*** **£325,058,134** *being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (d) and 32(3)(a) of the Act;*

***(b)*** **£1,400,000** *being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(c) of the Act;*

***(c)*** **£323,658,134** *being the amount by which the aggregate at (2)(a) above exceeds the aggregate at (2)(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;*

***(d)*** **£263,293,016** *being the aggregate of the sums which the Council estimates will be payable for the year into its council fund in respect of redistributed non domestic rates, revenue support grant, an authority's council tax reduction scheme or additional grant.*

***(e)*** **£1,013.26** *being the amount at (2)(c) above less the amount at (2)(d) above, all be divided by the amount at (1)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year;*

***(f)*** **£674,402** *being the aggregate amount of all special items referred to in section 34(1) of the Act.*

***(g)*** **£1,001.94** *being the amount at (2)(e) above less the result given by dividing the amount at (2)(f) above by the amount at (1)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates.*

## *(h)* Part of the Council's Area

| | Local Precept £ | County Borough Levy £ | Total County Borough & Community Council Band D Charge £ |
|---|---|---|---|
| Aber Valley | 14.71 | 1,001.94 | 1,016.65 |
| Argoed | 13.00 | 1,001.94 | 1,014.94 |
| Bargoed | 16.23 | 1,001.94 | 1,018.17 |
| Bedwas, Trethomas & Machen | 17.83 | 1,001.94 | 1,019.77 |
| Blackwood | 19.00 | 1,001.94 | 1,020.94 |
| Caerphilly | 13.00 | 1,001.94 | 1,014.94 |
| Darren Valley | 17.96 | 1,001.94 | 1,019.90 |
| Draethen,Waterloo & Rudry | 20.19 | 1,001.94 | 1,022.13 |
| Gelligaer | 14.49 | 1,001.94 | 1,016.43 |
| Llanbradach & Pwllypant | 20.18 | 1,001.94 | 1,022.12 |
| Maesycwmmer | 23.99 | 1,001.94 | 1,025.93 |
| Nelson | 17.20 | 1,001.94 | 1,019.14 |
| New Tredegar | 12.57 | 1,001.94 | 1,014.51 |
| Penyrheol, Trecenydd & Energlyn | 12.89 | 1,001.94 | 1,014.83 |
| Rhymney | 13.83 | 1,001.94 | 1,015.77 |
| Risca East | 12.00 | 1,001.94 | 1,013.94 |
| Risca West | 17.50 | 1,001.94 | 1,019.44 |
| Van | 12.47 | 1,001.94 | 1,014.41 |
| Remainder | 0.00 | 1,001.94 | 1,001.94 |

*(i)*

| Valuation Bands | A | B | C | D | E | F | G | H | I |
|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| **County Borough Council** | 667.96 | 779.29 | 890.61 | 1,001.94 | 1,224.59 | 1,447.25 | 1,669.90 | 2,003.88 | 2,337.86 |
| **Community Councils** | | | | | | | | | |
| Aber Valley | 9.81 | 11.44 | 13.08 | 14.71 | 17.98 | 21.25 | 24.52 | 29.42 | 34.32 |
| Argoed | 8.67 | 10.11 | 11.56 | 13.00 | 15.89 | 18.78 | 21.67 | 26.00 | 30.33 |
| Bargoed | 10.82 | 12.62 | 14.43 | 16.23 | 19.84 | 23.44 | 27.05 | 32.46 | 37.87 |
| Bedwas, Trethomas & Machen | 11.89 | 13.87 | 15.85 | 17.83 | 21.79 | 25.75 | 29.72 | 35.66 | 41.60 |
| Blackwood | 12.67 | 14.78 | 16.89 | 19.00 | 23.22 | 27.44 | 31.67 | 38.00 | 44.33 |
| Caerphilly | 8.67 | 10.11 | 11.56 | 13.00 | 15.89 | 18.78 | 21.67 | 26.00 | 30.33 |
| Darren Valley | 11.97 | 13.97 | 15.96 | 17.96 | 21.95 | 25.94 | 29.93 | 35.92 | 41.91 |
| Draethen,Waterloo & Rudry | 13.46 | 15.70 | 17.95 | 20.19 | 24.68 | 29.16 | 33.65 | 40.38 | 47.11 |
| Gelligaer | 9.66 | 11.27 | 12.88 | 14.49 | 17.71 | 20.93 | 24.15 | 28.98 | 33.81 |
| Llanbradach & Pwllypant | 13.45 | 15.70 | 17.94 | 20.18 | 24.66 | 29.15 | 33.63 | 40.36 | 47.09 |
| Maesycwmmer | 15.99 | 18.66 | 21.32 | 23.99 | 29.32 | 34.65 | 39.98 | 47.98 | 55.98 |
| Nelson | 11.47 | 13.38 | 15.29 | 17.20 | 21.02 | 24.84 | 28.67 | 34.40 | 40.13 |
| New Tredegar | 8.38 | 9.78 | 11.17 | 12.57 | 15.36 | 18.16 | 20.95 | 25.14 | 29.33 |
| Penyrheol, Trecenydd & Energlyn | 8.59 | 10.03 | 11.46 | 12.89 | 15.75 | 18.62 | 21.48 | 25.78 | 30.08 |
| Rhymney | 9.22 | 10.76 | 12.29 | 13.83 | 16.90 | 19.98 | 23.05 | 27.66 | 32.27 |
| Risca East | 8.00 | 9.33 | 10.67 | 12.00 | 14.67 | 17.33 | 20.00 | 24.00 | 28.00 |
| Risca West | 11.67 | 13.61 | 15.56 | 17.50 | 21.39 | 25.28 | 29.17 | 35.00 | 40.83 |
| Van | 8.31 | 9.70 | 11.08 | 12.47 | 15.24 | 18.01 | 20.78 | 24.94 | 29.10 |
| Remainder | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Valuation Bands | A | B | C | D | E | F | G | H | I |
|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| **Totals For Community Council Areas** | | | | | | | | | |
| Aber Valley | 677.77 | 790.73 | 903.69 | 1,016.65 | 1,242.57 | 1,468.50 | 1,694.42 | 2,033.30 | 2,372.18 |
| Argoed | 676.63 | 789.40 | 902.17 | 1,014.94 | 1,240.48 | 1,466.03 | 1,691.57 | 2,029.88 | 2,368.19 |
| Bargoed | 678.78 | 791.91 | 905.04 | 1,018.17 | 1,244.43 | 1,470.69 | 1,696.95 | 2,036.34 | 2,375.73 |
| Bedwas, Trethomas & Machen | 679.85 | 793.16 | 906.46 | 1,019.77 | 1,246.38 | 1,473.00 | 1,699.62 | 2,039.54 | 2,379.46 |
| Blackwood | 680.63 | 794.07 | 907.50 | 1,020.94 | 1,247.81 | 1,474.69 | 1,701.57 | 2,041.88 | 2,382.19 |
| Caerphilly | 676.63 | 789.40 | 902.17 | 1,014.94 | 1,240.48 | 1,466.03 | 1,691.57 | 2,029.88 | 2,368.19 |
| Darren Valley | 679.93 | 793.26 | 906.57 | 1,019.90 | 1,246.54 | 1,473.19 | 1,699.83 | 2,039.80 | 2,379.77 |
| Draethen,Waterloo & Rudry | 681.42 | 794.99 | 908.56 | 1,022.13 | 1,249.27 | 1,476.41 | 1,703.55 | 2,044.26 | 2,384.97 |
| Gelligaer | 677.62 | 790.56 | 903.49 | 1,016.43 | 1,242.30 | 1,468.18 | 1,694.05 | 2,032.86 | 2,371.67 |
| Llanbradach & Pwllypant | 681.41 | 794.99 | 908.55 | 1,022.12 | 1,249.25 | 1,476.40 | 1,703.53 | 2,044.24 | 2,384.95 |
| Maesycwmmer | 683.95 | 797.95 | 911.93 | 1,025.93 | 1,253.91 | 1,481.90 | 1,709.88 | 2,051.86 | 2,393.84 |
| Nelson | 679.43 | 792.67 | 905.90 | 1,019.14 | 1,245.61 | 1,472.09 | 1,698.57 | 2,038.28 | 2,377.99 |
| New Tredegar | 676.34 | 789.07 | 901.78 | 1,014.51 | 1,239.95 | 1,465.41 | 1,690.85 | 2,029.02 | 2,367.19 |
| Penyrheol, Trecenydd & Energlyn | 676.55 | 789.32 | 902.07 | 1,014.83 | 1,240.34 | 1,465.87 | 1,691.38 | 2,029.66 | 2,367.94 |
| Rhymney | 677.18 | 790.05 | 902.90 | 1,015.77 | 1,241.49 | 1,467.23 | 1,692.95 | 2,031.54 | 2,370.13 |
| Risca East | 675.96 | 788.62 | 901.28 | 1,013.94 | 1,239.26 | 1,464.58 | 1,689.90 | 2,027.88 | 2,365.86 |
| Risca West | 679.63 | 792.90 | 906.17 | 1,019.44 | 1,245.98 | 1,472.53 | 1,699.07 | 2,038.88 | 2,378.69 |
| Van | 676.27 | 788.99 | 901.69 | 1,014.41 | 1,239.83 | 1,465.26 | 1,690.68 | 2,028.82 | 2,366.96 |
| Remainder | 667.96 | 779.29 | 890.61 | 1,001.94 | 1,224.59 | 1,447.25 | 1,669.90 | 2,003.88 | 2,337.86 |

being the amounts given by multiplying the amounts at (2)(g) and (2)(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in a particular valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

**3.** That it be noted that for the year 2016/2017 the major precepting authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

| **Valuation Bands** | **A** | **B** | **C** | **D** | **E** | **F** | **G** | **H** | **I** |
|---|---|---|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** |
| **Precepting Authority** | | | | | | | | | |
| Police and Crime Commissioner for Gwent | 146.71 | 171.16 | 195.61 | 220.06 | 268.96 | 317.86 | 366.77 | 440.12 | 513.47 |

**4.** That having calculated the aggregate in each case of the amounts at (2)(i) and (3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts of Council Tax for the year 2016/2017 for each of the categories of dwellings shown below:-

| **Valuation Bands** | **A** | **B** | **C** | **D** | **E** | **F** | **G** | **H** | **I** |
|---|---|---|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** | **£** |
| Aber Valley | 824.48 | 961.89 | 1,099.30 | 1,236.71 | 1,511.53 | 1,786.36 | 2,061.19 | 2,473.42 | 2,885.65 |
| Argoed | 823.34 | 960.56 | 1,097.78 | 1,235.00 | 1,509.44 | 1,783.89 | 2,058.34 | 2,470.00 | 2,881.66 |
| Bargoed | 825.49 | 963.07 | 1,100.65 | 1,238.23 | 1,513.39 | 1,788.55 | 2,063.72 | 2,476.46 | 2,889.20 |
| Bedwas, Trethomas & Machen | 826.56 | 964.32 | 1,102.07 | 1,239.83 | 1,515.34 | 1,790.86 | 2,066.39 | 2,479.66 | 2,892.93 |
| Blackwood | 827.34 | 965.23 | 1,103.11 | 1,241.00 | 1,516.77 | 1,792.55 | 2,068.34 | 2,482.00 | 2,895.66 |
| Caerphilly | 823.34 | 960.56 | 1,097.78 | 1,235.00 | 1,509.44 | 1,783.89 | 2,058.34 | 2,470.00 | 2,881.66 |
| Darren Valley | 826.64 | 964.42 | 1,102.18 | 1,239.96 | 1,515.50 | 1,791.05 | 2,066.60 | 2,479.92 | 2,893.24 |
| Draethen,Waterloo & Rudry | 828.13 | 966.15 | 1,104.17 | 1,242.19 | 1,518.23 | 1,794.27 | 2,070.32 | 2,484.38 | 2,898.44 |
| Gelligaer | 824.33 | 961.72 | 1,099.10 | 1,236.49 | 1,511.26 | 1,786.04 | 2,060.82 | 2,472.98 | 2,885.14 |
| Llanbradach & Pwllypant | 828.12 | 966.15 | 1,104.16 | 1,242.18 | 1,518.21 | 1,794.26 | 2,070.30 | 2,484.36 | 2,898.42 |
| Maesycwmmer | 830.66 | 969.11 | 1,107.54 | 1,245.99 | 1,522.87 | 1,799.76 | 2,076.65 | 2,491.98 | 2,907.31 |
| Nelson | 826.14 | 963.83 | 1,101.51 | 1,239.20 | 1,514.57 | 1,789.95 | 2,065.34 | 2,478.40 | 2,891.46 |
| New Tredegar | 823.05 | 960.23 | 1,097.39 | 1,234.57 | 1,508.91 | 1,783.27 | 2,057.62 | 2,469.14 | 2,880.66 |
| Penyrheol, Trecenydd & Energlyn | 823.26 | 960.48 | 1,097.68 | 1,234.89 | 1,509.30 | 1,783.73 | 2,058.15 | 2,469.78 | 2,881.41 |
| Rhymney | 823.89 | 961.21 | 1,098.51 | 1,235.83 | 1,510.45 | 1,785.09 | 2,059.72 | 2,471.66 | 2,883.60 |
| Risca East | 822.67 | 959.78 | 1,096.89 | 1,234.00 | 1,508.22 | 1,782.44 | 2,056.67 | 2,468.00 | 2,879.33 |
| Risca West | 826.34 | 964.06 | 1,101.78 | 1,239.50 | 1,514.94 | 1,790.39 | 2,065.84 | 2,479.00 | 2,892.16 |
| Van | 822.98 | 960.15 | 1,097.30 | 1,234.47 | 1,508.79 | 1,783.12 | 2,057.45 | 2,468.94 | 2,880.43 |
| Remainder | 814.67 | 950.45 | 1,086.22 | 1,222.00 | 1,493.55 | 1,765.11 | 2,036.67 | 2,444.00 | 2,851.33 |

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## SPECIAL COUNCIL - 24TH FEBRUARY 2016

**SUBJECT:** CITY DEAL

**REPORT BY:** INTERIM CHIEF EXECUTIVE

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### 1. PURPOSE OF REPORT

1.1 To invite members to approve the next stage of the development of a City Deal investment plan for the Cardiff City region, comprising the ten local authorities in South East Wales, and to allow the Council Leader to sign the undertaking with UK and Welsh Government to work towards a finalised plan for the region.

### 2. SUMMARY

2.1 Members will recall previous reports on the City Deal, most recently in October of last year, where Members have agreed to participate in preparing plans for the region along with neighbouring local authorities, the UK and Welsh Governments.

2.2 On the 17th June 2015, Cabinet agreed to support the development of a plan for the City Deal, with all ten local authorities contributing towards the cost of research and financial planning. This council contributed £59,989 towards a £1million fund for this purpose. On the 6th October 2015 Council resolved to support the ongoing work towards a City Deal subject to further reports being presented and with Full Council approval needed for any long term financial commitment.

2.3 The next stage is for the ten local authorities, the UK Government and Welsh Government to sign an agreement in principle which will outline the overall objectives of the City Deal. This is expected to take place in March of this year.

2.4 Following this, more detailed work will be undertaken to identify potential projects, a methodology for approving and evaluating projects and for the financing of the plan. A further report would come to Members once that is completed for approval.

2.5 This City Deal plan represents potentially the best and most exciting prospect for coordinated investment in the region for many decades. A major strength of the proposal is that all ten local authorities are working together, alongside Welsh and UK tiers of government.

### 3. LINKS TO STRATEGY

3.1 Economic development and job creation has long been a high priority of the council. It is a major part of national policy for the UK and Wales and features prominently in the multi-agency Single Integrated Plan for Caerphilly County Borough. The 'City Deal' offers the prospect of attracting significant infrastructure improvements, new business growth and investments in skills and training. These would support the policy and priority areas.

## 4. THE REPORT

4.1 Members will recall previous reports on the City Deal, most recently in October of last year, where Members have agreed to participate in preparing plans for the region along with neighbouring local authorities, the UK and Welsh Governments.

4.2 On the 17th June 2015, Cabinet agreed to support the development of a plan for the City Deal, with all ten local authorities contributing towards the cost of research and financial planning. This council contributed £59,989 towards a £1million fund for this purpose. On the 6th October 2015 Council resolved to support the ongoing work towards a City Deal subject to further reports being presented and with Full Council approval needed for any long term financial commitment.

4.3 A City Deal is an agreement where the national government provides money for cities or city regions to invest in return for a guarantee of economic growth. The aim is to support growth in employment and economic output. So far there have been around 30 City Deals across the UK, ranging in size from tens of millions of pounds to larger deals worth more than £2.5bn. The aim of the deal is to support the local economy, which in turn supports the national economy through bigger tax returns and lower costs in terms of supporting those out of work.

4.4 In March 2015 the Chancellor for the Exchequer announced that a City Deal for South East Wales was in development. Following that announcement the Leaders of the ten local authorities in South East Wales met and commenced work on putting together a structure and a vision for what that a City Deal could mean for our region. This was reinforced by further commitments from the Chancellor and from the Welsh Government First Minister later in the year.

4.5 Over the past few months the scale of a likely City Deal has become clearer and it seems likely that it would involve investment of around £1.28 billion. Around half of this money would be invested in the South East Wales Metro project and the remainder on a package of projects to create new jobs, boost training and generally regenerate the economy and communities in the region.

4.6 The final terms of the scale of the City Deal and the relative contributions of UK, Welsh and local government are still under discussion. A further report will be presented to members before any specific financial commitment is made on behalf of this authority.

4.7 One exception is that to take the plan forward, and to develop more specific costed proposals, a small delivery team needs to be put in place and each local authority will be asked to contribute. This is likely to be a relatively modest sum which can be found from existing resources, and it is recommended that Members agree that this is progressed by the Interim Chief Executive under delegated powers in consultation with the Leader.

4.8 The next stage is for the ten local authorities, the UK Government and Welsh Government to sign an agreement in principle which will outline the overall objectives of the City Deal. This is expected to take place in March of this year.

4.9 These objectives will cover the areas advised to council in October, including the Metro and other infrastructure and transport improvements; investment in training for people seeking work and upskilling for those already in work; improvements to digital infrastructure in the region to enable modern businesses to work effectively from this area; and other initiatives to promote new businesses and business growth.

4.10 Following this, more detailed work will be undertaken to identify potential projects, a methodology for approving and evaluating projects and for the financing of the plan. A further report would come to Members once that is completed for approval.

4.11 This City Deal plan represents potentially the best and most exciting prospect for coordinated investment in the region for many decades. A major strength of the proposal is that all ten local authorities are working together, alongside Welsh and UK tiers of government.

4.12 Although the scale of the City Deal is emerging at around £1.28 billion, the exact amount involved and the relative contributions of the three parties are yet to be finalised. Welsh Government has pledged £580million towards the Metro element of the Deal. It is anticipated that the UK Government will contribute a similar amount. Local authorities will also need to make a contribution and the amount and relative share per authority will be determined as discussions continue throughout the year. Any commitment from this authority will require further formal approval by council.

4.13 The governance and management arrangements for the City deal will also need to be finalised and this will also come back to Council once the heads of terms and general principles are agreed with UK and Welsh Government. The City Deal will provide the opportunity for joint working and collaboration between authorities to deliver a much more integrated approach to regional working.

## 5. EQUALITIES IMPLICATIONS

5.1 There are no specific equalities implications from this report.

## 6. FINANCIAL IMPLICATIONS

6.1 The agreement of the council to move to the next stage of preparation of a City Deal does not commit the authority to any major expenditure or financial commitment, and no such commitment will be entered into without specific approval of Full Council at a later date once further details are known.

6.2 As indicated in the report, some relatively small contribution towards a team of officers may be required to support the development of the plan. This will be met from within existing resources.

## 7. PERSONNEL IMPLICATIONS

7.1 None.

## 8. CONSULTATIONS

8.1 Although initial discussion have been undertaken with some local organisations, there are no specific proposals within the City deal that would enable detailed consultation at this stage.

## 9. RECOMMENDATIONS

9.1 It is recommended that Members agree to support the ongoing work as outlined in the report to prepare a City Deal agreement in principle for the region and that the leader be authorised to sign an agreement with the other nine local authorities in the region, UK and Welsh Government as outlined.

## 10. REASONS FOR THE RECOMMENDATIONS

10.1 This City deal proposal is the best opportunity to secure additional investment and job creation in our area, and if the council did not participate it could lead to the loss of significant sums of money from both UK and Welsh government towards much needed projects in our area. Also, part of the strength of the bid is that all 10 local authorities are supporting the proposal and working together, and if one authority does not participate then it could undermine the whole project.

## 11. STATUTORY POWER

11.1 Not applicable as no binding commitment is being entered into at this stage.

Author: Chris Burns, Interim Chief Executive
Consultees: Gail Williams, Acting Monitoring Officer
Nicole Scammell, Acting Director of Corporate Services
Christina Harrhy, Director Community Services

Background papers
Report to Cabinet - 17th June 2015
Report to Council - 6th October 2015