



## **SPECIAL MEETING OF COUNCIL**

### **MINUTES OF THE SPECIAL MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON WEDNESDAY 17TH DECEMBER 2014 AT 5.00PM**

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PRESENT:

Councillor D.G. Carter - Mayor  
Councillor L. Gardiner - Deputy Mayor

Councillors:

M. Adams, H.A. Andrews, A.P. Angel, Mrs. A. Blackman, C.J. Cuss, H.W. David, W. David, H.R. Davies, D.T. Davies, R.T. Davies, C. Elsbury, J.E. Fussell, Mrs J. Gale, N. George, C.J. Gordon, R.W. Gough, D.M. Gray, D.T. Hardacre, C. Hawker, A.G. Higgs, G.J. Hughes, M.P. James, G. Jones, S. Kent, A. Lewis, K. Lloyd, C.P. Mann, S. Morgan, Mrs G. Oliver, Mrs R. Passmore, D.V. Poole, D.W.R. Preece, Mrs D. Price, J. Pritchard, J.A. Pritchard, D. Rees, K.V. Reynolds, R. Saralis, S. Skivens, Mrs E. Stenner, Mrs J. Summers, T.J. Williams, R. Woodyatt

Together with:

C. Burns (Interim Chief Executive), N. Scammell (Acting Director of Corporate Services), A. Price (Deputy Monitoring Officer), S. Harris (Acting Head of Corporate Finance), H. Morgan (Senior Committee Services Officer)

#### **1. COUNCILLOR MARTIN JAMES**

The Mayor welcomed Councillor Martin James to the meeting following his recent period of illness.

#### **2. WEB-CASTING FILMING AND ELECTRONIC VOTING ARRANGEMENTS**

The Mayor reminded those present that the meeting was being filmed for training purposes in advance of the planned implementation of live web-casting of Council meetings. Members were also advised that the new electronic voting system would be tested at the meeting. During the course of the meeting, decisions would continue to be made by a show of hands but for testing and training purposes, each vote would be repeated using the electronic voting system.

### **3. APOLOGIES**

Apologies for absence were received from Councillors Miss L. Ackerman, Mrs E.M. Aldworth, Mrs K.R. Baker, Mrs G. Bevan, J. Bevan, P.J. Bevan, L. Binding, D. Bolter, C. Durham, Mrs C. Forehead, Mrs P. Griffiths, D. Havard, K. James, G. Johnston, Mrs B.A. Jones, Ms J.G. Jones, M.J. Prew, J.E. Roberts, Mrs M.E. Sargent, J. Taylor, L.G. Whittle and S. Aspinall (Acting Deputy Chief Executive) and D. Street (Director of Social Services).

### **4. DECLARATIONS OF INTEREST**

As tenants, or having relatives who are tenants in council properties, certain Members sought advice as to whether they were required to declare an interest in the report to be presented. They were advised that as this is a financial arrangement they were not required to declare an interest.

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

### **REPORT REFERRED FROM CABINET**

Consideration was given to the following report referred from Cabinet held earlier in the day.

### **5. DECISION FOR THE AUTHORITY TO BUY OUT OF HOUSING REVENUE ACCOUNT (HRA) SUBSIDY ARRANGEMENTS**

Cabinet considered this report on 17th December 2014, and in endorsing its content, recommended its acceptance by Council.

Consideration was then given to the report which provided Members with the financial business case and background so that they can determine whether to borrow funds from the Public Works Loan Board (PWLB) to buy out of the HRA Subsidy arrangements.

The Acting Director of Corporate Services reminded Members that they had previously been advised that there was likely to be an opportunity to buy out of the subsidy arrangements, and in making the decision, they will also need to consider a borrowing cap in respect of the HRA and a change to the Authority's Treasury Management Strategy.

Mrs Scammell gave an overview of the report and explained how and why a negative HRA Subsidy arrangement currently exists. She confirmed that after lengthy negotiations, the Welsh Government and HM Treasury have reached an agreement that will allow the eleven Authorities in Wales with Council housing stock to exit from the Housing Revenue Account (HRA) subsidy system and become self-financing from April 2015. These negotiations have been undertaken on the basis of the completion of individual voluntary agreements with the 11 landlord Authorities rather than waiting for the primary legislation to be enacted.

It was noted that the agreement has two parts, firstly Authorities will be required to buy their way out of the current HRA subsidy system with payment of a one off settlement figure to HM Treasury, and secondly Authorities will be subject to a cap on HRA borrowing. In noting that the new self-financing arrangements are planned to be in place from April 2015 and will increase revenue year on year for the eleven landlord Authorities it was explained that the annual negative subsidy payment of circa £73m from the eleven landlord Authorities in Wales to the HM UK Treasury will be replaced from April 2015 by a payment in the form of a Public Works Loan Board (PWLB) loan from the PWLB. This Authority's share of the total debt will be based on H M Treasury receiving a notional £40 m interest per annum from the eleven Welsh Authorities.

The Acting Director of Corporate Services gave an overview of the Housing Revenue Account Subsidy System and the HRA Reform in Wales and made reference to the settlement figure and the distribution of this figure between Authorities. She advised that the eleven Landlord Authorities currently make annual HRA negative subsidy payments to the HM Treasury. The settlement will effectively buy Authorities out of the requirement to make these payments from April 2015. However, HM Treasury requires that the settlement is “fiscally neutral over the long term” and this will require the eleven Authorities to take out loans from the PWLB to fund their share of the settlement figure. Under the terms of the agreement with the Treasury a notional £40m interest will be used to generate a total settlement value using the PWLB 30 year maturity rate.

A query was raised in relation to the distribution of the settlement figure between Authorities and Members were advised that whilst HM Treasury has agreed that the distribution of the aggregate settlement figure of approximately £920m between the eleven Authorities is a decision for Welsh Ministers, there is broad consensus that the distribution of the settlement should not result in any Authority being worse off. Following consultation with the eleven Authorities, the former Minister for Housing and Regeneration has agreed that it will be distributed between the eleven Authorities so all benefit by an equal percentage of their current negative subsidy payment. This approach is supported by all eleven authorities.

With regards to the 'borrowing cap', the HRA Exit Agreement with HM Treasury will impose an aggregate HRA borrowing cap of £1.85 billion on the eleven Authorities in Wales although this figure could fluctuate based on PWLB interest rates at the time of the “Buy Out”. This figure is based on the planned borrowing that Authorities included in the housing business plans submitted to Welsh Government with their applications for Major Repairs Allowance (MRA) in December 2012-13. Details of the latest draft figures for the breakdown of the Limit on Indebtedness were appended to the report. HM Treasury has also agreed that Welsh Ministers can decide how the borrowing cap is distributed between Authorities in Wales. The UK Government is in the process of passing the necessary legislation to make this possible.

The WLGA and representatives from the eleven Authorities have worked with the Welsh Government to identify credible distribution options for the borrowing capacity and three options were included in the Welsh Government consultation paper. The preferred option that all eleven Authorities could “live with” distributes some borrowing capacity to every authority, with a greater amount being allocated to those Authorities that indicated a need for borrowing for new build in their housing 2012-13 business plans.

Details were then given of the legislative changes that would be required should this arrangement proceed. The proposed introduction of the new self-financing arrangements, and how this would be achieved by making changes in which the Authority undertakes the landlord role, were also explained, although these would be subject to further reports and did not affect the decision required in the report.

With regards to the Treasury Management Strategy, the move to self-financing will require some changes to be incorporated in this strategy, including borrowing to fund the Authority's share of the settlement figure, other priorities and the management of the debt.

Once the Authority has bought itself out of the current HRASubsidy arrangement, it will need to put in place arrangements for the management of the HRA debt which will comprise of existing HRA debt, HRA settlement debt and new debt borrowed to deliver HRA capital schemes (WHQS). The Acting Director of Corporate Services referred to the options available to manage the HRA debt and Members noted the advantages and disadvantages of each, which were outlined in the report. The report concluded that option 2, a two-pool approach, which will include respective old and new debt, should be adopted.

It was confirmed that the introduction of the new rent policy should not impact on the buy out process. Similarly there would be no impact on the use capital receipts to fund capital expenditure or to repay debt (although it will be necessary to formally set out the treatment of HRA capital receipts), nor on any future requirement for de-pooling service charges.

During the course of the ensuing debate queries were raised in relation to the existing WHQS programme and it was explained that this proposal will not affect the agreed spend. With regards to borrowing cap calculations, the figures identified in the report are for illustrative purposes, and will be updated to reflect the PWLB interest on 31st March (the day that the final settlement value will be known). Reference was also made to the length of the loan and the repayment process and it was confirmed that this will be dependant on the number of short and longer-term investments that are subsequently taken.

A further query raised in relation to the proposed new rent policy and as to whether, as the Act introduces new powers for Welsh Ministers to set a rent standard and to issue guidance, there would be any potential to vary rents across Wales. It was noted that the policy will set a target rent band for each Authority and if the average weekly rent (excluding service charges) is below the target rent, the Authority will have to increase average rents, and if the average is above the target rent, average rents will increase at a lower rate. In that Authorities will be responsible for setting the rents of individual properties, a report will be presented to Cabinet/scrutiny committee in respect of decisions that will be required to comply with the new rent policy in due course.

Members were reminded that if the arrangements are not approved by all eleven local authorities retaining housing stock, the current HRAS system would remain in place until the primary legislation is enacted.

It was moved and seconded that the recommendations in the report be approved. By show of hands this was unanimously agreed.

RESOLVED that for the reasons contained in the report:-

- (i) it be agreed that the Authority exits the HRA Subsidy arrangements prior to 2015/16, to enable the HRA to become self-financing from April 2015;
- (ii) it be agreed to borrow this Authority's share of the total settlement value currently estimated to be £84.8m and it be noted that the final figure may be higher or lower;
- (iii) the Officer recommendation to use option 2 (as detailed in the report) to calculate the HRA share of debt after 1st April 2015 be endorsed;
- (iv) it be accepted that a borrowing cap will be applied to the HRA after March 2015 as detailed in Appendix 2 of the report;
- (v) in relation to the Buy Out and subject to the Interim Head of Legal Services approving the terms of the Agreement, it be agreed that this Authority enters into the Voluntary Legal Agreement to ensure the Buy Out is achieved.

## **6. COUNCILLOR GERALD JONES - PARLIAMENTARY ELECTIONS**

Members congratulated Councillor Gerald Jones on his selection as a labour candidate for the Merthyr Tydfil and Rhymney constituency in next years general election.

In closing the meeting the Mayor wished those present the compliments of the season.

The meeting closed at 5.45pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 27th January 2015 they were signed by the Mayor.

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MAYOR