

# Public Document Pack



The following reports are Information Items for the Policy and Resources Scrutiny Committee.

- 1. Corporate Services and Miscellaneous Finance 2016/17 Budget Monitoring Report (Period 4).**
- 2. Discretionary Rate Relief Applications.**
- 3. Treasury Management and Capital Financing Prudential Indicators Outturn Report for 2015/16.**
- 4. Write-Off of Debts - 01/04/15 to 31/03/16.**



## **POLICY AND RESOURCES SCRUTINY COMMITTEE – INFORMATION ITEM**

**SUBJECT: CORPORATE SERVICES AND MISCELLANEOUS FINANCE 2016/17  
BUDGET MONITORING REPORT (PERIOD 4)**

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

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### **1. PURPOSE OF REPORT**

- 1.1 To inform Members of projected revenue expenditure for the Directorate of Corporate Services and Miscellaneous Finance for the 2016/17 financial year.

### **2. SUMMARY**

- 2.1 The report projects the anticipated final outturn for the Directorate of Corporate Services and Miscellaneous Finance based upon expenditure and income trends for the first four months of the financial year.

### **3. LINKS TO STRATEGY**

- 3.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on 24<sup>th</sup> February 2016.

### **4. THE REPORT**

#### **4.1 Corporate Services**

- 4.1.1 The Directorate of Corporate Services is currently forecasting an underspend of £808k for the 2016/17 financial year, full details of which are provided in Appendix 1.

- 4.1.2 The anticipated underspend of £191k in Corporate Finance relates in the main to delays in appointing to vacant posts, vacancies which are being held to support the Medium-Term Financial Plan (MTFP) savings requirements for 2017/18 and some one-off additional income.

- 4.1.3 The anticipated underspend of £145k in Procurement and Customer Services consists of:-

- Projected underspend of £54k on Procurement which relates in the main to delays in appointing to vacant posts.
- Customer First - £91k underspend which is also due in the main to vacancies being held to support the Medium-Term Financial Plan savings requirement for 2017/18 together with some-one off savings due to a member of staff being on a career-break.

4.1.4 Legal & Governance is projecting a net underspend of £80k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £113k. This is due in the main to underspends on Members Allowances which is partly off-set by costs on printing/webcasting.
- Projected underspend of £45k on Electoral Services.

The net underspend of £80k for Legal and Governance is due to vacancies.

4.1.5 Corporate Policy is projecting an overall breakeven position after taking account of: -

- Projected overspend of £59k in the Equalities and Welsh Language Team due to increased external translation costs and the need to appoint a temporary translator post to cope with workload caused by the new Welsh Language Standards.
- Projected breakeven budget in the Policy Team. This is after the one-off transfer of earmarked reserve.
- Projected underspend in the Performance Management Unit of £22k due to a vacancy being held to support the Medium-Term Financial Plan savings requirement for 2017/18.
- Projected net underspend of £37k on other Corporate Policy budgets.

4.1.6 There is a projected underspend of £7k on Housing services which consists of the following:-

- General Fund Housing is expected to show a nominal underspend at this stage, although there are some offsetting over and underspends contributing to the expected position which includes an increase in spend for the Allocations Team as a result of gearing up for the Common Housing Register. This service area includes a statutory duty for Temporary Accommodation which is demand led and difficult to predict. This year the budget has had to rely on the income received for leasing out Ty Croeso which has normally been set aside as a renewal fund for future building maintenance works..
- Private Housing is anticipating an underspend of £6k, mainly due to numerous small under and over spends which make up this anticipated position. The main concern for this budget is the Agency Income Fee which was under-recovered last year by some £196k. However, there is an expectation that the allocation of WHQS works to leasehold properties will ensure the shortfall experienced last year is not repeated, although this is dependent on the work itself. Therefore no variance is reported at this stage.

4.1.7 There is an anticipated underspend of £129k in Information and Citizens Engagement, consisting of the following:-

- IT Services - £107k underspend which is due in the main to vacancies being held to support the Medium-Term Financial Plan savings requirement for 2017/18.
- Central Services – £22k underspend mainly due to a vacancy being held to support the Medium-Term Financial Plan savings requirement for 2017/18.

4.1.8 For Performance and Property there is a net projected underspend of £22k, consisting of the following: -

- Corporate Property - £46k overspend due to an agreed delay in a planned retirement offset by vacancy management savings.
- Corporate Buildings - £22k underspend due to NNDR and standby/relief cover and underspends on energy costs. However energy contract prices are due to be reviewed in October. So this will need to be kept under review.
- Asset Management and Facilities – Projected £46k underspend mainly due to some reduced hours on salaries and increased income recharges to schools/other services for maintenance management.
- Building Consultancy – Projected break even to date.

4.1.9 There is a projected underspend of £133k for Human Resources and Communications consisting of :-

- Human Resources projected underspend of £127k due in the main to salary savings from staff on Career break, some staff not at top of scale point, staff on long term sickness and maternity leave.
- Communications - £6k underspend due in the main to salary costs arising from maternities.

4.1.10 There is a projected underspend of £64k for Health & Safety, mainly due to salary savings arising from delays in recruitment and additional Service Level Agreement (SLA) income received from Cardiff Council.

4.1.11 The following table provides a summary of progress in delivering agreed 2016/17 savings for the Directorate of Corporate Services: -

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
Corporate Finance	224.75	191.25	33.50
Corporate Health And Safety	161.70	161.70	-
Corporate Policy	85.90	52.50	33.40
General Fund Housing	141.00	141.00	-
Human Resources	235.00	235.00	-
Information and Citizen Engagement	501.00	487.00	14.00
Legal and Governance	129.70	129.70	-
Performance and Property - (Asset Management Facilities)	77.00	77.00	-
Performance and Property - (Property - Corporate Property)	128.00	61.00	67.00
Procurement Services	57.70	57.70	-
(blank)	-	-	-
<b>Grand Total</b>	<b>1,741.75</b>	<b>1,593.85</b>	<b>147.90</b>

4.1.12 The variance of £147.9k consists of

- £33.5k for Corporate Finance is due to the “Increased court fee income” not anticipated to be fully achieved (£20k) along with the anticipated reduction on “Debt Collection” fees not materialising as anticipated (£8.5k) and the savings on “printing costs” not materialising due to staff sickness (£5k). These areas are currently being reviewed.
- £33.4k Corporate Policy is due to a delay in delivering vacancy savings and a delay in reducing in the “Welsh Language Initiative” budget.
- £14k for Information and Governance is due to the proposed reduction in “support vans” not yet being achieved (£7k) along with an element of software contract savings still to be identified.
- £67k for Corporate Property is due to a retirement being agreed for a later date than originally planned.

4.1.13 All the above are expected to be off-set by other savings in the service area’s during the financial year and delivered during 2017/18.

## 4.2 Miscellaneous Finance

4.2.1 There is an overall projected underspend of £2,948k in Miscellaneous Finance.

- 4.2.2 There is a projected overspend of £28k on Coroner's Service costs due to changes in the legal rules surrounding the deaths of residents in care homes.
- 4.2.3 There is a projected net underspend of £1,746k on Capital Financing budgets which is due to the following: -
- 2015-16 and 2016-17 supported borrowing has been deferred to future years.
  - A 2.5% reduction in the assumed borrowing rate for 2016-17 previously 5% in line with current Public Works Loans Board (PWLB) rates.
  - Improved returns on investments.
- 4.2.4 The remaining projected underspend for Miscellaneous Finance consists of the following: -
- Prudential Borrowing for Islwyn West being delayed - £188k.
  - Budget Pressures Contingency - £192k.
  - Social Services Contingency – £1.65m of the original approved contingency of £2.5m has been released to the Social Services revenue budget. £850k is still being held corporately at this stage.

## **5. EQUALITIES IMPLICATIONS**

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

## **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 Members are requested to note the contents of the report.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To ensure that Members are informed of the projected financial position for the Directorate of Corporate Services and Miscellaneous Finance.

## **11. STATUTORY POWER.**

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

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Shaun Couzens, Chief Housing Officer  
Rob Hartshorn, Head of Public Protection  
Cllr Barbara Jones, Deputy Leader/Cabinet Member for Corporate Services

Appendices:  
Appendix 1 Corporate Services & Miscellaneous Finance 2016/17 Budget Monitoring Report  
(Period 4).

<b>CORPORATE SERVICES DIRECTORATE</b>	<b>Original Estimate 2016/2017</b>	<b>Revised Estimate 2016/2017</b>	<b>Anticipated Outturn 2016/2017</b>	<b>Anticipated Variance 2016/2017</b>
<b><u>SUMMARY</u></b>				
<b>CHIEF EXECUTIVE &amp; ACTING DIRECTOR CORP SERVICES</b>	<b>443,867</b>	<b>443,867</b>	<b>409,054</b>	<b>34,813</b>
<b>CORPORATE FINANCE</b>				
Financial services	2,030,073	<b>2,030,073</b>	1,838,944	<b>191,129</b>
	<b>2,030,073</b>	<b>2,030,073</b>	<b>1,838,944</b>	<b>191,129</b>
<b>PROCUREMENT &amp; CUSTOMER SERVICES</b>				
Procurement	402,416	<b>402,416</b>	347,990	<b>54,426</b>
Customer First	1,196,841	<b>1,196,841</b>	1,105,958	<b>90,883</b>
	<b>1,599,257</b>	<b>1,599,257</b>	<b>1,453,948</b>	<b>145,309</b>
<b>LEGAL &amp; GOVERNANCE</b>				
Legal & Democratic Services	844,518	<b>1,017,961</b>	937,550	<b>80,411</b>
Member Services	1,796,427	<b>1,622,984</b>	1,509,829	<b>113,155</b>
Ringfenced to Earmarked Reserves			113,155	<b>(113,155)</b>
Electoral Services	309,829	<b>309,829</b>	264,320	<b>45,509</b>
Ringfenced to Earmarked Reserves			45,509	<b>(45,509)</b>
	<b>2,950,774</b>	<b>2,950,774</b>	<b>2,870,363</b>	<b>80,411</b>
<b>CORPORATE POLICY</b>				
Policy	900,836	<b>686,424</b>	768,745	<b>(82,321)</b>
Use of Earmarked Reserves			<b>(82,321)</b>	<b>82,321</b>
Equalities	170,355	<b>181,733</b>	240,870	<b>(59,137)</b>
PMU	228,787	<b>228,787</b>	206,433	<b>22,354</b>
Community Safety	115,974	<b>94,596</b>	57,685	<b>36,911</b>
	<b>1,415,952</b>	<b>1,191,540</b>	<b>1,191,412</b>	<b>128</b>
<b>HOUSING SERVICES</b>				
General Fund Housing	674,110	<b>674,110</b>	673,157	<b>953</b>
Private Housing	427,161	<b>427,161</b>	420,648	<b>6,513</b>
Building Maintenance	0	0	0	0
	<b>1,101,271</b>	<b>1,101,271</b>	<b>1,093,805</b>	<b>7,466</b>
<b>INFORMATION AND CITIZENS ENGAGEMENT</b>				
IT Services	4,474,892	<b>4,474,892</b>	4,367,452	<b>107,440</b>
Central Services	417,070	<b>417,070</b>	394,922	<b>22,148</b>
	<b>4,891,962</b>	<b>4,891,962</b>	<b>4,762,374</b>	<b>129,588</b>
<b>PERFORMANCE &amp; PROPERTY</b>				
Corporate Property Services	544,566	<b>544,566</b>	590,670	<b>(46,104)</b>
Corporate Premises	2,169,113	<b>2,169,113</b>	2,123,304	<b>45,809</b>
Asset Management Facilities	2,021,067	<b>2,021,067</b>	1,998,503	<b>22,564</b>
Building Consultancy	3,767	<b>3,767</b>	3,767	0
	<b>4,738,513</b>	<b>4,738,513</b>	<b>4,716,244</b>	<b>22,269</b>
<b>HUMAN RESOURCES</b>				
Human Resources	1,705,549	<b>1,705,549</b>	1,580,408	<b>125,141</b>
Trade Union Facilities	27,844	<b>27,844</b>	25,603	<b>2,241</b>
Communications Unit	268,665	<b>268,665</b>	262,588	<b>6,077</b>
	<b>2,002,058</b>	<b>2,002,058</b>	<b>1,868,599</b>	<b>133,459</b>
<b>HEALTH &amp; SAFETY</b>	913,335	<b>913,335</b>	1,036,705	<b>(123,370)</b>
Use of Earmarked Reserves			<b>(187,000)</b>	<b>187,000</b>
	<b>913,335</b>	<b>913,335</b>	<b>849,705</b>	<b>63,630</b>
<b>TOTAL CORPORATE SERVICES</b>	<b>22,087,062</b>	<b>21,862,650</b>	<b>21,054,448</b>	<b>808,202</b>

<i>MISCELLANEOUS FINANCE</i>	Original Estimate 2016/2017	Revised Estimate 2016/2017	Anticipated Outturn 2016/2017	Anticipated Variance 2016/2017
<b><i>MISCELLANEOUS FINANCE</i></b>				
<b><i>Staff Related Costs</i></b>				
Pension Contribution - Former Authorities Ongoing	1,249,024	1,249,024	1,249,024	0
Recharge to Education - Former Authorities	(193,629)	(193,629)	(193,629)	0
	<b>1,055,395</b>	<b>1,055,395</b>	<b>1,055,395</b>	<b>0</b>
<b><i>Catering</i></b>				
Subsidy	55,426	55,426	55,426	0
	<b>55,426</b>	<b>55,426</b>	<b>55,426</b>	<b>0</b>
<b><i>Statutory Benefit Schemes</i></b>				
Council Tax RS	14,828,941	14,828,941	13,900,000	928,941
Ringfenced to Earmarked Reserves			928,941	(928,941)
General Rent Allowances	32,359,654	32,359,654	29,908,056	2,451,598
Rent Rebates	29,905,413	29,905,413	29,270,647	634,766
Rent Allowance War Widow Concessions	35,000	35,000	35,000	0
Housing Benefit Subsidy	(62,265,067)	(62,265,067)	(59,178,703)	(3,086,364)
	<b>14,863,941</b>	<b>14,863,941</b>	<b>14,863,941</b>	<b>0</b>
<b><i>Levies Upon the Council</i></b>				
Coroner	167,707	167,707	195,832	(28,125)
Archives	223,138	223,138	223,138	0
Fire Service Authority	8,278,714	8,278,714	8,278,714	0
	<b>8,669,559</b>	<b>8,669,559</b>	<b>8,697,684</b>	<b>(28,125)</b>
<b><i>Capital Financing</i></b>				
Debt Charges	17,646,367	17,646,367	16,138,647	1,507,720
Investment Income net of Recharges	196,028	196,028	(42,774)	238,802
CERA (Capital Expenditure funded from Revenue Account)	217,872	217,872	217,872	0
	<b>18,060,267</b>	<b>18,060,267</b>	<b>16,313,745</b>	<b>1,746,522</b>
<b><i>Corporate and Democratic Core Costs</i></b>				
Bank Charges	138,758	138,758	138,758	0
Income from HRA	(23,339)	(23,339)	(23,339)	0
Income from DLO/DSO	(9,963)	(9,963)	(9,963)	0
External Audit Fees	467,110	467,110	467,110	0
Income from HRA	(78,568)	(78,568)	(78,568)	0
Income from DLO/DSO	(33,538)	(33,538)	(33,538)	0
Subscriptions	108,992	108,992	108,992	0
	<b>569,452</b>	<b>569,452</b>	<b>569,452</b>	<b>0</b>



<i>MISCELLANEOUS FINANCE</i>	Original Estimate 2016/2017	Revised Estimate 2016/2017	Anticipated Outturn 2016/2017	Anticipated Variance 2016/2017
<b>Grants to Voluntary sector</b>				
Assistance to Voluntary sector	173,048	173,048	173,048	0
	<b>173,048</b>	<b>173,048</b>	<b>173,048</b>	<b>0</b>
<b>Private Finance Initiative</b>				
PFI Schools	2,541,828	2,541,828	2,541,828	0
PFI SEW	4,161,756	4,161,756	4,161,756	0
	<b>6,703,584</b>	<b>6,703,584</b>	<b>6,703,584</b>	<b>0</b>
<b>Other</b>				
Miscellaneous Items	15,674	15,674	15,674	0
Prudential Borrowing for Islwyn West Secondary School	188,012	188,012	0	188,012
Budget Pressures	191,952	191,952	0	191,952
NNDR - Authority Empty Properties	128,551	128,551	128,551	0
Counsel Fees	325,512	325,512	325,512	0
Careline	35,335	35,335	35,335	0
Carbon Management Scheme	238,797	238,797	238,797	0
Carbon Energy Tax	218,362	218,362	218,362	0
IT Replacement Strategy	127,221	127,221	127,221	0
PV Panels Income	(40,600)	(40,600)	(40,600)	0
Risk Management Contribution	(449,322)	(449,322)	(449,322)	0
Class 1A NI	(60,000)	(60,000)	(60,000)	0
Matched Funding for Community Schemes	25,000	25,000	25,000	0
Social Services Cost Pressure Contingency	2,500,000	2,500,000	1,650,000	850,000
Dry Recycling Waste	1,600,000	1,600,000	1,600,000	0
	<b>5,044,494</b>	<b>5,044,494</b>	<b>3,814,530</b>	<b>1,229,964</b>
<b>TOTAL MISCELLANEOUS FINANCE</b>	<b>55,195,166</b>	<b>55,195,166</b>	<b>52,246,805</b>	<b>2,948,361</b>
<b>EXPENDITURE TO DIRECTORATE SUMMARY</b>	<b>77,282,228</b>	<b>77,057,816</b>	<b>73,301,253</b>	<b>3,756,563</b>



## **POLICY AND RESOURCES SCRUTINY COMMITTEE – INFORMATION ITEM**

**SUBJECT: DISCRETIONARY RATE RELIEF APPLICATIONS**

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

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### **1. PURPOSE OF REPORT**

- 1.1 This report sets out details of applications for discretionary rate relief and notes the decision proposed by the Interim Head of Corporate Finance under delegated powers.

### **2. SUMMARY**

- 2.1 The Council is able to assist a wide range of voluntary and sporting organisations by granting rate relief. This report contains details of applications received for discretionary rate relief and the proposals for the determination of the applications to be formally implemented after the third working day the delegated decision notice has been posted.

### **3. LINKS TO STRATEGY**

- 3.1 The granting of rate relief is a very cost effective way in which the Council can pursue its 'Regeneration' objective by giving financial assistance to local organisations.

### **4. THE REPORT**

#### **4.1 Background**

- 4.1.1 Under the Council's Scheme of Delegation applications for discretionary rate relief submitted to the Council are determined by the Council's Head of Corporate Finance.

- 4.1.2 The determination is exercised following consideration of the Council's guidelines on discretionary rate relief supplemented by guidance from Welsh Government and Central Government.

#### **4.2 The Application**

##### **Caerphilly Miners' Centre for the Community**

- 4.2.1 An application for top-up discretionary rate relief has been received from the above registered charity in respect of their premises at The Miners, 1 Beech Tree View, Caerphilly from 19th September 2015 onwards.
- 4.2.2 The organisation is a registered charity and has therefore already been awarded 80% mandatory rate relief in accordance with rating legislation.

- 4.2.3 Members should be aware that currently the Authority would bear 75% of any top-up discretionary rate relief awarded, with the Welsh Government Pool bearing the remaining 25%.
- 4.2.4 To be eligible for discretionary rate relief, the organisation must satisfy the following conditions:
- a) the organisation or institution occupying the premises must not be established or conducted for profit;
  - b) each of the organisation's main objects must be charitable, or otherwise philanthropic or religious, or concerned with education, social welfare, science, literature, or fine arts;
  - c) the use of the premises must be wholly or mainly charitable, or the premises must be wholly or mainly used for recreational purposes;
  - d) where the premises is wholly or mainly used for recreational purposes, all or part of it must be occupied by an organisation not established or conducted for profit.
- 4.2.5 The main objects of Caerphilly Miners' Centre for the Community are:
- To further or benefit the residents of Caerphilly and the neighbourhood, without distinction of sex, sexual orientation, race or of political, religious or other opinions by bringing together the said residents and the local authorities, voluntary and other organisations in a common effort to advance education and to provide facilities in the interests of social welfare, for recreation and leisure time occupation, with the objective of improving the conditions of life for the residents;
  - To advance the education of the public in the history and heritage of Caerphilly, in particular, the history of mining and its role in the community and its effect on people's lives.
- 4.2.6 The organisation's Memorandum and Articles of Association state that the property and funds of the charity must be used only for the promotion of the charity's objects.
- 4.2.7 The Articles further state that on the dissolution of the charity, any assets remaining would be used firstly to meet any liabilities and then directly for the organisation's objects and by transfer to any other charity for the same or similar purposes. This satisfies the discretionary rate relief requirement for remaining assets to be used for charitable or non-profit making purposes.
- 4.2.8 Caerphilly Miners' Centre for the Community comprises a group of local residents that have come together with a common aim of restoring the former Caerphilly Miners' Hospital for the benefit of the local community. The centre delivers services to support well-being; it provides social/leisure facilities together with opportunities for learning, training and volunteering whilst at the same time celebrating the community's heritage. The charity aims to build a sustainable social enterprise by following the ethos of the Rhymney Valley miners – to improve the health of the community through self-help, mutuality, collaboration and enterprise.
- 4.2.9 The project has been made possible with generous funding and sponsorship from Caerphilly CBC, Welsh Government and the BIG Lottery among others. The charity is working with over 20 partners from statutory, voluntary and business sectors and the local community. This helps to deliver services more sustainably and achieve better community buy-in.
- 4.2.10 Membership is open to anyone and there are currently 185 adult members and 1 junior member under 16 years old. Membership is charged at £8 per year, with a separate charge for most activities ranging between £2 and £5 per session.

- 4.2.11 The charity has been set up specifically to carry out the objects given in point 4.2.5 above and is not established or conducted for profit. In addition, the organisation's main objects are either wholly or mainly charitable, or concerned with religion, philanthropy, social welfare and education, as required under the regulations. It is also clear that the use of the premises is wholly or mainly charitable.
- 4.2.12 The current annual business rate liability of the organisation's premises in Caerphilly is £2,818.80 and if the Authority were to grant 20% top-up discretionary rate relief, the cost to the Authority of awarding the relief at current levels would be £423 with the Welsh Government pool bearing the remainder of £141.
- 4.2.13 The Authority's policy for an organisation registered as a charity with the Charity Commission and occupying one or more rating assessments within the Authority's area with a cumulative rateable value not exceeding £100,000 is to award 20% top-up discretionary relief.
- 4.2.14 Taking the above matters into consideration, it appears that Caerphilly Miners Centre for the Community and its use of the premises with a rateable value of £5,800 satisfies all of the relevant qualifying criteria.
- 4.2.15 **Proposal (to be implemented after the third working day the delegated decision has been posted):**
- 20% top-up discretionary rate relief be awarded.**

## **5. EQUALITIES IMPLICATIONS**

- 5.1 This report is to advise Members of the proposed determination of the application(s) for discretionary rate relief so the Council's full Equalities Impact Assessment process does not need to be applied.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 These are contained within the report.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no personnel implications.

## **8. CONSULTATIONS**

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

## **9. RECOMMENDATIONS**

- 9.1 Members note the proposed determination of the application(s) for discretionary rate relief under delegated powers which will be implemented after the third working day the delegated decision notice has been posted.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 As set out throughout the report.

## 11. STATUTORY POWER

11.1 Section 47 of the Local Government Finance Act 1988.

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Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer  
Stephen Harris, Interim Head of Corporate Finance

Background Papers:

'Review of NNDR Discretionary Rate Relief Policy' report to Policy and Resources Scrutiny Committee on 20<sup>th</sup> January 2015

Rate Relief Application Forms, contact ext 3421



## **POLICY AND RESOURCES SCRUTINY COMMITTEE – INFORMATION ITEM**

**SUBJECT: TREASURY MANAGEMENT AND CAPITAL FINANCING PRUDENTIAL INDICATORS OUTTURN REPORT FOR 2015/16**

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

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### **1. PURPOSE OF REPORT**

- 1.1 To present Members with details of Treasury Management activities and Capital Financing, together with the related Prudential Indicators for 2015/16.

### **2. SUMMARY**

- 2.1 The revised Code of Practice on Treasury Management in the Public Services, which was adopted by the Council on 12<sup>th</sup> October 2010, sets out a framework of operating procedures, which is encompassed in the Treasury Management Practices (TMPs). The Council subsequently approved the detailed TMPs on 23rd November 2010. TMP6 (Reporting Requirements and Management Information Arrangements) provides for the submission of monitoring reports to the appropriate Committee on a quarterly basis.
- 2.2 Under the provisions of the Local Government Act 2003, The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 [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.
- 2.3 The Authority's Annual Investment Strategy and Capital Financing Prudential Indicators for 2015/16 were approved by Council on 25<sup>th</sup> February 2015.

### **3. LINKS TO STRATEGY**

- 3.1 This report has links to the Treasury Management Strategy 2015/16 as agreed by Council on 25<sup>th</sup> February 2015.

### **4. THE REPORT**

#### **4.1 Background – Interest Rates**

- 4.1.1 The Monetary Policy Committee (MPC) decreased the Bank Rate in March 2009 to 0.50% as part of the Government's strategy to stimulate the economy. The Bank Rate has remained at 0.50% throughout 2015/16 and the level of the Bank of England's quantitative easing programme remained at £375bn as at 31 March 2016.

## 4.2 Treasury Management Advice

4.2.1 The Authority receives treasury management advice from Arlingclose Limited.

## 4.3 Borrowing Activity

4.3.1 During the period covered by this report a single PWLB loan of £75.9m was raised for the HRA for the purpose of exiting the Subsidy arrangement. The loan was raised on the 2<sup>nd</sup> April 2015 at a rate of 4.17% and will be held for 21.5 years. Loan proceeds were transferred to the Welsh Government resulting in the Authority exiting the Subsidy arrangement. The loan was raised in accordance with the report approved at full Council on 17<sup>th</sup> December 2014. No General Fund borrowing has been undertaken during the 2015/16 financial year.

4.3.2 Borrowing rates were volatile throughout 2015/16 with the 25-year maturity loan rate reached a high of 3.86% and a low of 3.18% and an overall average rate of 3.55%. The average rate for a 25 year annuity loan was 3.15%.

4.3.3 During the period covered by this report, PWLB loans to the value of £6.49m were repaid on maturity. Such loans had an average interest rate of 5.38%. A loan repayment of £30k was also made to the WRU in accordance with the loan agreement as agreed at the Cabinet meeting held on 30<sup>th</sup> October 2013. Furthermore a temporary loan of £400k was repaid during the year. This loan was raised for the purpose of cashflow requirements as investments were tied in, and was held for 1 day.

4.3.4 As at 31<sup>st</sup> March 2016 the value of the Council's debt portfolio was £287.4m and comprised of £40m LOBO loans, £247.2m of PWLB loans and a £240k WRU loan in respect of the Ystrad Mynach Centre of Sporting Excellence.

## 4.4 Rescheduling

4.4.1 No loans were rescheduled during 2015/16.

## 4.5 Investments

4.5.1 Short-term Investments – up to 364 Days -Throughout the year the in-house team managed investments averaging £117.1m. The return on these investments, which ranged from overnight deposits and deposits with a duration of 2.9 years, was 0.60% compared with the target of 0.25%. The improvement in returns reflect the Authority's change in investment strategy and lending to high creditworthy counterparties that consist of banks; building societies; supranational institutions; the DMO, local authorities; and corporates using a range of investment instruments such as corporate bonds; covered bonds; cash deposits and treasury bills. Whilst the returns have improved, the riskiness of the investment portfolio has been quantified with a weighted average credit score equivalent to an AA rating. As at 31<sup>st</sup> March 2016 the UK government was rated by two credit rating agencies at AA+. Therefore the Authority's portfolio is one notch below the UK Government rating.

4.5.2 The total value of investments as at 31<sup>st</sup> March 2016 (short-term and long-term) was £129.1m. The nominal value of short-term investments as at 31<sup>st</sup> March 2016 (excluding accrued interest and accounting charges) was £118.1m and comprised of £41.4m deposited with Local Authorities; £36.9m deposited with banks; £25.1m invested in bonds; £7.0m invested in UK Government T-Bills and £7.7m deposited in the DMADF.

4.5.3 Long-term Investments - The value of long-term investments as at 31<sup>st</sup> March 2016 was £11.04m and invested in AAA rated bonds with an average duration of 2 years, with an average rate of return of 1.16%.

## 4.6 Prudential Indicators

### 4.6.1 Capital Financing Requirement

4.6.1.1 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. In practice, the raising and repaying of loans is determined primarily by professional / expert advice, and may not necessarily take place in the relevant year. In order to create an operating environment within which the Treasury Manager can legitimately react to appropriate advice, the various authorised limits as identified in **Appendix 1** are set at a level in excess of the capital financing requirement. During the year, the Authority operated within the approved limits.

4.6.1.2 **Appendix 2** shows the value of the Capital Financing Requirement as at 31 March 2016 based on the audited Balance Sheet position. This is calculated to be £344.6m.

### 4.6.2 Prudential Indicators – “Prudence”

4.6.2.1 The Prudential Indicators for Treasury Management are shown in **Appendix 1**. Whilst the Authorised Limit has remained unchanged when compared to the original Council approved figure, the Operational Boundary limit has decreased as a result of new planned debt not being raised.

### 4.6.3 Prudential Indicators – “Affordability”

4.6.3.1 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. These are identified in **Appendix 2**.

4.6.3.2 Financing Costs to Net Revenue Stream - General Fund - the audited outturn shows a decrease on the budgeted position. This is mainly attributable to reduced interest costs as a result of deferred borrowing for the capital programme. The income generated from investments came in higher than anticipated as the Authority locked into interest rates higher than the DMADF rate and the Base Rate.

4.6.3.3 Financing Costs to Net Revenue Stream - Housing Revenue Account (HRA) - The ratio is higher due to the HRA Self Financing loan raised in April 2015.

4.6.3.4 Incremental Effect of Capital Investment - The General Fund shows a decrease in this measure as a result of the method of funding the capital programme from internal resources rather than externally funding expenditure. The HRA also shows a decrease in this measure as a result of the method of funding the capital programme from internal reserves.

### 4.6.4 Capital Expenditure and Funding

4.6.4.1 Capital Expenditure is reported in **Appendix 3**, for information purposes. The table indicates the audited position as at 31<sup>st</sup> March 2016.

## 5. EQUALITIES IMPLICATIONS

5.1 This report is for information purposes, so the Council's Equality Impact Assessment (EqIA) process does not need to be followed.

## 6. FINANCIAL IMPLICATIONS

6.1 As presented throughout the report.



## **7. PERSONNEL IMPLICATIONS**

7.1 There are no personnel implications.

## **8. CONSULTATIONS**

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

## **9. RECOMMENDATIONS**

9.1 Members are asked to note the contents of the report.

## **10. REASONS FOR THE RECOMMENDATIONS**

10.1 To ensure compliance with the CIPFA “Code of Practice for Treasury Management in the Public Services”.

## **11. STATUTORY POWER**

11.1 Local Government Act 2003.

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Consultees: Cllr B. Jones - Deputy Leader & Cabinet Member for Corporate Services  
N. Scammell - Acting Director of Corporate Services & S151 Officer  
S. Harris - Acting Head of Corporate Finance  
A. Southcombe – Finance Manager (Corporate Finance)

Background Papers:

- Treasury Management Working Papers – Accountancy Section
- CIPFA “Code of Practice for Treasury Management in the Public Services”
- The Local Government Act 2003
- Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2004

Appendices:

- Appendix 1 Prudential Indicators - Treasury Management
- Appendix 2 Prudential Indicators - Capital Finance
- Appendix 3 Capital Expenditure and Funding

	Budget 2015/16	Actual 2015/16
	£000	£000
<b>Authorised limit for external debt -</b>		
Borrowing	375,328	375,328
Other long term liabilities	37,869	36,988
<b>Total</b>	<b>413,197</b>	<b>412,316</b>
<b>Operational boundary for external debt -</b>		
Borrowing	300,262	287,428
Other long term liabilities	37,869	36,988
<b>Total</b>	<b>338,132</b>	<b>324,416</b>
<b>Upper limits for interest rate exposure</b>		
Principal outstanding on borrowing	300,262	287,428
Principal outstanding on investments	65,000	129,133
<b>Net principal outstanding</b>	<b>235,262</b>	<b>158,295</b>
<b>Fixed rate limit – 100%</b>	235,262	<b>158,295</b>
<b>Variable rate limit – 50%</b>	70,579	<b>79,148</b>
<b>Upper limit for total invested for over 364 days</b>	40,000	<b>0</b>

Maturity structure of fixed rate borrowing: Debt outstanding at 31 March 2016	Upper Limit	Lower Limit	ACTUAL 2015/16	
			£000	
Under 12 months	35%	0%	3,576	2%
Over 12 months and within 24 months	40%	0%	4,354	1%
Over 2 years and within 5 years	50%	0%	6,723	2%
Over 5 years and within 10 years	75%	0%	13,729	5%
Over 10 years	95%	0%	259,046	89%
			<b>287,428</b>	<b>100%</b>

Ratio of Financing costs to net revenue stream	Budget 2015/16	Actual 2015/16
<b>General Fund</b>	<b>£000</b>	<b>£000</b>
Principal repayments (MRP)	8,437	7,795
Less commutation		
Net interest costs	9,418	8,609
Debt Management costs	60	46
Rescheduling discount	-226	-226
Investment income	-163	-788
Interest applied to internal balances	847	812
<b>Total General Fund</b>	<b>18,374</b>	<b>16,248</b>
Net revenue stream	324,413	325,842
<b>Total as percentage of net revenue stream</b>	<b>5.66%</b>	<b>4.99%</b>
<b>Housing Revenue Account</b>		
Principal repayments	914	852
Interest costs	2,082	5,709
Rescheduling discount	-58	-58
Debt Management costs	15	24
<b>Total HRA</b>	<b>2,953</b>	<b>6,527</b>
Net revenue stream	41,000	43,238
<b>Total as percentage of net revenue stream</b>	<b>7.20%</b>	<b>15.10%</b>

Estimate of incremental impact of capital investment on Council Tax and Housing Rents	Budget 2015/16	Actual 2015/16
<b>General Fund</b>	<b>£000</b>	<b>£000</b>
costs of unsupportive borrowings - principal	493	116
- interest	643	187
Loss of investment income	36	66
Running costs		
<b>Total</b>	<b>1,172</b>	<b>369</b>
<b>Impact on Band D council tax **</b>	<b>19.67</b>	<b>57.28</b>
<b>Housing Revenue Account</b>		
Loss of investment income	217	128
Unsupported borrowings - principal	1,509	0
- interest	3,771	3,169
Running costs	0	0
<b>Total</b>	<b>5,497</b>	<b>3,297</b>
<b>Impact on average weekly rent **</b>	<b>0.09</b>	<b>0.04</b>

\*\* These are notional calculations as per regulations

Capital Financing Requirement	Budget 2015/16	Actual 2015/16
	<b>£000</b>	<b>£000</b>
Council Fund	239,890	228,057
Housing Revenue Account	116,434	116,512
<b>Total Authority</b>	<b>356,324</b>	<b>344,569</b>

## Appendix 3 - Capital Expenditure and Funding

## Outturn Report

	Budget 2015/16	Actual 2015/16
<b>Expenditure</b>		
	<b>£000</b>	<b>£000</b>
Council Fund	14,861	32,124
Housing Revenue Account	36,290	28,861
<b>Total</b>	<b>51,151</b>	<b>60,985</b>
<b>Funding</b>		
Surplus/ (Deficit) Balance b/f	1,624	
RCCO - Senior Pay (GF)	52	
RCCO- 12/13 Debt Management Saving (14/15 RCCO Budget)	128	
Borrowings - Supported (GF)	4,985	
Internal Borrowing		8,026
General Capital Grant - WG	3,033	3,030
Customer First Capital Budget Underspend	122	
Borrowings - Unsupported (GF)	2,000	
RCCO- (GF)		5,842
General Fund Working Balances	4,845	
Specific Grants & Contributions		15,227
Capital Receipts 2014/15	43	
RCCO- (HRA)	28,700	21,287
Capital Receipts (HRA)	260	
Other HRA Grants		229
Major Repairs Allowance (HRA)	7,330	7,345
<b>Total</b>	<b>53,122</b>	<b>60,985</b>
<b>Surplus</b>	<b>1,971</b>	<b>-</b>



## POLICY AND RESOURCES SCRUTINY COMMITTEE – INFORMATION ITEM

**SUBJECT: WRITE-OFF OF DEBTS – 01/04/15 TO 31/03/16**

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

### 1. PURPOSE OF REPORT

- 1.1 To provide Members with a summary of outstanding debts which have been written-off during the 2016/17 financial year in accordance with the policy previously agreed by Cabinet.

### 2. SUMMARY

- 2.1 The report provides details of debts written-off for Council Tax, Business Rates, Council House Rents, Sundry Debtors and Housing Benefits overpayments.

### 3. LINKS TO STRATEGY

- 3.1 The Council's budget is partly funded by Council Tax, rents and other sources of miscellaneous income. In order to ensure that these resources are available to meet all the Council's objectives the Authority will always seek to maximise income collection.

### 4. THE REPORT

- 4.1 The Council collects very large sums of money from residents and local businesses each year and inevitably there are instances of non-payment. A 'firm but fair' approach has always been adopted and all legal means are pursued to recover monies owed.
- 4.2 The regular writing-off of uncollectable debts is an important financial discipline. The Council would be criticised by External Audit if debts remained in the accounts when there is little likelihood of recovery. The table below provides a summary of debts written-off for the period 01/04/15 to 31/03/16: -

	Total Amounts Written Off In Period (£)	Total Budgeted Income/Grant 2015/16 (£m)	% of Total Income/Grant Written-off In Period (%)	% of Total Income/Grant Written-off 2014/15 (Full Year) (%)
Council Tax	246,612	63.4	0.39	0.36
Business Rates	627,917	40.5	1.55	1.28
Council House Rents	279,134	50.5	0.55	0.61
Sundry Debtors	442,762	27.9	1.59	0.72

- 4.3 Whilst the sums shown above are significant it is important to put them into context. The column entitled "% of Total Income/Grant Written-off In Period" shows the write-offs expressed as a percentage of the "Total Budgeted Income/Grant 2015/16", i.e. monies due to the Council. For comparison purposes the Full-Year percentages for 2014/15 are also included in the table.
- 4.4 Members will note that the percentage of Sundry Debtors written-off in 2015/16 is higher than in 2014/15. An element of this increase was due to a review of debts in relation to registered charges where the legal charges had lapsed. This review resulted in the write-off of debts totalling £92k.
- 4.5 In addition to the table in paragraph 4.2, £71,053 has also been written-off in the period 01.04.15 to 31.03.16 in relation to the invoices raised for overpayments of Housing Benefits (total invoices raised during the period £1,493,367).

## **5. EQUALITIES IMPLICATIONS**

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

## **6. FINANCIAL IMPLICATIONS**

- 6.1 As detailed in 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 Members are asked to note the contents of this report.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To ensure that Members are informed of sums written-off during the 2015/16 financial year.

## **11. STATUTORY POWER**

- 11.1 Local Government Act 1972 and 2000.

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Terry Thomas, Principal Incomes Officer