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CAERPHILLY COUNTY BOROUGH COUNCIL
CYNGOR BWRDEISTREF SIROL CAERFFILI

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Date: 16th February 2017

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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, 22nd February, 2017** 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:
All Members And Appropriate Officers

CAERPHILLY COUNTY BOROUGH COUNCIL
CYNGOR BWRDEISTREF SIROL CAERFFILI

SPECIAL COUNCIL- 22ND FEBRUARY 2017

SUBJECT: **TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2017/2018**

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 2017/2018.

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

3. 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.

3.2 Prudent financial management contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015:-

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

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 August 2016 to 0.25% following the EU referendum. No further changes to the Bank Rate have been made since then.

5.1.3 The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Since the EU referendum financial markets have been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers Article 50 to exit the EU in early 2017 and expected to last for at least two years. The prospect of leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

5.1.4 The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through rising inflation over the course of 2017 when setting interest rates to avoid derailing the economy.

5.1.5 The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

5.2 Interest Rate Prospects- Long-term

5.2.1 Gilt yields continue to remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a distinct possibility to keep long-term interest rates low. 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 £16m (as at 31st March 2016) 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 £17.6m will need to be taken up in 2017/18 for the General Fund to support the capital programme and provision has been made in the budget to fund this level of borrowing. The borrowing approvals for 2015/16 and 2016/17 have been deferred to 2018/19 and 2019/20 as no new loans were raised in the respective years. The HRA will borrow £25.9m in 2017/18 to fund the WHQS capital programme.

5.3.2 Therefore the total 2017/18 borrowing requirement will be £43.5m comprising of:

- 2017/18 supported borrowing approvals - £5.0m
- 2016/17 supported borrowing approvals - £5.0m
- 21st Century Schools LGBI- £4.2m
- 21st Century Schools prudential borrowing- £3.4m
- HRA WHQS- 25.9m

The LGBI borrowing is funded by WG contributions to support the 21st Century Schools capital programme.

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 will remain volatile during 2017/18. PWLB rates are expected to fall when the UK Government triggers Article 50 to exit the EU. In the event that the Authority decides to fund the 2017/18 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 5*** (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 €10m)
- Leasing
- Capital market bond investors
- Other commercial and not for profit sources
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues

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 **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.

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 £30m of LOBO loans (Lender's Option Borrower's option) of which £10m of these can be "called" within 2017/18. 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 (2016/17) - 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 2017/18 Investment Strategy will continue with the lending approach as set out in the 2016/17 Strategy albeit counterparty monetary limits have changed as the Authority is holding large cash balances.

5.11.4 This Strategy (2017/18), 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 **0.15% (the DMO rate).** Creditworthiness approach, investment periods and the rationale for the target rate are explained in ***Appendix 3.*** The Authority's objective when investing cash is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

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

5.11.6 The Authority will continue to diversify into more secure and/or higher yielding asset classes during 2017/18 in order to mitigate the risk stemming from regulations associated with Bank Bail-In. 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.

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

5.11.8 With respect to Repo agreements, Repo/Reverse Repo is accepted as a form of securitised lending and should be based on the GMRA 2000 (Global Master Repo Agreement). Should the counterparty not meet our senior unsecured rating then a 102% collateralisation would be required. The acceptable collateral can be anyone or combination of the following securities:

- Index linked Gilts
- Conventional Gilts
- UK Treasury bills
- DBV (Delivery By Value)
- Corporate bonds

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

5.11.10 Under the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2004 regulation 12(b), the acquisition of share or loan capital in any 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 2017. 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 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 2017/18 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 3% inflation (1.5% inflation and 1.5% growth) applied to the rental income (using 2016/17 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 £5.02m in respect of the 2017/18 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 2018/19 and for 2019/20. HRA provisional values for the years 2017-2020 are based on the 2017/18 allocation of the Major Repairs Allowance of £7.30m 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 In accordance with the report that was presented to Special Council on 24th January 2017 the Authority has changed its MRP approach and has adopted the Annuity method for supported and unsupported borrowing. The change in the MRP approach will be applied to the 2016/17 financial year. MRP on supported borrowings will be charged at 2% over 50 years. MRP on unsupported borrowings will be charged at the PWLB annuity loan rate equivalent to the life of the asset. The Authority will adopt the annuity method for 2017/18. The MRP policy is 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. WELL-BEING OF FUTURE GENERATIONS

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

13. EQUALITIES IMPLICATIONS

13.1 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.

14. FINANCIAL IMPLICATIONS

14.1 The Treasury Management Strategy for 2017/18 as outlined in this report, if approved by Members, is likely to generate estimated interest of £400k and this has been reflected in the budget report for 2017/18. A provision has also been made to cover the estimated costs of the supported and unsupported borrowing requirements for 2017/18.

15. PERSONNEL IMPLICATIONS

15.1 There are no personnel implications.

16. CONSULTATION

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

17. RECOMMENDATIONS

17.1 That the Annual Strategy for Treasury Management 2017/18 be approved.

17.2 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.

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

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

17.5 That Members adopt the MRP policy as set out in Appendix 8 and note that the policy has been retrospectively applied to 2016/17 financial year in accordance with the report presented to Council on the 24th January 2017.

17.6 The continuation of the 2017/18 investment strategy and the lending to financial institutions and Corporates in accordance with the minimum credit rating criteria disclosed within this report.

17.7 That the Authority borrows £17.6m for the General Fund to support the 2017/18 capital programme and £25.9m for the HRA WHQS programme.

17.8 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.

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

18. REASONS FOR THE RECOMMENDATIONS

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

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

18.3 To comply with the legislative framework and requirements as indicated in paragraphs 2.1 to 2.5.

19. STATUTORY POWER

19.1 Local Government Act 1972.

Author:	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
Appendix 6	Prudential Indicators – Capital Finance
Appendix 7	Capital Expenditure and Funding
Appendix 8	MRP Policy

Appendix 1

Local Government Treasury Management Definitions

- **Investment**

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

- **Long-term Investment**

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

- **Credit Rating Agency**

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

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

- **Specified Investment**

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

  1. The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.

  2. The investment is not a long-term investment (as defined above).

  3. The investment is not considered to be capital expenditure.

  4. One or both of the following conditions is both:

     - The investment is made with the UK Government or a local authority (as defined in section 23 of the 2003 Act) or local authorities in Scotland and Northern Ireland or a parish or community council.

     - The investment is made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency

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

- **Non-specified Investments**

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

Appendix 2 Interest Rate Forecasts

Bank Rate (Forecasts as at 31/12/2016 and subject to change)

	Arlingclose (Central case)
2017/18 Q1	0.25%
Q2	0.25%
Q3	0.25%
Q4	0.25%
2018/19	0.25%
2019/20	0.50%

PWLB (Forecasts as at 31/12/2016 and subject to change- Source Arlingclose (Central case)

	Q1 – 2017/18	**Q2 – 2017/18**	**Q3 – 2017/18**	**Q4 – 2017/18**
5 Year	0.45%	0.45%	0.45%	0.50%
10 Year	0.90%	0.90%	0.90%	0.95%
25 year	1.45%	1.45%	1.45%	1.50%
50 Year	1.35%	1.35%	1.35%	1.40%

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

Budget Period	**Investment Returns**	**Borrowing Rates (PWLB 50 Years)**
2017/18	0.40%	3.50%
2018/19	0.30%	3.50%
2019/20	0.25%	4.00%
2020/21	0.25%	4.50%
2021/22	0.50%	5.00%

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.

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.**

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 50 years	-	-	-
AAA	£20m 5 years	£20m 20 years	£20m 50 years	£20m 50 years	£10m 20 years	£10m 20 years
AA+	£10m 5 years	£20m 10 years	£20m 25 years	£10m 25 years	£10m 10 years	£10m 10 years
AA	£10m 4 years	£20m 5 years	£20m 15 years	£10m 15 years	£10m 5 years	£10m 10 years
AA-	£10m 3 years	£20m 4 years	£20m 10 years	£10m 10 years	£10m 4 years	£10m 10 years
A+	£10m 2 years	£20m 3 years	£10m 5 years	£10m 5 years	£10m 3 years	£10m 5 years
A	£10m 13 months	£20m 2 years	£10m 5 years	£10m 5 years	£10m 2 years	£10m 5 years
A-	£10m 6 months	£20m 13 months	£10m 5 years	£10m 5 years	£10m 13 months	£10m 5 years
BBB+	£10m 100 days	£10m 6 months	£10m 2 years	£10m 2 years	£10m 6 months	£10m 2 years
BBB	£5m next day only	£5m next day only	-	£5m next day only	-	£5m next day only
None Rated	£1m 6 months	-	£5m 25 years		-	£5m 5 years
Pooled funds		£15m 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. Investments placed in conjuction with a Repo Agreement will be classed as a secured investment.

Government: The Debt Management Office, Loans, bonds and bills issued or guaranteed by national governments, 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 £10m and duration of 15 years will be applied.

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

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

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 £20m 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).

<u>Target Rate</u>

Forecasts of base rate can be quite diverse as illustrated by the table in ***Appendix 2***. In view of the uncertainty inherent in such predictions, it would be imprudent to set a target rate which may be difficult to achieve. In view of the foregoing, it is proposed to set a target rate of return for short-term deposits in 2017/18 of at least **0.15%.**

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

Appendix 4- Specified and Non-Specified Investments

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

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

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

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

	Specified	Non-Specified
Government		
Debt Management Account Deposit Facility	✓	✗
Gilts (UK Government)	✓	✓
Treasury Bills (T-Bills- UK Government)	✓	✗
Bonds issued by AAA rated Multilateral Development Banks	✓	✓
Registered Providers (Housing Associations)		
Registered Providers (Housing Associations)	✓	✓
Corporates		
Corporate Bonds (including Floating Rate Notes and Commercial Paper)	✓	✓
Local Authorities		
Term deposits with other UK local authorities	✓	✓
Local Authority Bills	✓	✗
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 (Treasury & Capital) who is the *de facto* Treasury Manager. In the absence of the Group Accountant (Treasury & Capital), the responsibility will pass to any of the appropriate line managers.

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

B. Long-term Investments

It is proposed that decisions regarding long-term investments be referred to the 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.

Appendix 5 Treasury Management Strategy Indicators 2017/18-2019/20

	Budget 2017-18	Budget 2018-19	Budget 2018-19
	£000	**£000**	**£000**
Authorised limit for external debt -			
Borrowing	403,699	419,199	416,915
Other long term liabilities	34,139	32,424	30,539
Total	**437,838**	**451,623**	**447,454**
Operational boundary for external debt -			
Borrowing	322,959	335,359	333,532
Other long term liabilities	34,139	32,424	30,539
Total	**357,098**	**367,783**	**364,071**
Capital Financing Requirement	359,522	372,143	364,680
Upper limits for interest rate exposure			
Principal outstanding on borrowing	322,959	335,359	333,532
Principal outstanding on investments	100,000	90,000	80,000
Net principal outstanding	**222,959**	**245,359**	**253,532**
Fixed rate limit – 100%	222,959	245,359	253,532
Variable rate limit – 30%	66,888	73,608	76,060
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	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**
Outstanding Borrowing	322,959	335,359	333,532
Other long term liabilities	34,139	32,424	30,539
Gross Debt	**357,098**	**367,783**	**364,071**
Less investments	100,000	90,000	80,000
Net Debt	**257,098**	**277,783**	**284,071**

Gross and The CFR	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**
Gross Debt	357,098	367,783	364,071
CFR	359,522	372,143	364,680
CFR Breached?	No	No	No

Appendix 6 - Prudential Indicators - Capital Finance

Ratio of Financing costs to net revenue stream	Budget 2017-18	Budget 2018-19	Budget 2019-20
General Fund	**£000**	**£000**	**£000**
Principal repayments	2,373	2,434	2,490
Interest costs	8,709	8,643	8,415
Debt Management costs	45	39	42
Rescheduling discount	-153	-110	
Investment income	-400	-270	-200
Interest applied to internal balances	813	859	940
Total General Fund	**11,386**	**11,595**	**11,687**
Net revenue stream	**324,031**	**325,399**	**327,099**
Total as percentage of net revenue stream	**3.51%**	**3.56%**	**3.57%**
Housing Revenue Account			
Principal repayments	2,267	2,724	3,062
Interest costs	6,083	6,668	6,761
Rescheduling discount	-39	-28	
Debt Management costs	39	39	31
Total HRA	**8,352**	**9,403**	**9,854**
Net revenue stream	46,400	47,792	49,226
Total as percentage of net revenue stream	**18.00%**	**19.67%**	**20.02%**

Estimate of <u>incremental impact</u> of capital investment on Council Tax and Housing Rents	Budget 2017-18	Budget 2018-19	Budget 2019-20
General Fund	**£000**	**£000**	**£000**
Unsupported borrowings - principal	351	0	0
- interest	804	0	0
Loss of investment income	34	1	1
Total	**1,189**	**1**	**1**
Impact on Band D council tax	**19.86**	**0.02**	**0.02**
Housing Revenue Account			
Loss of investment income	1	1	1
Unsupported borrowings - principal	518	290	20
- interest	907	508	40
Total	**1,426**	**799**	**61**
Impact on average weekly rent	**0.23**	**0.52**	**0.00**

This is a notional calculation

Capital financing requirement [end of year position]	Budget 2017-18	Budget 2018-19	Budget 2019-20
	£000	**£000**	**£000**
Council Fund	223,337	219,021	214,476
Housing Revenue Account	136,185	153,122	150,204
Total Authority	**359,522**	**372,143**	**364,680**

Appendix 7 - Capital Expenditure and Funding

	Budget 2017-18	Budget 2018-19	Budget 2019-20
Expenditure	**£000**	**£000**	**£000**
Council Fund	16,456	8,500	8,500
Housing Revenue Account	50,200	42,300	24,200
Total	**66,656**	**50,800**	**32,700**
Funding			
Surplus/ (Deficit) Balance b/f	971	158	
Borrowings - Supported (GF)	5,002		
General Capital Grant - WG	3,044	3,044	3,044
Internal Borrowing		5,002	5,002
RCCO Budget	128	128	128
Capital underspends frm previous years		168	326
One off funding- MRP Review 16.17	5,540		
One off funding- MRP Review 17.18	1,929		
RCCO- (HRA)	16,700	20,200	15,600
Capital Receipts (HRA)	300	300	300
Borrowings - Unsupported (HRA)	25,900	14,500	1,000
Major Repairs Allowance (HRA)	7,300	7,300	7,300
Total	**66,814**	**50,800**	**32,700**
Surplus C/f	**158**		

Appendix 8 MRP 2017/18 Policy

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

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

The WG Guidance requires the Authority to approve an Annual MRP Statement each year. The Authority's MRP policy for 2017/18 is stated below.

Supported Borrowings

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

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

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

Unsupported Borrowings

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

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

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

MRP Charges Relating to Other Capital Expenditure

1 For assets acquired by finance leases or the Private Finance Initiative [and for the transferred debt from local authorities], MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

2 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy

for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

3 The MRP charge for the HRA will be determined by using an interest rate of 2% on the opening capital financing requirement on a reducing balance basis.

Capital expenditure incurred during 2017/18 will not be subject to a MRP charge until 2018/19.

The 2017/18 policy will be retrospectively applied to 2016/17 financial year in accordance with the report presented to Special Council on 24th January 2017.

SPECIAL COUNCIL - 22ND FEBRUARY 2017

SUBJECT: **BUDGET PROPOSALS 2017/18 AND MEDIUM TERM FINANCIAL STRATEGY 2017/2022**

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

1.1 The attached report was considered by Cabinet on 15th February 2017. The recommendations of Cabinet will be reported verbally to Council.

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

Author: Helen Morgan, Senior Committee Services Officer

Appendix Report to Cabinet - 15th February 2017.

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CABINET – 15TH FEBRUARY 2017

SUBJECT: BUDGET PROPOSALS 2017/18 AND MEDIUM-TERM FINANCIAL STRATEGY 2017/2022

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 2017/18 budget proposals contained within this report prior to final determination at Council on the 22nd February 2017.

2. SUMMARY

2.1 On the 30th November 2016 Cabinet received a report providing details of draft revenue budget proposals for the 2017/18 financial year based on the Provisional Local Government Financial Settlement announced by the Welsh Government (WG) on the 19th October 2016. Following consideration of the report Cabinet: -

- endorsed the draft 2017/18 budget proposals including proposed savings totalling £8.653m;
- supported a proposal to increase Council Tax by 1% for the 2017/18 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,011.96); and
- agreed that the draft budget proposals should be subject to consultation prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.

2.2 This report provides an updated position based on the Final 2017/18 Local Government Financial Settlement announced by WG on the 21st December 2016. The report seeks Cabinet endorsement of the final 2017/18 budget proposals prior to consideration by Council on the 22nd February 2017.

2.3 The net 2017/18 revenue budget for the Council, if approved, would be £325.431m (as shown in Appendix 1).

3. LINKS TO STRATEGY

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

3.2 Effective financial planning and the setting of a balanced budget support the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

4. THE REPORT

4.1 Headline Issues in the 2017/18 Financial Settlement

4.1.1 Published on the 19th October 2016, the key points of the WG Provisional 2017/18 Local Government Financial Settlement were the following: -

- An overall net increase of 0.1% in the Aggregate External Finance (Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates) on an all-Wales basis. This varied by Authority due to the funding formula and ranged from minus 0.5% to plus 0.9%.

- For Caerphilly CBC there was a reduction of 0.3% in the Aggregate External Finance i.e. a cash decrease of £0.608m.

- There was £0.262m funding in the Provisional Settlement for Caerphilly CBC for new responsibilities in Social Services. This funding was allocated due to WG policy changes that will result in a loss of income from service user financial contributions to the cost of their care.

- There were four transfers into the Provisional Settlement totalling £0.185m and one transfer out of £0.062m.

- Changes to other passported grants in the provisional settlement resulted in a net reduction of £0.283m.

- The capital allocations available to Caerphilly CBC in the Revenue Support Grant (RSG) and from the General Capital Grant increased by £19k from the previous year.

4.1.2 The Final 2017/18 Local Government Financial Settlement announced on the 21st December 2016 showed a confirmed increase in the Aggregate External Finance (AEF) of £0.326m (0.12%) for Caerphilly CBC. In cash terms this represents an increase of £0.934m on the cash reduction of £0.608m included in the Provisional Financial Settlement. The main reasons for the increase from the Provisional Settlement are a change in the Council Tax Base and additional funding of £0.283m in the Final Settlement for new responsibilities in relation to homelessness prevention.

4.1.3 The confirmed 2017/18 Council Tax Base for Caerphilly CBC was reported to Cabinet on the 14th December 2016. This was lower than the projected Council Tax base figure that was used for the Draft 2017/18 Budget Proposals Report presented to Cabinet on the 30th November 2016 (which would have been based on the Council Tax base approved in December 2015). Whilst this has resulted in a cash increase in the Final Settlement, the Council Tax income arising from a proposed increase of 1% for 2017/18 will be £0.172m lower than assumed in the 2017/18 Draft Budget Proposals Report.

4.1.4 Cabinet should note that whilst the Final Settlement results in a cash increase for Caerphilly CBC, after adjusting for new responsibilities and grants transferred into and out of the settlement the net position is an effective cash reduction of £0.342m as shown in Table 1: -

Table 1 – Adjusted Cash Position for Caerphilly CBC

	£m
Cash Increase in Final Settlement	0.326
Funding in Settlement for New Responsibilities	(0.545)
Transfers In/Out of the Settlement	(0.123)
EFFECTIVE CASH REDUCTION	**(0.342)**

4.1.5 The net impact of the changes from the Provisional to Final Settlement is an improvement of £0.479m as summarised in Table 2: -

Table 2 – Net Impact of Changes from Provisional to Final Settlement

	£m
Increase in Aggregate External Finance (AEF)	0.934
Additional Funding in Settlement for New Responsibilities	(0.283)
Reduction in Council Tax Income (Paragraph 4.1.3)	(0.172)
NET IMPACT	**0.479**

4.1.6 There are a number of emerging issues that require consideration in determining the Final 2017/18 Budget Proposals. These will need to be funded from the £0.479m headroom in the Final Settlement along with further savings of £0.393m which will be in addition to the savings of £8.653m identified in the 2017/18 Draft Budget Proposals.

4.2 Updated 2017/18 Budget Proposals

4.2.1 The proposals contained within this report will deliver a balanced budget for 2017/18 on the basis that Council Tax is increased by 1%. Table 3 provides a summary: -

Table 3 – Summary of 2017/18 Budget Proposals

Paragraph	Description	£m	£m
4.2.2	Transfers In/Out of Settlement	0.123	
4.2.3	Other Passported Grants		0.283
4.2.4	New Responsibilities	0.545	
4.2.6	Whole-Authority Cost Pressures	3.576	
4.2.10	Inescapable Service Pressures	6.125	
4.1.2	Increase in WG Funding		0.326
4.3.1	Savings Proposals 2017/18		9.046
4.6.1	Council Tax Uplift (1%)		0.714
	TOTAL	**10.369**	**10.369**

4.2.2 Table 4 provides details of the transfers in and out of the Final Settlement: -

Table 4 – Transfers In/Out 2017/18

	£m
Transfers In: -	
Delivering Transformation Grant	0.171
Deprivation of Liberty Safeguards	0.010
Blue Badge Scheme Additional Funding	0.001

Food Hygiene Rating Scheme	0.003
Transfers Out: -	
Education Workforce Council Teacher Registration Fees	(0.062)
TOTAL	**0.123**

4.2.3 Table 5 provides details of changes to other passported grants included in the Final Settlement: -

Table 5 – Other Passported Grants 2017/18

	£m
Integrated Family Support Service	(0.173)
Private Finance Initiative (PFI)	(0.201)
Council Tax Reduction Scheme	0.091
TOTAL	**(0.283)**

4.2.4 Table 6 provides details of funding in the Final Settlement for new responsibilities: -

Table 6 – New Responsibilities 2017/18

	£m
Increasing Capital Limits for Residential Care	0.244
War Disablement Pension Disregard	0.018
Homelessness Prevention	0.283
TOTAL	**0.545**

4.2.5 As in previous years, the adjustments in Tables 4, 5 and 6 (both the increases and decreases in funding) will be passed directly to those services that they relate to.

4.2.6 The Whole-Authority cost pressures totalling £3.576m are set out in Table 7 (cost pressures for schools are excluded as these will be funded through a proposed increase of 1.25% in the funding provided to schools): -

Table 7 – Whole-Authority Cost Pressures

	£m
Pay – Weighted average increase of 1.2%	1.367
Living Wage (assumed increase of 20p per hour)	0.148
Non-pay inflation at 1.6%	2.061
TOTAL	**3.576**

4.2.7 The Draft 2017/18 Budget Proposals presented to Cabinet on the 30th November 2016 assumed a 1% increase in non-pay inflation. However, the Consumer Prices Index (CPI) inflation rate rose to 1.6% in December and this is the rate that is now reflected in the updated 2017/18 Budget Proposals.

4.2.8 The report presented to Cabinet in November also assumed a generic increase of 1% in fees and charges across the Authority. However, budget monitoring reports for the 2016/17 financial year are showing shortfalls against income targets in a number of service areas. To increase charges further at this point would exacerbate these shortfalls so the updated 2017/18 budget proposals do not include any provision for additional income from fees and charges.

4.2.9 Income generation will be subject to review during the 2017/18 financial year and a report will be prepared for Cabinet in due course.

4.2.10 Table 8 provides details of the 2017/18 inescapable service commitments/pressures that have been identified and require consideration in respect of funding: -

Table 8 – Inescapable Service Pressures and Other Service Commitments

	£m
Apprenticeship Levy	0.454
Additional holiday pay (staff working variable hours)	0.425
Welsh Language Standards	0.250
Tir-yr-Berth Depot – Running costs	0.075
Increase in funding for schools (1.25%)	1.334
Social Services cost pressures	3.500
City Deal Partnership Revenue Contribution	0.060
Coroners Service	0.027
TOTAL	**6.125**

4.2.11 **Apprenticeship Levy** – Cabinet will be aware that the apprenticeship levy will be introduced by the UK Government form April 2017 and will be applicable in Wales. All employers with a payroll cost of greater than £3m per annum will be subject to a 0.5% levy on total payroll costs. The purpose of the levy is to fund traineeships but it is currently still not clear how this will operate in Wales and how the funding will be allocated. The estimated cost of the levy for Caerphilly CBC is £454k per annum.

4.2.12 **Additional holiday pay for staff working variable hours** – Negotiations are ongoing to ensure that the Council is compliant with recent case law concerning annual leave payments for employees that receive payments in addition to their basic salary. An initial estimate of £425k has been calculated as the annual cost of these potential additional payments. It is proposed that this funding should be held corporately in the first instance until the actual impact on service budgets has been established. In addition to the need to establish a revenue budget to meet future commitments, there will also be a requirement to set aside funding from the General Fund to meet the cost of one-off back-dated payments to staff.

4.2.13 **Welsh Language Standards** – Significant financial pressures are being experienced in this area and to ensure compliance with the Standards it will be necessary to provide additional resources, particularly in relation to translation costs. This budget will be held corporately in the first instance.

4.2.14 **Tir-yr-Berth Depot** – Following the transfer of various teams into and out of the Depot there is a resultant shortfall of £75k in the running costs budget largely due to a loss of income from the Housing Revenue Account (HRA).

4.2.15 **Increase in funding for schools** – An increase of 1.25% is proposed for schools totalling £1.334m. Cabinet is advised that there is no requirement in the Financial Settlement to protect schools in 2017/18.

4.2.16 **Social Services cost pressures** - Cabinet will recall that the 2016/17 budget approved by Council on the 24th February 2016 included a contingency of £2.5m for Social Services cost pressures. This contingency was initially held corporately but the full £2.5m has now been permanently transferred into the Social Services base budget. This has been necessary to fund increases in fees for external care providers due in the main to the introduction of the National Living Wage, and additional costs arising from increasing demand for services in both Adult and Children’s Services. It is proposed that a further sum of £3.5m should be allocated in the 2017/18 budget to meet ongoing financial pressures for Social Services. This funding will be held corporately in the first instance.

4.2.17 **City Deal Partnership Revenue Contribution** – At it's meeting on the 31st January 2017, Council agreed an annual revenue contribution of £120k towards the support structure for the City Deal Regional Cabinet. For 2017/18 the contribution is only likely to be £60k as underspends from 2016/17 will be carried forward. From 2018/19 onwards there will need to be provision in the base budget to meet the full £120k annual commitment.

4.2.18 **Coroners Service** – Ongoing cost pressures in this service requires an additional contribution from partners for 2017/18.

4.3 2017/18 Savings Proposals

4.3.1 Although the Final 2017/18 Financial Settlement is marginally better than the Provisional Settlement, the additional emerging cost pressures identified in this report result in a net savings requirement of £9.046m. Table 9 provides details of savings proposals that, alongside a proposed increase of 1% in Council Tax, will enable a balanced budget to be achieved.

Table 9 – Savings Proposals 2017/18

Description	£m	£m
Draft Savings Proposals Presented to Cabinet (30/11/16): -		
- Savings in advance brought forward from 2016/17	1.815	
- Full-Year impact of approved 2016/17 savings	0.146	
- 'Nil impact' savings	3.037	
- Bowling Green rationalisation	0.113	
- Treasury Management – Review of MRP policy	3.500	
- Pension contributions for former Authorities	0.042	**8.653**
Additional Proposed Savings to Balance Budget: -		
- Fire Service Levy	0.033	
- Reduction in Council Tax Reduction Scheme Budget	0.360	**0.393**
TOTAL		**9.046**

4.3.2 **Savings in advance brought forward from 2016/17** - At its meeting on the 24th February 2016, Council approved a package of savings totalling £11.117m for the 2016/17 financial year. This exceeded the total savings required to balance the 2016/17 budget resulting in savings in advance of £1.815m. Council agreed that for 2016/17 only this excess sum should be set aside in an earmarked reserve to meet cost pressures in dry recyclable waste and to provide one-off match-funding to support carbon management initiatives. The £1.815m savings will now be required to help balance the budget for 2017/18.

4.3.3 **Full-Year impact of approved 2016/17 savings** - Some of the approved savings for 2016/17 only had a part-year impact and the full-year effect of these savings will now provide an additional £146k to support the 2017/18 budget.

4.3.4 **2017/18 'Nil Impact' savings** - As part of the extensive work previously undertaken to prepare for anticipated savings in future years, savings totalling £3.037m were identified for 2017/18 that do not have a direct impact on services users or the public. These proposals consist in the main of vacancy management, budget realignment and minor changes to service provision.

4.3.5 **Bowling Green rationalisation** - At its meeting on the 2nd March 2016, Cabinet agreed proposals on the rationalisation of Bowling Greens which have since been fully implemented and have delivered savings of £113k to support the 2017/18 budget. The approved changes included the following: -

- The closure of Abertridwr Bowling Green and subsequent release of one post.
- Removal of the Park Ranger service.
- The operation of 20 bowling greens at a reduced maintenance specification with the subsequent release of three members of staff.
- Bowling Clubs to undertake non-specialist green maintenance tasks.
- Payment of a grant to Bowling Clubs.
- Clubs to retain income from fees and charges.

4.3.6 **Treasury Management - Review of MRP policy** – At its meeting on the 24th January 2017, Council approved changes to the Council's Minimum Revenue Provision (MRP) policy. The agreed changes are as follows: -

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

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

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

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

4.3.7 The agreed changes will deliver a revenue budget saving of £3.5m from 2017/18 onwards. Furthermore, Council agreed that the changes should be back-dated to the 1st April 2016 which results in a one-off saving of £5.540m in the 2016/17 financial year. It is proposed that this one-off sum should be transferred to a capital earmarked reserve.

4.3.8 The change in the MRP policy will also result in additional one-off sums being available in future years albeit that the amounts will reduce over time. For 2017/18 a further £1.929m will be available and it is proposed that this should also be transferred into a capital earmarked reserve.

4.3.9 **Pension contribution for former Authorities** – Commitments against this budget are reducing over time and a budget reduction of £42k is achievable for 2017/18.

4.3.10 **Fire Service Levy** – The confirmed increase in the levy for 2017/18 is 1.2% which is lower than the budgeted increase of 1.6%. This results in a saving of £33k.

4.3.11 **Council Tax Reduction Scheme (CTRS)** – Cabinet will recall that Council Tax Benefit was abolished in April 2013 and replaced by the Council Tax Reduction Scheme. Since that time there has been a steady reduction in the number of claimants and this trend has continued during the 2016/17 financial year. There is therefore no requirement to increase the 2017/18 CTRS budget in line with the proposed increase in Council Tax. Furthermore, it is proposed that a budget reduction of £360k is achievable for 2017/18 without having any impact on claimants. The proposed reduction is 2.43% of the total 2016/17 CTRS budget.

4.3.12 Cabinet is asked to endorse the proposed package of savings totalling £9.046m.

4.4 Capital Programme 2017/18 to 2019/20

4.4.1 The proposed Capital Programme for the three-year period 2017/18 to 2019/20 is detailed in Appendix 2 of this report and is summarised in Table 10: -

Table 10 – Summary of Capital Programme 201718 to 2019/20

	2017/18 £m	2018/19 £m	2019/20 £m
Capital Programme proposals	**16.456**	**8.500**	**8.500**
WG funding available	**8.046**	**8.046**	**8.046**
Capital funding gap	**(8.410)**	**(0.454)**	**(0.454)**
Funded by: -			
Surplus/(Deficit) b/fwd	0.971	0.158	0.000
2016/17 One-Off funding from MRP Policy Review	5.540		
2017/18 One-Off funding from MRP Policy Review	1.929		
RCCO budget (Miscellaneous Finance)	0.128	0.128	0.128
Capital underspends from previous years		0.168	0.326
Total Additional Funding	**8.568**	**0.454**	**0.454**
Surplus/(Deficit) carried forward	**0.158**	**0.000**	**0.000**

4.4.2 Appendix 2 includes the proposed transfer into a capital earmarked reserve of £7.469m arising from the review of the Minimum Revenue Provision (MRP) policy. This consists of one-off funding of £5.540m for 2016/17 and £1.929m for 2017/18 as referred to in paragraphs 4.3.7 and 4.3.8 of this report. It is proposed that capital bids should be invited from service areas to utilise the available funding of £7.469m. Cabinet will need to be presented with the details of specific projects, along with a business case where appropriate, prior to approving the release of these funds.

4.5 General Fund Balances

4.5.1 Details of the projected movement on General Fund balances are provided in Appendix 3.

4.5.2 As already mentioned in paragraph 4.2.12, there is a need to create a provision in respect of one-off back-dated additional holiday pay requirements. Current estimates indicate that £500k should be sufficient, which will enable Officers to make the appropriate arrangements to settle this matter.

4.5.3 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. The funding outlook for Local Government remains uncertain for future years for both core funding and specific grants. With this in mind it is recommended that the balance on the General Fund should be held at a higher level than would normally be the case. The proposals in this report, if approved, would result in a projected General Fund balance of £13.910m as at the 31st March 2017.

4.6 Council Tax Implications 2017/18

4.6.1 The budget proposals within this report include a proposed increase of 1% in Council Tax for the 2017/18 financial year. This will increase the Caerphilly CBC Band D precept from £1,001.94 to £1,011.96 i.e. an annual increase of £10.02 or weekly increase of £0.19.

4.7 Medium-Term Financial Strategy 2017/2022

4.7.1 At its meeting on the 24th February 2016 Council was presented with a Medium-Term Financial Plan (MTFP) which showed an indicative savings requirement of £36.252m for the five-year period 2016/17 to 2020/21. This was based on a number of assumptions, the most significant of which are the following: -

- A 0.9% reduction in WG funding for 2016/17.
- An assumed reduction of 1.4% in WG funding for the three-year period 2017/18 to 2019/20.
- A cash flat position for WG funding in 2020/21.
- A 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).

4.7.2 An updated MTFP is attached as Appendix 4 of this report covering the five-year period 2017/18 to 2021/22. The update is based on the following assumptions: -

- No indicative Financial Settlement figures have been provided by WG for future years so for the purposes of the MTFP it is assumed that there will be no increase or decrease in WG funding for the four-year period 2018/19 to 2021/22. In reality this is unlikely to be the case but by taking this approach the updated MTFP will demonstrate the extent of financial pressures facing the Council before even considering the impact of any reductions in WG funding.
- Increases in Council Tax for the period 2018/19 to 2021/22 are linked to projected increases in non-pay inflation i.e. 2% for 2018/19, 2.5% for 2019/20, and 3% for 2020/21 and 2021/22.
- A 1.2% weighted average pay award each year.
- An assumed annual increase of 20p per hour for the Living Wage.
- Non-pay inflation and increases in fees and charges at 2% for 2018/19, 2.5% for 2019/20, and 3% for 2020/21 and 2021/22.
- The Council Tax Reduction Scheme budget to be increased each year between 2018/19 to 2021/22 in line with the proposed increase in the Council Tax.
- For planning purposes an annual uplift in funding of 1.25% is assumed for schools but this will be subject to review as savings requirements are firmed up. There is no requirement in the 2017/18 Financial Settlement to protect schools and no indication at this point that this will be a requirement in subsequent years.
- Additional funding of £1.5m per annum is assumed for Social Services cost pressures for the period 2018/19 to 2021/22. Cabinet will recall that additional funding of £2.5m was agreed for Social Services in 2016/17 and further growth of £3.5m is proposed for 2017/18. This additional funding ensures that the Social Services budget is sufficient to meet current commitments but future pressures will need to be managed within the indicative allocation of additional funding of £1.5m per annum.
- The updated MTFP includes debt charges for Caerphilly CBC's share of the cost of borrowing that will be undertaken for the City Deal between 2018/19 and 2021/22.
- The latest triennial actuarial valuation of the LG Pension Fund has recently been completed and the outcome requires an additional 1% increase per annum in the employer's contribution for the period 2018/19 to 2020/21. An increase of 1% is also assumed for 2021/22 in the updated MTFP.

4.7.3 Cabinet will note from Appendix 4 that the indicative savings requirement for the five-year period 2017/18 to 2021/22 is £37.835m as summarised in Table 11: -

Table 11 – Updated Cash Savings Targets

Year	Annual Cash Savings Target £m	Cumulative Cash Savings Target £m
2017/18	9.046	9.046
2018/19	6.628	15.674
2019/20	7.037	22.711
2020/21	7.511	30.222
2021/22	7.613	37.835

4.7.4 It is important to reiterate that in the absence of any indicative WG Financial Settlement figures for future years, the updated MTFP assumes no increase or decrease in WG funding for the period 2018/19 to 2021/22. This is unlikely to be the case and for illustration purposes even an annual reduction of 0.5% in WG funding will add circa £5.3m to the indicative savings requirement of £37.835m.

4.7.5 Detailed work will be undertaken by Officers during the coming months to review savings proposals that have previously been considered but not yet implemented, and to identify new savings proposals for consideration.

4.8 Schools Medium-Term Financial Plan

4.8.1 An updated MTFP for schools is attached as Appendix 5. This update assumes that schools will receive an annual uplift in funding of 1.25% but this position will be subject to review as savings requirements are firmed up. Cabinet will note that there is a shortfall of 0.28% for 2017/18, 0.35% for 2018/19, 0.48% for 2019/20, 0.35% for 2020/21 and 0.47% for 2021/22.

5. WELL-BEING OF FUTURE GENERATIONS

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

6. EQUALITIES IMPLICATIONS

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

7. FINANCIAL IMPLICATIONS

7.1 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

8.1 Where staff reductions are required the Council will firstly try to achieve this through ‘natural wastage’ and not filling vacancies. However, where this is not possible then every opportunity will be taken to find alternative employment through the Council’s redeployment policy. The Council will also utilise other policies as appropriate e.g. voluntary severance.

9. CONSULTATIONS

9.1 The draft 2017/18 savings proposals presented to Cabinet on the 30th November 2016 continue to follow the principles previously agreed by Council which in essence seek to limit the impact of savings on front-line services. The proposed savings for 2017/18 will have limited (if any) impact on the public so the extensive consultation process that has been followed in recent years has not been necessary.

9.2 The Council has consulted and engaged with key stakeholders but this has been a more general approach than last year as we do not have long lists of saving proposals to consult upon. The budget consultation took place over a six week period from the 5th December 2016 until the 14th January 2017. A short questionnaire was developed to seek views on the draft budget proposals and was made available on the Council’s website and promoted via social media. The survey was also distributed to a wide range of key stakeholders and groups via e-mail and in printed format.

9.3 In total, 41 completed surveys were returned and whilst this figure may seem low, it was expected given the nature of the proposed savings. A more detailed report on the outcome of the consultation is available on the Council's website through the following link: -

http://www.caerphilly.gov.uk/involved/Consultations/Budget-consultation-report

9.4 In general, there was a positive response to the proposals set out and an acceptance that the Council is doing the best it can in difficult circumstances. There were a number of general themes in the responses: -

- There was general agreement that self-management of bowling greens was an acceptable solution.
- There were mixed views on the 1% increase in Council Tax.
- Questions were raised over "nil impact" savings. It was noted that cutting back-office staff may not have a direct public impact, but it can ultimately have an impact on the services delivered on the front-line.
- There was disagreement with removal of the park ranger service.
- There were a number of responses received in objection to increasing car parking charges at country parks by a number of residents who are members of a walking group.

9.5 A number of suggestions were made to lessen the impact of savings proposals although it was noted that few proposals have a direct impact on residents: -

- The Council should focus on increasing income and reviewing expenditure on non-essential items.
- Working in partnership with others where necessary, the Council should capitalise on the assets available e.g. working with Cadw to increase visitors to Caerphilly Castle and the Town Centre.
- Streamline senior management and decision-making processes.
- Provide a good quality service therefore reducing complaints.

9.6 Special Scrutiny Committee meetings were held throughout December 2016 to provide Members with the opportunity to comment upon the draft 2017/18 budget proposals. The minutes of these meetings are attached as Appendices 6 to 9. The minutes of the Special Education for Life Scrutiny Committee are draft and subject to approval at this stage.

10. RECOMMENDATIONS

10.1 Prior to consideration and determination at Council on the 22nd February 2017, Cabinet is asked to endorse the following: -

10.1.1 That the grants passported into/out of the Financial Settlement and the funding for new responsibilities are passed directly to those services that they relate to (paragraphs 4.2.2, 4.2.3 and 4.2.4).

10.1.2 The proposed savings for 2017/18 totalling £9.046m as set out in paragraph 4.3.1 of this report.

10.1.3 The Revenue Budget proposals for 2017/18 of £325.431m as set out in this report and summarised in Appendix 1.

10.1.4 The proposed Capital Programme for the period 2017/18 to 2019/20 as set out in Appendix 2.

10.1.5 The proposed use of General Fund balances as detailed in Appendix 3.

10.2 Cabinet is also asked to note the updated MTFP detailed in Appendix 4 of this report and the indicative savings requirement of £37.835m for the five-year period 2017/18 to 2021/22.

11. REASONS FOR THE RECOMMENDATIONS

11.1 Council is required annually to approve proposals to set a balanced budget and agree a Council Tax rate.

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

12. STATUTORY POWER

12.1 The Local Government Acts 1998 and 2003.

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Consultees: - Corporate Management Team
Gail Williams, Interim Head of Legal Services & Monitoring Officer
Cllr Keith Reynolds, Leader
Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services
Cllr David Poole, Deputy Leader & Cabinet Member for Housing

Background Papers: -

- Council (24/02/16) - Budget Proposals 2016/17 and Medium-Term Financial Strategy 2016/2021
- Council (19/07/16) – Cardiff Capital Region City Deal
- Provisional 2017/18 Local Government Financial Settlement (19/10/16)
- Council (22/11/16) – Internal Investigation of Senior Officers – Additional Financial Provision for Legal Costs
- Cabinet (30/11/16) – Draft Budget Proposals for 2017/18
- Final 2017/18 Local Government Financial Settlement (21/12/16)
- Council (24/01/17) – Review of Minimum Revenue Provision Policy
- Council (31/01/17) – Cardiff Capital Region – City Deal (CCR City Deal)

Appendices: -

Appendix 1 Net Revenue Budget 2017/18
Appendix 2 Capital Programme 2017/18 to 2019/20
Appendix 3 Movements on General Fund
Appendix 4 Updated Medium-Term Financial Plan 2017/18 to 2021/22
Appendix 5 Schools Medium-Term Financial Plan 2017/18 to 2021/22
Appendix 6 Approved Minutes – Special Policy &Resources Scrutiny Committee (07/12/16)
Appendix 7 Draft Minutes – Special Education for Life Scrutiny Committee (15/12/16)
Appendix 8 Approved Minutes – Special Regen & Environment Scrutiny Committee (19/12/16)
Appendix 9 Approved Minutes – Special HSC&WB Scrutiny Committee (21/12/16)

APPENDIX 1

NET REVENUE BUDGET 2017/18

	£m	£m
Base Budget 2016/17		**324.391**
2017/18 Transfers In		
Delivering Transformation Grant	0.171	
Deprivation of Liberty Safeguards	0.010	
Blue Badge Scheme Additional Funding	0.001	
Food Hygiene Rating Scheme	0.003	**0.185**
2017/18 Transfers Out		
Education Workforce Council Teacher Registration Fees		**(0.062)**
Other passported grants		
Integrated Family Support Service	(0.173)	
Private Finance Initiative (PFI)	(0.201)	
Council Tax Reduction Scheme	0.091	**(0.283)**
New Responsibilities		
Increasing Capital Limits for Residential Care	0.244	
War Disablement Pension Disregard	0.018	
Homelessness Prevention	0.283	**0.545**
Whole Authority Cost Pressures		
Pay – Weighted average increase of 1.2%	1.367	
Living Wage (assumed increase of 20p per hour)	0.148	
Non-pay inflation at 1.6%	2.061	**3.576**
Inescapable Service Pressures		
Apprenticeship Levy	0.454	
Additional holiday pay (staff working variable hours)	0.425	
Welsh Language Standards	0.250	
Tir-yr-Berth Depot – Running costs	0.075	
Increase in funding for schools (1.25%)	1.334	
Social Services cost pressures	3.500	
City Deal Partnership Revenue Contribution	0.060	
Coroners Service	0.027	**6.125**
Savings Proposals 2017/18		**(9.046)**
Proposed Expenditure		**325.431**
Funding		
WG Support		(263.627)
Council Tax (1.0%)		(60.404)
Council Tax Surplus		(1.400)
Total Funding		**(325.431)**

APPENDIX 2

CAPITAL PROGRAMME 2017/18 – 2019/20

Scheme	Indicative		
	2017/18 £000s	2018/19 £000s	2019/20 £000s
Education & Lifelong Learning			
Health & Safety Reg Works	300	300	300
Basic Needs Accommodation	225	225	225
School Security	100	100	100
Asset Management	600	600	600
School Boiler Replacement Programme	220	220	220
Total Education & Lifelong Learning	**1,445**	**1,445**	**1,445**
Communities			
Cemeteries	409	0	0
Sports Pitches (Drainage)	30	30	30
Total Community & Leisure Services	**439**	**30**	**30**
Environmental Schemes	230	232	232
Total Countryside	**230**	**232**	**232**
Voluntary Sector Capital Grants	100	100	100
Total Economic Development	**100**	**100**	**100**
Infrastructure Retaining Walls, Culverts etc.	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**
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**

Scheme	Indicative		
	2017/18 £000s	2018/19 £000s	2019/20 £000s
Commercial and Industrial Grants	50	50	50
Town Centres	40	20	20
Navigation Colliery Site Regeneration	20	20	20
Total Urban Renewal	**110**	**90**	**90**
Total Communities	**5,697**	**5,270**	**5,270**
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	295	235	235
Total ICT & Customer Services	**295**	**235**	**235**
Corporate Asset Management	700	700	700
Total Property	**700**	**700**	**700**
Total Corporate Services	**995**	**935**	**935**
Capital Earmarked Reserve	**7,469**	**0**	**0**
Total General Fund Capital Programme: -	**16,456**	**8,500**	**8,500**

APPENDIX 3

MOVEMENTS ON GENERAL FUND

	£000's	£000's
Opening Balance 01/04/2016		**12,615**
2015/16 Council Tax Surplus to Support 2016/17 Budget		**(1,400)**
Take from General Fund agreed by Council		
Additional provision for senior pay investigation legal costs	(150)	
2016/17 City Deal Partnership revenue contribution	(60)	**(210)**
Projected Take to General Fund from 2016/17 Underspends: -		
Education and Lifelong Learning	9	
Environment	213	
Corporate Services	635	
Miscellaneous Finance	1,967	**2,824**
Estimated 2016/17 Council Tax Surplus		**1,400**
Approved Transfers to General Fund from Earmarked Reserves: -		
Corporate Services - Policy	32	
Corporate Services - Recruitment Advertising & Legal Costs	133	
Corporate Services - Housing Benefits	100	
Corporate Services – Miscellaneous	288	
Education & Lifelong Learning - Service Initiatives Reserve	28	**581**
2016/17 Council Tax Surplus to Support 2017/18 Budget		**(1,400)**
Provision for back-dated additional holiday pay		**(500)**
Projected Balance 31/03/17		**13,910**

APPENDIX 4

MEDIUM-TERM FINANCIAL PLAN 2017/18 TO 2021/22

Description	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
WG Funding (+0.12% for 2017/18 then cash flat)	0.326	0.000	0.000	0.000	0.000
Council Tax (1%, 2%, 2.5%, 3%, 3%)	0.714	1.393	1.735	2.102	2.172
Total Funding	**1.040**	**1.393**	**1.735**	**2.102**	**2.172**

Pay (weighted average increase of 1.2% per annum)	1.367	1.383	1.400	1.417	1.434
Living Wage (assumes pledge funds schools)	0.148	0.148	0.148	0.148	0.148
Non-Pay Inflation (1.6%, 2%, 2.5%, 3%, 3%)	2.061	2.628	3.367	4.161	4.286
Fees and Charges (0%, 2%, 2.5%. 3%, 3%)	0.000	(0.326)	(0.418)	(0.517)	(0.532)
New Responsibilities	0.545	0.000	0.000	0.000	0.000
Transfers In/Out and Other Passported Grants	(0.160)	0.000	0.000	0.000	0.000
Sub-Total	**3.961**	**3.833**	**4.497**	**5.209**	**5.336**
Service Pressures/Additional Funding					
CTRS Additional Liability (0%, 2%, 2.5%, 3%, 3%)	0.000	0.299	0.381	0.468	0.482
Apprenticeship Levy	0.454	0.000	0.000	0.000	0.000
Additional holiday pay (staff working variable hours)	0.425	0.000	0.000	0.000	0.000
Welsh Language Standards	0.250	0.000	0.000	0.000	0.000
Tir-yr-Berth Depot – Running costs	0.075	0.000	0.000	0.000	0.000
Increase in funding for schools (1.25% per annum)	1.334	1.351	1.367	1.385	1.402
Social Services cost pressures	3.500	1.500	1.500	1.500	1.500
City Deal Partnership Revenue Contribution	0.060	0.060	0.000	0.000	0.000
City Deal Debt Charges	0.000	0.050	0.091	0.104	0.109
Coroners Service	0.027	0.000	0.000	0.000	0.000
Employer Pension Contributions	0.000	0.928	0.937	0.947	0.956
Sub-Total	**6.125**	**4.188**	**4.275**	**4.404**	**4.449**
Annual Shortfall	**9.046**	**6.628**	**7.037**	**7.511**	**7.613**
Cumulative Shortfall	**9.046**	**15.674**	**22.711**	**30.222**	**37.835**

APPENDIX 5

SCHOOLS MEDIUM-TERM FINANCIAL PLAN 2017/18 TO 2021/22

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Indicative Increase in funding (1.25%)	**1.334**	**1.351**	**1.367**	**1.385**	**1.402**
Inflationary pressures					
Pay award – Teachers (EST 1%, 1%, 1%, 1%, 1%)	0.683	0.690	0.697	0.704	0.711
Pay award - APT&C (Weighted average of 1.2%)	0.144	0.146	0.148	0.150	0.152
Non-pay inflation (1.6%, 2%, 2.5%, 3%, 3%)	0.297	0.374	0.474	0.582	0.599
Apprenticeship Levy (0.5%)	0.383	0.000	0.000	0.000	0.000
Service pressures					
Formula related changes (i.e. floor area, FSM)	0.150	0.150	0.150	0.150	0.150
Projected demographic increase/(decrease)	(0.057)	0.322	0.361	0.145	0.260
TOTAL PRESSURES	**1.600**	**1.682**	**1.830**	**1.731**	**1.872**
Less indicative increase in funding	**1.334**	**1.351**	**1.367**	**1.385**	**1.402**
Projected (shortfall)/growth	**(0.266)**	**(0.331)**	**(0.463)**	**(0.346)**	**(0.470)**
Percentage shortfall	**(0.28%)**	**(0.35%)**	**(0.48%)**	**(0.35%)**	**(0.47%)**

POLICY AND RESOURCES SCRUTINY COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON WEDNESDAY, 7TH DECEMBER 2016 AT 5.30 P.M.

PRESENT:

Councillor S. Morgan - Chair
Councillor G. Kirby - Vice Chair

Councillors:

Councillors L. Binding, C.J. Cuss, Miss E. Forehead, C. Hawker, Ms J.G. Jones, A. Lewis, C.P. Mann, Mrs G.D. Oliver, D. Rees, J. Simmonds and J. Taylor.

Cabinet Members:

Councillors Mrs C. Forehead (HR & Governance/Business Manager), D.V. Poole (Housing), Mrs B. Jones (Corporate Services).

Together with:

N. Scammell (Acting Director of Corporate Services and S151), S. Harris (Interim Head of Corporate Finance), C. Forbes-Thompson (Interim Head of Democratic Services) and C. Evans (Committee Services Officer).

Also Present:

M. Swallow (Arlingclose).

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Mrs P. Cook, J.E. Fussell, D.T. Hardacre (Cabinet Member for Performance and Asset Management) and R. Saralis.

2. DECLARATIONS OF INTEREST

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

REPORTS OF OFFICERS

Consideration was given to the following reports.

3. REVIEW OF MINIMUM REVENUE PROVISION POLICY

The report provided Members with details of options for proposed changes to the Council's Minimum Revenue Provision (MRP) policy, along with an opportunity to comment upon the options presented prior to subsequent consideration by Cabinet and Council in January 2017.

Members noted that the MRP is the method by which Local Authorities charge their revenue accounts over time with the cost of their capital expenditure that was originally funded by debt. From 2007/8 onwards, Local Authorities have been free to set their own policy on calculating MRP, with the sole legislative proviso being that the amount calculated must be one that the Council considers to be "prudent".

The 2017/18 Draft Budget Proposals presented to Cabinet on 30th November 2016 included a savings proposal of £3.5m to be achieved through a review of the Council's MRP policy.

The Council's current policy for capital expenditure funded from supported borrowings is for MRP to be charged to revenue at 4% in accordance with the Capital Financing Requirement (CFR) Method on a reducing balance basis. Based on an opening supported borrowing CFR of £175.746m as at the 1st April 2016, the 2016/17 MRP charge for supported borrowings is £7.030m.

The Council currently adopts the Asset Life approach using the Equal Instalment Method for capital expenditure funded by unsupported (prudential) borrowing. This allows a charge to revenue over a 25 year period, which is deemed to be the estimated useful life. The charge is applied on a straight-line basis. Based on an opening unsupported borrowing CFR of £16.073m as at the 1st April 2016, the 2016/17 MRP charge for unsupported borrowings is £0.831m.

Members were asked to consider two alternative options available for charging the MRP on supported and unsupported borrowings i.e. the Straight Line Method and Annuity Method, based on the following: -

- Historic debt liability as at the 31st March 2007 and subsequent capital expenditure funded from supported borrowings to be charged to revenue over 50 years.
- The MRP charge for individual assets funded through unsupported borrowing to be based on the estimated life of each asset or 25 years where this cannot be determined.
- An assumed annuity rate of 2% for supported borrowing.
- The annuity rate for unsupported borrowing to be based on the average PWLB interest rate for new annuity loans in the year that an asset becomes operational.

An immediate recurring saving of circa £3.5m is available to support the 2017/18 revenue budget through adopting either of the proposed options. In addition to the revenue budget saving the straight-line approach will generate additional one-off sums of circa £3.8m in 2016/17 and £0.232m in 2017/18 to support the Capital Programme. The annuity approach will generate an additional one-off sum of circa £5.5m in 2016/17 and additional annual one-off sums to support the Capital Programme for a number of years as detailed in paragraph 4.6.8 of the report. The total MRP charge required to fully extinguish the CFR is the same under both the straight-line and annuity methods.

The Committee thanked the Officers for the detailed report and explanation and were asked to note that consultation has been conducted with Trade Unions, who were in agreement with the proposed changes.

Members expressed concerns regarding the impact of the proposed changes on future generations. Members were assured that this has been considered and that the proposals in the report essentially seek to charge MRP to the revenue account over a period which is commensurate with the estimated lives of assets. This approach ensures that the charge is applied over the period that benefit is being gained from the use of assets.

Following discussion on the content of the report, it was moved and seconded that the principles of the report be agreed, in favour of annuity being applied to both supported and unsupported borrowing. By a show of hands (and in noting that there were 4 against) this was agreed by the majority present.

RESOLVED that: -

(i) It be noted that a Member Seminar has been scheduled for the 12th January 2017 to enable all Members to be fully briefed on the proposed changes and to provide a further opportunity for views to be expressed and for questions to be raised.

(ii) It be noted that a further report on proposed changes to the MRP policy be subsequently presented to Cabinet on the 18th January 2017 and then Council on the 24th January 2017.

4. DRAFT BUDGET PROPOSALS FOR 2017/18

The report, which was presented to Cabinet on 30th November 2016, provided Members with details of draft budget proposals and draft savings proposals for the 2017/18 financial year, to allow for a period of consultation prior to a final decision in February 2017.

Members noted the headline issues in the Provisional Financial Settlement, which was published on 19th October 2016 and the 2017/18 Draft Proposals including a proposal that Council Tax is increased by 1%. The report provided details of Whole Authority Cost Pressures (totalling £2.745m), Inescapable Service Pressures (totalling £6.186m), and the Reduction in Welsh Government Funding (totalling £0.608m). In addition, the report outlined the Draft Savings Proposals for 2017/18 (totalling £8.653m) and Council Tax Uplift ((1%) totalling £0.886m), which will ensure that a balanced budget is deliverable for 2017/18.

The report provided details of significant pressures being experienced in Social Services due to the implementation of the National Living Wage from April 2016 and increasing demand on services. As a consequence of this, the Draft Budget Proposals for 2017/18 include an additional £3.5m for Social Services.

Although the Provisional 2017/18 Financial Settlement is much better than originally anticipated, the cost pressures identified in the report result in a net savings requirement of £8.653m. Table 6 provided details of the draft savings proposals that, alongside the proposed increase of 1% in Council Tax, will enable a balanced budget to be achieved.

A Member sought clarification on the proposals for Additional Holiday Pay for staff working variable hours and concerns were raised that the estimated £425k was too low and sought further information on the anticipated impact. Officers assured Members that at present, these figures are all based on assumptions. In addition, Members were asked to note that this applies to part-time staff that may be working additional hours and ensuring that the correct holidays have been applied to the number of hours worked.

Members sought further information on the Apprenticeship Levy. Officers explained that there is still no clear guidance from Welsh Government in reference to the Apprenticeship Levy, but it is hoped that further updates could be provided in due course.

A Member sought further information on the Bowling Green Rationalisation, as outlined in the report. Officers explained that there have been staff changes, as agreed at meetings earlier in the year, however, further information would be sought from the responsible Officer and provided to the Committee.

Following consideration and discussion, it was moved and seconded that the principles in the report be agreed. By a show of hands (and in noting there were 4 abstentions) this was agreed by the majority present.

RESOLVED that for the reasons contained in the Officer's report: -

(i) the draft 2017/18 budget proposals including the proposed savings totalling £8.653m be endorsed;

(ii) the proposal to increase Council Tax by 1% for the 2017/18 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,011.96) be agreed;

(iii) the draft budget proposals be subject to consultation prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.

The meeting closed at 6:31 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 17th January 2017, they were signed by the Chair.

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CHAIR

APPENDIX 7

SPECIAL EDUCATION FOR LIFE SCRUTINY COMMITTEE

DRAFT MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON THURSDAY, 15TH DECEMBER 2016 AT 5.30PM.

PRESENT:

Councillor W. David - Chair
Councillor J. Pritchard - Vice-Chair

Councillors:

P.J. Bevan, H.R. Davies, M.P. James, Mrs. P. Marsden, D.W.R. Preece, D. Rees, J.E. Roberts, R. Saralis, Mrs M.E. Sargent, J. Simmonds.

Together with:

K. Cole (Chief Education Officer), N. Scammell (Acting Director of Corporate Services and S151 Officer), S. Richards (Principal Finance Officer), S. Ead (Solicitor), A. Dredge (Committee Services Officer).

Also Present:

Co-opted Members: Mr D. Davies (Caerphilly Governors Association), Mr M. Barry and Mr R. Morgan (Parent Governors), Mr. M. Western (Cardiff Archdiocesan Commission for Education Representative).

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J. Bevan, C. Gordon, G. Johnston, Mrs G.D. Oliver and Mrs P.J. Ireland and Mrs J. Havard (NUT).

2. DECLARATIONS OF INTEREST

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

3. DRAFT BUDGET PROPOSALS FOR 2017/18

The Acting Director of Corporate Services and S151 Officer introduced the report that provided Members with the draft budget proposals for the 2017/18 financial year that had been presented to Cabinet on the 30th November 2016. As part of the consultation process on the draft budget proposals the Scrutiny Committee was asked to consider and comment upon the content of the report prior to a final decision being made in February 2017.

Members noted the headline issues in the Welsh Government Provisional 2017/18 Local Government Financial Settlement (that was published on 19th October 2016) and details of the draft budget proposals for 2017/18 were set out. The report detailed Whole Authority Cost Pressures (£2.745m), Inescapable Service Pressures (£6.186m), and the Reduction in Welsh Government Funding (£0.608m). Additionally, the report outlined draft savings proposals for 2017/18 (£8.653m) and a proposed Council Tax Uplift of 1% (£0.886) which will ensure that a balanced budget is deliverable for 2017/18.

The report outlined the pressures placed on service areas, with significant pressure on Social Services for essential payments in relation to the National Living Wage that had an impact on supplier's contract prices to Caerphilly County Borough Council and the ever-increasing demand for services in both Adult and Children's Services. As a result, the report proposed that £3.5m be allocated in the 2017/18 budget to meet ongoing financial pressures within Social Services. It was explained that cost pressures for schools are excluded as these will be funded through a proposed increase of 1.25% that will fund pay and non-pay inflationary increases and will also fund the majority of the cost of the impact of the Apprenticeship Levy in relation to Schools. Members were advised that although the Levy will be introduced by the UK Government from April 2017 and will be applicable in Wales, it is currently unknown how this will operate in Wales and how funding will be made available in Wales.

The Scrutiny Committee were informed that although the provisional 2017/18 financial settlement is much better than originally anticipated, the emerging cost pressures identified have resulted in a net savings requirement of £8.653m. Included in the proposals are £3.037m of savings identified for 2017/18 that do not have a direct impact on service users or the public. A saving of £3.5m has also been proposed through undertaking a review of the Authority's Minimum Revenue Provision Policy, which was recently reported to the Policy and Resources Scrutiny Committee. A Members' Seminar has been scheduled for 12th January 2017, which will allow Members to be fully briefed on the proposed changes, ahead of the proposals being presented to Cabinet and thereafter Council for consideration.

During the course of the ensuing debate, a Member queried the matter of bowling green rationalisation (agreed by Cabinet in March 2016). Officers confirmed that a consultation was undertaken as part of the process and details of the approved changes were set out. Another Member queried the figure set aside for Welsh Language Standards and was advised that significant financial pressures are being experienced in this area due to the new Welsh Language Standards and the Local Authority must comply with the legislation or the Council could receive significant fines from the Welsh Language Commissioner.

Clarification was sought in relation to the 'nil impact' vacancy management savings detailed in the report, with Members expressing concerns in relation to the impact that staffing reductions and subsequent service pressures could have on individuals. Officers outlined the context of these proposals and confirmed they were not aware of any compulsory redundancies as a result of savings and enquiries would be made following the meeting and the information distributed. A Member requested statistics of stress related sickness levels of staff within schools and was assured that the Council is committed to promoting employee wellbeing and reducing work-related stress as much as possible. These figures would also be provided following the meeting. Officers also explained that appropriate consultation with staff and trade unions will be undertaken prior to any restructuring arrangements being implemented.

Following consideration and discussion and subject to there being no compulsory redundancies, it was moved and seconded that the recommendations in paragraph 10 of the report be supported. Paragraph 10.1. and 10.2. was supported by the majority present with 1 abstention and paragraph 10.1.3. was unanimously agreed.

RESOLVED that subject to the foregoing, the Education for Life Scrutiny Committee supported:

(i) subject to there being no compulsory redundancies, the draft 2017/18 budget proposals including the proposed savings totalling £8.653m be endorsed;

(ii) subject to there being no compulsory redundancies, the proposal to increase Council Tax by 1% for the 2017/18 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,011.96) be supported;

(iii) the draft budget proposals be subject to consultation prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.

The meeting closed at 6.30pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 27th February 2017. they were signed by the Chair.

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CHAIR

APPENDIX 8

SPECIAL REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON MONDAY 19TH DECEMBER 2016 AT 5.30 P.M.

PRESENT:

Councillor D.T. Davies - Chair
Councillor Mrs E.M. Aldworth – Vice-Chair

Councillors:

M. Adams, L. Harding, R.W. Gough, S. Kent, P. Marsden, M.J. Prew

Cabinet Member:

T.J. Williams (Highways, Transportation and Engineering)

Together with:

N. Scammell (Acting Director of Corporate Services and Section 151 Officer), S. Harris (Interim Head of Corporate Finance), M. Eedy (Finance Manager - Environment Directorate), L. Dallimore (Medium Term Financial Plan Programme Coordinator), B. Davies (Solicitor) and R. Barrett (Committee Services Officer)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors C.J. Cuss, C. Elsbury, Mrs A. Leonard and Mrs E. Stenner, together with Cabinet Members N. George (Community and Leisure Services) and K. James (Regeneration, Planning and Sustainable Development).

2. DECLARATIONS OF INTEREST

Councillor D.T. Davies declared an interest in Agenda Item 3 (Draft Budget Proposals for 2017/18) in respect of Bowling Green rationalisation. Details are minuted with the respective item.

REPORTS OF OFFICERS

Consideration was given to the following report.

3. DRAFT BUDGET PROPOSALS FOR 2017/18

Councillor D.T. Davies declared an interest in this item as he is a member of Bargoed Bowls Club. In that the interest was deemed to be personal and not prejudicial, he remained in the meeting room during consideration of the item.

The report, which was presented to Cabinet on 30th November 2016, provided Members with details of draft budget proposals and draft savings proposals for the 2017/18 financial year, to allow for a period of consultation prior to a final decision in February 2017.

Members noted the headline issues in the WG Provisional 2017/18 Local Government Financial Settlement (which was published on 19th October 2016) and the details of the draft budget proposals for 2017/18. The report detailed Whole Authority Cost Pressures (£2.745m), Inescapable Service Pressures (£6.186m), and the Reduction in Welsh Government Funding (£0.608m). Additionally, the report outlined draft savings proposals for 2017/18 (£8.653m) and a proposed Council Tax Uplift of 1% (£0.886m) which will ensure that a balanced budget is deliverable for 2017/18.

The report outlined the financial pressures placed on service areas, with significant pressure on Social Services for essential payments in relation to the National Living Wage that had an impact on suppliers' contract prices to CCBC, and the ever-increasing demand for services in both Adult and Children's Services. As a result, the report proposed that £3.5m be allocated in the 2017/18 budget to meet the ongoing financial pressures within Social Services. It was explained that cost pressures for schools are excluded as these will be funded through a proposed increase of 1.25% in the funding provided to schools.

Members were advised that although the provisional 2017/18 financial settlement is better than originally anticipated, the emerging cost pressures identified have resulted in a net savings requirement of £8.653m. Members were referred to Table 6 of the report, which provided details of the draft savings proposals that, alongside the proposed increase of 1% in Council Tax, will enable a balanced budget to be achieved. Included in the proposals are £3.037m of savings identified for 2017/18 that do not have a direct impact on service users or the public. A saving of £3.5m has also been proposed through undertaking a review of the Authority's Minimum Revenue Provision Policy, details of which were reported to the Policy and Resources Scrutiny Committee on the 7th December 2016. A Members' Seminar has been scheduled for the 12th January 2017 which will allow Members to be fully briefed on the proposed changes, ahead of the proposals being presented to Cabinet and thereafter Council for consideration.

During the course of the ensuing debate, reference was made to 'nil impact' savings (such as vacancy management, budget realignment and service provision). Members expressed a need for the Council to be mindful of staff wellbeing when applying these savings, and raised concerns regarding staffing reductions (especially in smaller teams) and the impact that subsequent service pressures could have on individuals. Officers gave examples of how these reductions could be spread out (such as a loss of a 0.5fte post in a team of 30 staff) and agreed to circulate further information to the Scrutiny Committee for sickness data related to work-related stress.

Members were assured that the Council is committed to promoting employee wellbeing and reducing work-related stress for all its employees as much as possible. Officers also explained that appropriate consultation will take place with staff and trade unions before any restructuring arrangements are implemented. Moving forward, Members were reminded of the difficult times faced by the Authority and the continued need to examine potential savings across all service areas. Officers advised that 'nil' impact savings would present a much smaller proportion of savings moving forward.

Discussion took place regarding the details of Bowling Green rationalisation (agreed by Cabinet in March 2016) and Officers confirmed that this process had entailed a number of voluntary redundancy severance arrangements. Members sought further information on the Apprenticeship Levy, and Officers explained that there is currently no clear guidance from Welsh Government on this matter. Reference was also made to a shortfall in income generation for car parking charges at country parks during 2016/17 and Officers confirmed that measures were being looked at to ensure the income target was achieved.

Following consideration and discussion of the report, it was moved and seconded that the following recommendations be supported. By a show of hands (and in noting there was 1 abstention), this was agreed by the majority present.

RESOLVED that for the reasons contained in the Officer's report: -

(i) the draft 2017/18 budget proposals, including the proposed savings totalling £8.653m, be endorsed;

(ii) the proposal to increase Council Tax by 1% for the 2017/18 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,011.96) be supported;

(iii) the consultation process for the draft budget proposals be endorsed, prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.

The meeting closed at 5.56 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 14th February 2017, they were signed by the Chair.

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CHAIR

APPENDIX 9

SPECIAL HEALTH, SOCIAL CARE AND WELLBEING SCRUTINY COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON WEDNESDAY 21ST DECEMBER 2016 AT 5.30 P.M.

PRESENT:

Councillor L. Ackerman - Chair

Councillors:

Mrs E.M. Aldworth, Mrs A. Blackman, M. Evans, Ms J. Gale, D.C. Harse, A. Lewis, J.A. Pritchard

Together with:

D. Street (Corporate Director - Social Services), S. Harris (Interim Head of Corporate Finance), L. Dallimore (Medium Term Financial Plan Programme Coordinator), E. Sullivan (Scrutiny Officer) and R. Barrett (Committee Services Officer)

1. MISS LOUISE PRICE

The Chair announced that Miss Louise Price had recently resigned as a co-opted member of the Scrutiny Committee. Members placed on record their appreciation to Miss Price for her valued contribution to the work of the Committee and wished her well in her future endeavours. It was agreed that a letter be sent to Miss Price on behalf of the Committee to thank her for her diligence in carrying out her role as an advocate for other service users across the county borough.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors L. Gardiner, G.J. Hughes, Miss L. Jones and Mrs A. Leonard, together with Cabinet Members N. George (Community and Leisure Services) and R. Woodyatt (Social Services).

3. DECLARATIONS OF INTEREST

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

REPORTS OF OFFICERS

Consideration was given to the following report.

4. DRAFT BUDGET PROPOSALS FOR 2017/18

The report, which was presented to Cabinet on 30th November 2016, provided Members with details of draft budget proposals and draft savings proposals for the 2017/18 financial year, to allow for a period of consultation prior to a final decision in February 2017.

Members noted the headline issues in the WG Provisional 2017/18 Local Government Financial Settlement (which was published on 19th October 2016) and the details of the draft budget proposals for 2017/18. The report detailed Whole Authority Cost Pressures (£2.745m), Inescapable Service Pressures (£6.186m), and the Reduction in Welsh Government Funding (£0.608m). Additionally, the report outlined draft savings proposals for 2017/18 (£8.653m) and a proposed Council Tax Uplift of 1% (£0.886m) which will ensure that a balanced budget is deliverable for 2017/18.

The report outlined the financial pressures placed on service areas, with significant pressure on Social Services for essential payments in relation to the National Living Wage that had an impact on suppliers' contract prices to CCBC, and the ever-increasing demand for services in both Adult and Children's Services. Members were reminded that the 2016/17 revenue budget approved by Council in February 2016 included a contingency of £2.5m which has now been permanently transferred into the Social Services base budget to meet these cost pressures. The report proposed that a further sum of £3.5m be allocated in the 2017/18 budget to meet the ongoing financial pressures within Social Services. It was explained that cost pressures for schools are excluded as these will be funded through a proposed increase of 1.25% in the funding provided to schools.

Members were advised that although the provisional 2017/18 financial settlement is better than originally anticipated, the emerging cost pressures identified have resulted in a net savings requirement of £8.653m. Members were referred to Table 6 of the report, which provided details of the draft savings proposals that, alongside the proposed increase of 1% in Council Tax, will enable a balanced budget to be achieved. Included in the proposals are £3.037m of savings identified for 2017/18 that do not have a direct impact on service users or the public. A saving of £3.5m has also been proposed through undertaking a review of the Authority's Minimum Revenue Provision (MRP) policy, details of which were reported to the Policy and Resources Scrutiny Committee on the 7th December 2016. A Members' Seminar has been scheduled for the 12th January 2017 which will allow Members to be fully briefed on the proposed changes to the MRP policy, ahead of the proposals being presented to Cabinet and thereafter Council for consideration.

During the course of the ensuing debate, a Member queried whether the non-pay inflation at 1% (£1.128m) contained within Whole Authority Cost Pressures was a realistic calculation, given the uncertainty of the current economic climate. Officers explained that appropriate consideration had been given to the Consumer Price Index (CPI) in making this calculation and that inflation over the longer term would be considered as part of the Medium Term Financial Plan going forward over the next 4 years.

A query was received as to why the potential saving of £3.5m proposed though a review of the Council's MRP policy had not been examined in previous years. Officers explained that although legislation surrounding the calculation of MRP changed in 2007/08 to allow local authorities to set their own policy, authorities have only examined this in recent years in response to ongoing austerity measures. Furthermore, audit guidance on this matter was only issued by the Wales Audit Office in January 2016.

Concerns were raised that a change to the MRP policy could lead to an extended period of repayments by the Council, and of the implications of allocating funds to revenue rather than capital accounts. Officers clarified the processes relating to the MRP policy and explained that at a special meeting on 7th December 2016, the Policy and Resources Scrutiny Committee were in favour of annuity being applied to both supported and unsupported borrowing. Members were advised that further details on these matters would be provided at the Members' Seminar arranged for 12th January 2017.

Further information was sought regarding the ongoing cost pressures faced by Social Services and the need for further funding in this regard. Officers explained that although the £2.5m transferred into the base budget has helped to meet cost pressures within Social Services for 2016/17, there is a need for additional funding moving forward to meet further cost pressures in relation to incremental increases in the National Living Wage and additional demand for services.

Officers outlined the need to appropriately balance staffing levels with service requirements during a period of reduced funding. Members were advised that there is increased demand within Children's Services arising from more complex behaviours being experienced, and that longer life expectancies have resulted in increased demands on Adult Services. It was explained that the proposed £3.5m additional funding will allow services to be maintained at their current level for 2017/18, but that in future years, if such funds cannot be secured, there may be a need to deliver resources in an alternative way or to those in the greatest need.

A Member enquired as to whether consideration had been given to increasing Council Tax over the proposed level of 1%. Officers explained that the Scrutiny Committee is able to put forward a view on this proposal if it wishes to do so. Members were also informed of the disparity between social care funding and healthcare funding and of the challenges this presents to local authorities across Wales.

Clarification was sought on the 'nil impact' vacancy management savings detailed in the report, with Members expressing concerns in relation to the impact that staffing reductions and subsequent service pressures could have on individuals. Officers outlined the context of these proposals, explaining that of the 11 posts identified for vacancy management across the service, 10 of these are currently vacant. It was explained that changing legislation has placed additional demands on Social Services and limited the resources available, and Members were also reminded of the difficult times faced by the Authority and the continued need to examine potential savings across all service areas.

A Member raised a query regarding contrasting information as to the total number of staff employed by the Authority. It was confirmed that arrangements would be made to circulate accurate figures to the Scrutiny Committee. In response to a query regarding running costs at Tiryberth Depot (as part of Inescapable Service Pressures and Other Service Commitments) it was explained that the shortfall of £75k is due to a loss of income from the Housing Revenue Account (as staff from that service area have moved to other locations).

Following consideration and discussion, it was unanimously agreed that the contents of the report be noted and that the recommendations contained therein be supported.

RESOLVED that for the reasons contained in the Officer's report: -

(i) the draft 2017/18 budget proposals, including the proposed savings totalling £8.653m, be endorsed;

(ii) the proposal to increase Council Tax by 1% for the 2017/18 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,011.96) be supported;

(iii) the consultation process for the draft budget proposals be endorsed, prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.

The meeting closed at 6.07 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 7th February 2017, they were signed by the Chair.

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CHAIR

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AGENDA ITEM NO.

SPECIAL COUNCIL – 22 FEBRUARY 2017

SUBJECT: COUNCIL TAX SETTING RESOLUTION 2017/18

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

RESOLUTIONS

In accordance with the requirements of The Local Government 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 14th December 2016 the Cabinet calculated the following amounts for the year 2017/2018 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) **59,689.83** 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	2,006.91
Argoed	861.89
Bargoed	3,578.89
Bedwas, Trethomas & Machen	3,775.45
Blackwood	2,922.66
Caerphilly	6,159.77
Darren Valley	694.50
Draethen,Waterloo & Rudry	596.09
Gelligaer	6,224.70

	Tax Base No. of D Band Equivalent Properties
Llanbradach & Pwllypant	**1,460.46**
Maesycwmmer	**760.76**
Nelson	**1,602.15**
New Tredegar	**1,338.53**
Penyrheol, Trecenydd & Energlyn	**4,413.36**
Rhymney	**2,524.62**
Risca East	**2,046.46**
Risca West	**1,768.49**
Van	**1,632.87**
Remainder	**15,321.27**
Total	**59,689.83**

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 2017/2018 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992:-*

(a)	**£326,123,395**	*being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) and 32(3) (a and b) 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)	**£324,723,395**	*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)	**£263,627,166**	*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)	**£1,023.56**	*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)	**£692,508**	*being the aggregate amount of all special items referred to in section 34(1) of the Act.*
(g)	**£1,011.96**	*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	17.19	1,011.96	1,029.15
Argoed	14.00	1,011.96	1,025.96
Bargoed	16.21	1,011.96	1,028.17
Bedwas, Trethomas & Machen	17.95	1,011.96	1,029.91
Blackwood	20.00	1,011.96	1,031.96
Caerphilly	13.00	1,011.96	1,024.96
Darren Valley	17.97	1,011.96	1,029.93
Draethen,Waterloo & Rudry	25.16	1,011.96	1,037.12
Gelligaer	14.63	1,011.96	1,026.59
Llanbradach & Pwllypant	20.67	1,011.96	1,032.63
Maesycwmmer	24.05	1,011.96	1,036.01
Nelson	17.24	1,011.96	1,029.20
New Tredegar	12.64	1,011.96	1,024.60
Penyrheol, Trecenydd & Energlyn	13.15	1,011.96	1,025.11
Rhymney	13.86	1,011.96	1,025.82
Risca East	12.00	1,011.96	1,023.96
Risca West	18.10	1,011.96	1,030.06
Van	12.52	1,011.96	1,024.48
Remainder	0.00	1,011.96	1,011.96

being the amounts given by adding to the amount at (2)(g) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (1)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts, of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(i)

Valuation Bands	A	B	C	D	E	F	G	H	I
	£	£	£	£	£	£	£	£	£
County Borough Council	674.64	787.08	899.52	1,011.96	1,236.84	1,461.72	1,686.60	2,023.92	2,361.24
Community Councils									
Aber Valley	11.46	13.37	15.28	17.19	21.01	24.83	28.65	34.38	40.11
Argoed	9.33	10.89	12.44	14.00	17.11	20.22	23.33	28.00	32.67
Bargoed	10.81	12.61	14.41	16.21	19.81	23.41	27.02	32.42	37.82
Bedwas, Trethomas & Machen	11.97	13.96	15.96	17.95	21.94	25.93	29.92	35.90	41.88
Blackwood	13.33	15.56	17.78	20.00	24.44	28.89	33.33	40.00	46.67
Caerphilly	8.67	10.11	11.56	13.00	15.89	18.78	21.67	26.00	30.33
Darren Valley	11.98	13.98	15.97	17.97	21.96	25.96	29.95	35.94	41.93
Draethen,Waterloo & Rudry	16.77	19.57	22.36	25.16	30.75	36.34	41.93	50.32	58.71
Gelligaer	9.75	11.38	13.00	14.63	17.88	21.13	24.38	29.26	34.14
Llanbradach & Pwllypant	13.78	16.08	18.37	20.67	25.26	29.86	34.45	41.34	48.23
Maesycwmmer	16.03	18.71	21.38	24.05	29.39	34.74	40.08	48.10	56.12
Nelson	11.49	13.41	15.32	17.24	21.07	24.90	28.73	34.48	40.23
New Tredegar	8.43	9.83	11.24	12.64	15.45	18.26	21.07	25.28	29.49
Penyrheol, Trecenydd & Energlyn	8.77	10.23	11.69	13.15	16.07	18.99	21.92	26.30	30.68
Rhymney	9.24	10.78	12.32	13.86	16.94	20.02	23.10	27.72	32.34
Risca East	8.00	9.33	10.67	12.00	14.67	17.33	20.00	24.00	28.00
Risca West	12.07	14.08	16.09	18.10	22.12	26.14	30.17	36.20	42.23
Van	8.35	9.74	11.13	12.52	15.30	18.08	20.87	25.04	29.21
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	686.10	800.45	914.80	1,029.15	1,257.85	1,486.55	1,715.25	2,058.30	2,401.35
Argoed	683.97	797.97	911.96	1,025.96	1,253.95	1,481.94	1,709.93	2,051.92	2,393.91
Bargoed	685.45	799.69	913.93	1,028.17	1,256.65	1,485.13	1,713.62	2,056.34	2,399.06
Bedwas, Trethomas & Machen	686.61	801.04	915.48	1,029.91	1,258.78	1,487.65	1,716.52	2,059.82	2,403.12
Blackwood	687.97	802.64	917.30	1,031.96	1,261.28	1,490.61	1,719.93	2,063.92	2,407.91
Caerphilly	683.31	797.19	911.08	1,024.96	1,252.73	1,480.50	1,708.27	2,049.92	2,391.57
Darren Valley	686.62	801.06	915.49	1,029.93	1,258.80	1,487.68	1,716.55	2,059.86	2,403.17
Draethen,Waterloo & Rudry	691.41	806.65	921.88	1,037.12	1,267.59	1,498.06	1,728.53	2,074.24	2,419.95
Gelligaer	684.39	798.46	912.52	1,026.59	1,254.72	1,482.85	1,710.98	2,053.18	2,395.38
Llanbradach & Pwllypant	688.42	803.16	917.89	1,032.63	1,262.10	1,491.58	1,721.05	2,065.26	2,409.47
Maesycwmmer	690.67	805.79	920.90	1,036.01	1,266.23	1,496.46	1,726.68	2,072.02	2,417.36
Nelson	686.13	800.49	914.84	1,029.20	1,257.91	1,486.62	1,715.33	2,058.40	2,401.47
New Tredegar	683.07	796.91	910.76	1,024.60	1,252.29	1,479.98	1,707.67	2,049.20	2,390.73
Penyrheol, Trecenydd & Energlyn	683.41	797.31	911.21	1,025.11	1,252.91	1,480.71	1,708.52	2,050.22	2,391.92
Rhymney	683.88	797.86	911.84	1,025.82	1,253.78	1,481.74	1,709.70	2,051.64	2,393.58
Risca East	682.64	796.41	910.19	1,023.96	1,251.51	1,479.05	1,706.60	2,047.92	2,389.24
Risca West	686.71	801.16	915.61	1,030.06	1,258.96	1,487.86	1,716.77	2,060.12	2,403.47
Van	682.99	796.82	910.65	1,024.48	1,252.14	1,479.80	1,707.47	2,048.96	2,390.45
Remainder	674.64	787.08	899.52	1,011.96	1,236.84	1,461.72	1,686.60	2,023.92	2,361.24

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 2017/2018 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	152.56	177.99	203.41	228.84	279.69	330.55	381.40	457.68	533.96

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 2017/2018 for each of the categories of dwellings shown below:-

Valuation Bands	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Aber Valley	838.66	978.44	1,118.21	1,257.99	1,537.54	1,817.10	2,096.65	2,515.98	2,935.31
Argoed	836.53	975.96	1,115.37	1,254.80	1,533.64	1,812.49	2,091.33	2,509.60	2,927.87
Bargoed	838.01	977.68	1,117.34	1,257.01	1,536.34	1,815.68	2,095.02	2,514.02	2,933.02
Bedwas, Trethomas & Machen	839.17	979.03	1,118.89	1,258.75	1,538.47	1,818.20	2,097.92	2,517.50	2,937.08
Blackwood	840.53	980.63	1,120.71	1,260.80	1,540.97	1,821.16	2,101.33	2,521.60	2,941.87
Caerphilly	835.87	975.18	1,114.49	1,253.80	1,532.42	1,811.05	2,089.67	2,507.60	2,925.53
Darren Valley	839.18	979.05	1,118.90	1,258.77	1,538.49	1,818.23	2,097.95	2,517.54	2,937.13
Draethen,Waterloo & Rudry	843.97	984.64	1,125.29	1,265.96	1,547.28	1,828.61	2,109.93	2,531.92	2,953.91
Gelligaer	836.95	976.45	1,115.93	1,255.43	1,534.41	1,813.40	2,092.38	2,510.86	2,929.34
Llanbradach & Pwllypant	840.98	981.15	1,121.30	1,261.47	1,541.79	1,822.13	2,102.45	2,522.94	2,943.43
Maesycwmmer	843.23	983.78	1,124.31	1,264.85	1,545.92	1,827.01	2,108.08	2,529.70	2,951.32
Nelson	838.69	978.48	1,118.25	1,258.04	1,537.60	1,817.17	2,096.73	2,516.08	2,935.43
New Tredegar	835.63	974.90	1,114.17	1,253.44	1,531.98	1,810.53	2,089.07	2,506.88	2,924.69
Penyrheol, Trecenydd & Energlyn	835.97	975.30	1,114.62	1,253.95	1,532.60	1,811.26	2,089.92	2,507.90	2,925.88
Rhymney	836.44	975.85	1,115.25	1,254.66	1,533.47	1,812.29	2,091.10	2,509.32	2,927.54
Risca East	835.20	974.40	1,113.60	1,252.80	1,531.20	1,809.60	2,088.00	2,505.60	2,923.20
Risca West	839.27	979.15	1,119.02	1,258.90	1,538.65	1,818.41	2,098.17	2,517.80	2,937.43
Van	835.55	974.81	1,114.06	1,253.32	1,531.83	1,810.35	2,088.87	2,506.64	2,924.41
Remainder	827.20	965.07	1,102.93	1,240.80	1,516.53	1,792.27	2,068.00	2,481.60	2,895.20

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