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

- 1. Corporate Services and Miscellaneous Finance 2017/18 Budget Monitoring Report (Period 4).**
- 2. Housing Revenue Account Budget Monitoring - Period 4 2017/18.**
- 3. Treasury Management and Capital Financing Prudential Indicators Outturn Report for 2016/17.**
- 4. Capital Outturn 2016/17.**
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POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: CORPORATE SERVICES AND MISCELLANEOUS FINANCE 2017/18
BUDGET MONITORING REPORT (PERIOD 4)**

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

1. PURPOSE OF REPORT

1.1 To inform Members of projected revenue expenditure for the Directorate of Corporate Services and Miscellaneous Finance for the 2017/18 financial year.

2. SUMMARY

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

3. LINKS TO STRATEGY

3.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on 22nd February 2017.

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

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

4. THE REPORT

4.1 Corporate Services

4.1.1 The Directorate of Corporate Services is currently forecasting an underspend of £947k for the 2017/18 financial year, full details of which are provided in Appendix 1.

4.1.2 The anticipated underspend of £337k in Corporate Finance relates in the main to delays in appointing to vacant posts together with vacancies which are being held to support the Medium-Term Financial Plan (MTFP) savings requirements for 2018/19 and some one-off additional income.

4.1.3 The anticipated underspend of £64k in Procurement and Customer Services consists of:-

- A small projected overspend of £9k on Procurement which relates to one-off costs being incurred in year to support the Medium-Term Financial Plan savings requirement for 2018/19.
- Customer First - £73k underspend which is due in the main to vacancies being held to support the Medium-Term Financial Plan savings requirement for 2018/19 offset by a reduction in income.

4.1.4 Legal & Governance is projecting a net underspend of £60k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £48k. This is due in the main to underspends on Members Allowances which is partly off-set by costs on printing/webcasting and new equipment for the new Members.
- Projected overspend of £184k on Electoral Services due to the local elections. The Electoral Service underspends in non-election years are ringfenced to fund the overspends in election years.

The net underspend of £60k for Legal & Governance is due to vacant posts.

4.1.5 There is an anticipated underspend of £285k in Information and Technology, consisting of the following:-

- IT Services - £273k underspend which is due in the main to vacancies being held to support the Medium-Term Financial Plan savings requirement for 2018/19.
- Central Services - £12k underspend due in the main to some staff not being in the pension scheme.

4.1.6 For Corporate Property Services there is a net projected overspend of £74k, consisting of the following: -

- Estates - £121k underspend due mainly to vacant posts and a member of staff on maternity leave.
- Corporate Facilities - £209k overspend mainly due to costs being incurred for Ty Pontllanfraith (£244k) pending demolition of the buildings and disposal of the site. This is partially offset by small savings on property related costs and rental income.
- Maintenance – Projected £29k overspend mainly due to increased maintenance and rental costs. These will be monitored closely in year to try to mitigate the anticipated overspend.
- Building Consultancy – Projected £43k underspend due in the main to anticipated increased fee income.

4.1.7 There is a projected underspend of £99k for Human Resources mainly consisting of:-

- Human Resources projected underspend of £57k due in the main to vacancies being held to support the Medium-Term Financial Plan savings requirement for 2018/19.
- Communications Unit - £12k underspend due in the main to additional income received from a Service Level Agreement (SLA) with schools.
- A projected underspend of £30k for Health & Safety, due in the main to salary savings due to delays in recruitment and additional SLA income from schools.

4.1.8 Corporate Policy is projecting an underspend of £98k after taking account of: -

- Projected underspend of £20k in the Policy Team due to various small in year savings. This is after the transfer of earmarked reserve. Projected underspend of £77k in the Equalities and Welsh Language Team due to delays in appointing to translator posts to

cope with the additional workload arising from the new Welsh Language Standards, together with reduced costs in external translation.

- Projected small underspend in the Performance Management Unit of £1k
- Projected breakeven on the Community Safety budget.

4.1.9 There is a projected underspend of £32k on Housing services which consists of the following:-

- General Fund Housing is expected to show a £26k underspend at this stage, although there are some offsetting over and underspends contributing to the expected position. These include an increase in spend for the Allocations Team as a result of gearing up for the new Common Housing Register and an underspend in Housing Advice due to the application of transitional funding for preventing homelessness. This service area includes a statutory duty for Temporary Accommodation which is demand led and difficult to predict. This year the budget has had to rely on the income received for leasing out Ty Croeso which has normally been set aside as a renewal fund for future building maintenance works. The temporary accommodation for families at Ty Fesen is assumed to be fully financed but this includes a £20k renewal fund that will be transferred to earmarked balances at year end.
- Private Housing is anticipating an underspend of £6k, mainly due to delays in filling vacant posts. The Private Sector Housing Manager has recently retired which could result in further savings pending a management restructure by the Chief Housing Officer. The main concern for this budget is Agency Fee Income which has under-recovered in previous years. The fee income has historically been generated from the private housing capital programme which has reduced substantially over the years. This has recently been supplemented by additional fee income expected from the allocation of WHQS works to leasehold properties, which if achieved should manage any potential shortfall.

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

| Section | Agreed MTFP Savings £'000 | Progress against Savings £'000 | Variance £'000 |
|---------------------------------|--------------------------------------|---|---------------------------|
| Corporate Finance | 74.75 | 74.75 | 0.00 |
| Corporate Property Services | 166.00 | 166.00 | 0.00 |
| Human Resources | 220.00 | 220.00 | 0.00 |
| Information Technology | 301.00 | 291.00 | (10.00) |
| Legal & Governance Support | 10.00 | 10.00 | 0.00 |
| Procurement & Customer Services | 38.00 | 38.00 | 0.00 |
| | | | |
| | | | |
| Grand Total | 809.75 | 799.75 | (10.00) |

4.1.11 The variance of £10K for Information Technology is due to a proposed reduction in rented vans not being achieved. This shortfall will be met by other in-year savings.

4.2 Miscellaneous Finance

4.2.1 There is an overall projected underspend of £1,311k in Miscellaneous Finance.

4.2.2 There is a projected net underspend of £1,203k on Capital Financing budgets which is due to the following: -

- Assumed borrowing in 2017/18 being deferred to 2018/19, this includes the 21st Century Schools and HRA, partly offset by a reduced contribution from HRA for the debt costs due to the deferred borrowing.
- Improved returns on investments.

4.2.3 There is a projected overspend of £33k on City Deal programme management costs due to a reduction in the anticipated underspends brought forward from 2016/17.

4.2.4 The remaining projected underspend for Miscellaneous Finance consists of the following: -

- Subscriptions - £9k
- Budget Pressures - £72k
- NNDR Authority Empty Properties - £8k.
- Welsh Language - £52k

5. WELL-BEING OF FUTURE GENERATIONS

5.1 Effective financial management including the effective utilisation of external grant funding is a key element in ensuring that the Well-being Goals within the Well-Being of Future Generations (Wales) Act 2015 are met.

6. EQUALITIES IMPLICATIONS

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

7. FINANCIAL IMPLICATIONS

7.1 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

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

9. CONSULTATIONS

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

10. RECOMMENDATIONS

10.1 Members are requested to note the contents of the report.

11. REASONS FOR THE RECOMMENDATIONS

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

12. STATUTORY POWER

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

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

Appendices:
Appendix 1 - Corporate Services & Miscellaneous Finance 2017/18 Budget Monitoring Report
(Period 4).

| CORPORATE SERVICES DIRECTORATE | Original Estimate 2017/18 | Revised Estimate 2017/18 | Anticipated Outturn 2017/18 | Anticipated Variance 2017/18 |
|--|--------------------------------------|-------------------------------------|--|---|
| SUMMARY | | | | |
| CHIEF EXECUTIVE, DEPUTY CHIEF EXECUTIVE AND SECRETARIAT | 450,128 | 450,128 | 403,403 | 46,725 |
| CORPORATE FINANCE | | | | |
| Financial services | 2,069,794 | 2,103,458 | 1,766,477 | 336,981 |
| | 2,069,794 | 2,103,458 | 1,766,477 | 336,981 |
| PROCUREMENT & CUSTOMER SERVICES | | | | |
| Procurement | 438,467 | 390,108 | 399,386 | (9,278) |
| Customer First | 1,182,248 | 1,230,607 | 1,157,117 | 73,490 |
| | 1,620,715 | 1,620,715 | 1,556,503 | 64,212 |
| LEGAL & GOVERNANCE SUPPORT | | | | |
| Legal & Democratic Services | 1,032,569 | 1,032,569 | 972,762 | 59,807 |
| Member Services | 1,648,122 | 1,648,122 | 1,599,822 | 48,300 |
| Ringfenced to Earmarked Reserves | | 0 | 48,300 | (48,300) |
| Electoral Services | 315,411 | 315,411 | 499,327 | (183,916) |
| Ringfenced from Earmarked Reserves | | | (183,916) | 183,916 |
| | 2,996,102 | 2,996,102 | 2,936,295 | 59,807 |
| INFORMATION AND TECHNOLOGY | | | | |
| IT Services | 4,316,066 | 4,316,066 | 4,043,464 | 272,602 |
| Central Services | 386,915 | 386,915 | 374,571 | 12,344 |
| | 4,702,981 | 4,702,981 | 4,418,035 | 284,946 |
| CORPORATE PROPERTY SERVICES | | | | |
| Estates | 519,199 | 485,535 | 364,932 | 120,603 |
| Corporate Facilities | 2,380,113 | 2,380,113 | 2,589,206 | (209,093) |
| Maintenance | 2,190,006 | 2,190,006 | 2,219,166 | (29,160) |
| Building Consultancy | (57,146) | (57,146) | (100,482) | 43,336 |
| | 5,032,172 | 4,998,508 | 5,072,822 | (74,314) |
| HUMAN RESOURCES | | | | |
| Human Resources | 1,563,174 | 1,563,174 | 1,506,431 | 56,743 |
| Communications Unit | 286,527 | 286,527 | 274,107 | 12,420 |
| Health & Safety | 943,894 | 943,894 | 913,588 | 30,306 |
| | 2,793,595 | 2,793,595 | 2,694,126 | 99,469 |
| TOTAL CORPORATE SERVICES | 19,665,487 | 19,665,487 | 18,847,661 | 817,826 |
| CORPORATE POLICY | | | | |
| Policy | 703,212 | 703,212 | 699,223 | 3,989 |
| Use of Earmarked Reserves | | 0 | (16,233) | 16,233 |
| Equalities | 382,832 | 382,832 | 306,268 | 76,564 |
| PMU | 207,917 | 207,917 | 207,030 | 887 |
| Community Safety | 95,887 | 95,887 | 95,887 | 0 |
| | 1,389,848 | 1,389,848 | 1,292,175 | 97,673 |
| HOUSING SERVICES | | | | |
| General Fund Housing | 980,955 | 990,666 | 964,676 | 25,990 |
| Private Housing | 363,572 | 363,362 | 357,580 | 5,782 |
| Building Maintenance | 9,501 | 0 | 0 | 0 |
| | 1,354,028 | 1,354,028 | 1,322,256 | 31,772 |
| TOTAL NON- CORPORATE SERVICES | 2,743,876 | 2,743,876 | 2,614,431 | 129,445 |
| TOTAL SERVICES | 22,409,363 | 22,409,363 | 21,462,092 | 947,271 |

| <i>MISCELLANEOUS FINANCE</i> | Original Estimate 2017/18 | Revised Estimate 2017/18 | Anticipated Outturn 2017/18 | Anticipated Variance 2017/18 |
|--|------------------------------|-----------------------------|--------------------------------|---------------------------------|
| <i>MISCELLANEOUS FINANCE</i> | | | | |
| <i>Staff Related Costs</i> | | | | |
| Pension Contribution - Former Authorities Ongoing | 1,215,689 | 1,215,689 | 1,215,689 | 0 |
| Recharge to Education - Former Authorities | (189,629) | (189,629) | (189,629) | 0 |
| | 1,026,060 | 1,026,060 | 1,026,060 | 0 |
| <i>Catering</i> | | | | |
| Subsidy | 56,313 | 56,313 | 56,313 | 0 |
| | 56,313 | 56,313 | 56,313 | 0 |
| <i>Statutory Benefit Schemes</i> | | | | |
| Council Tax RS | 14,560,178 | 14,560,178 | 13,650,000 | 910,178 |
| Ringfenced to Earmarked Reserves | | | 910,178 | (910,178) |
| General Rent Allowances | 28,118,381 | 28,118,381 | 28,335,115 | (216,734) |
| Rent Rebates | 29,009,587 | 29,009,587 | 28,375,398 | 634,189 |
| Rent Allowance War Widow Concessions | 35,000 | 35,000 | 35,000 | 0 |
| Housing Benefit Subsidy | (57,127,968) | (57,127,968) | (56,710,513) | (417,455) |
| | 14,595,178 | 14,595,178 | 14,595,178 | 0 |
| <i>Levies Upon the Council</i> | | | | |
| Coroner | 196,975 | 196,975 | 196,975 | 0 |
| Archives | 209,092 | 209,092 | 209,092 | 0 |
| Fire Service Authority | 8,378,145 | 8,378,145 | 8,378,145 | 0 |
| | 8,784,212 | 8,784,212 | 8,784,212 | 0 |
| <i>Capital Financing</i> | | | | |
| Debt Charges | 14,316,180 | 11,126,151 | 10,286,483 | 839,668 |
| Investment Income net of Recharges | 259,960 | 259,960 | (103,040) | 363,000 |
| CERA (Capital Expenditure funded from Revenue Account) | 217,872 | 3,407,901 | 3,407,901 | 0 |
| | 14,794,012 | 14,794,012 | 13,591,344 | 1,202,668 |
| <i>Corporate and Democratic Core Costs</i> | | | | |
| Bank Charges | 185,978 | 185,978 | 185,978 | 0 |
| Income from HRA | (31,281) | (31,281) | (31,281) | 0 |
| Income from DLO/DSO | (13,353) | (13,353) | (13,353) | 0 |
| External Audit Fees | 474,584 | 474,584 | 474,584 | 0 |
| Income from HRA | (79,825) | (79,825) | (79,825) | 0 |
| Income from DLO/DSO | (34,074) | (34,074) | (34,074) | 0 |
| Subscriptions | 110,736 | 110,736 | 102,066 | 8,670 |
| | 612,765 | 612,765 | 604,095 | 8,670 |

| MISCELLANEOUS FINANCE | Original Estimate 2017/18 | Revised Estimate 2017/18 | Anticipated Outturn 2017/18 | Anticipated Variance 2017/18 |
|---|--------------------------------------|-------------------------------------|--|---|
| Grants to Voluntary sector | | | | |
| Assistance to Voluntary sector | 175,817 | 175,817 | 175,817 | 0 |
| | 175,817 | 175,817 | 175,817 | 0 |
| Private Finance Initiative | | | | |
| PFI Schools | 2,459,038 | 2,459,038 | 2,459,038 | 0 |
| PFI SEW | 4,043,023 | 4,043,023 | 4,043,023 | 0 |
| | 6,502,061 | 6,502,061 | 6,502,061 | 0 |
| Other | | | | |
| Budget Pressures | 121,166 | 121,166 | 48,795 | 72,371 |
| NNDR - Authority Empty Properties | 130,608 | 130,608 | 123,064 | 7,544 |
| Counsel Fees | 330,720 | 330,720 | 330,720 | 0 |
| Careline | 35,900 | 35,900 | 35,900 | 0 |
| Carbon Management Scheme | 27,618 | 27,618 | 27,618 | 0 |
| Carbon Energy Tax | 221,856 | 221,856 | 221,856 | 0 |
| IT Replacement Strategy | 129,257 | 129,257 | 129,257 | 0 |
| PV Panels Income | (40,600) | (40,600) | (40,600) | 0 |
| Risk Management Contribution | (456,511) | (456,511) | (456,511) | 0 |
| Class 1A NI | (60,000) | (60,000) | (60,000) | 0 |
| Welsh Language | 52,115 | 52,115 | 0 | 52,115 |
| City Deal | 60,000 | 60,000 | 92,670 | (32,670) |
| Trade Union Facilities | 26,122 | 26,122 | 25,863 | 259 |
| Matched Funding for Community Schemes | 25,400 | 25,400 | 25,400 | 0 |
| | 603,651 | 603,651 | 504,032 | 99,619 |
| | | | | |
| TOTAL MISCELLANEOUS FINANCE | 47,150,069 | 47,150,069 | 45,839,112 | 1,310,957 |
| | | | | |
| EXPENDITURE TO DIRECTORATE SUMMARY | 69,559,432 | 69,559,432 | 67,301,204 | 2,258,228 |
| | | | | |



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING - PERIOD 4
2017/18**

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

1. PURPOSE OF REPORT

- 1.1 To inform members of the projected expenditure for the Housing Revenue Account (HRA) for the 2017/18 financial year. The HRA capital programme which is predominantly funded by the HRA is also included within this report.

2. SUMMARY

- 2.1 Members will be aware of the distinction between the HRA, which is funded by rental income received from council tenants, and General Fund Housing and Private Housing, which fall under the General Fund and is funded via the Council taxpayer.

Although there is a clear separation of these funds, the majority of council tenants rent is funded from housing benefits which is derived from the tax payers purse and therefore value for money must always be sought.

- 2.2 The report outlines the projected outturn for the HRA based upon the expenditure and income for the first four months of the year.
- 2.3 The HRA budget for 2017/18 is £48.3m with its main components consisting of £13m of salaries (net of WHQS funding), £7.9m of capital financing charges, £8.1m of response repairs, and £16.6m of revenue contributions to fund the WHQS programme. The underspend at period 4 is projected to be £278k and the main reason for this is detailed below.

3. LINKS TO STRATEGY

- 3.1 The content of the report is in accordance with the budget strategy agreed by Council at its meeting of 15th February 2017. Cabinet approved the 2016/17 Housing Revenue Account on the 1st February 2017.
- 3.2 Budget management itself is in accordance with the Corporate theme of Delivering the Strategies.
- 3.3 The Wellbeing of Future Generations Act 2015 sets out the following wellbeing goals which link with the aims of this report:-

- A sustainable Wales
- A prosperous 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 Introduction

4.1.1 The following paragraphs highlight the major budget variances.

4.2 HRA (£278k underspend)

4.2.1 The HRA is currently projecting a £278k under-spend, which represents 0.5% of the total HRA budget. The main variances are summarised below and full details are provided in Appendix 1.

4.3 Salaries & Mileage (£140k overspend)

4.3.1 Salaries and associated costs within the HRA are currently expected to overspend by some £118k on a £13m salary budget. There are some offsetting over and under spends in this area given the volume of staff, so the net result includes anticipating overspends within the Housing Response Operations team as a result of increasing resources to address the increase in work, particularly to support the WHQS programme and revenue projects.

4.4 Service Specific Related and Office Related (£70k overspend)

4.4.1 Again the main area of overspend relates to projected net increase in spend in materials and transport for the HRO team as a result of increased works associated with the WHQS programme. Typically there are some budget areas within this category that tend to be quite volatile and therefore could generate savings throughout the year, such as bad debt provisions, utility charges and various housing projects.

4.5 Building Maintenance (£487k under-spend)

4.5.1 This area includes all building revenue works to fund the maintenance of the public housing stock which is undertaken in the main by the Housing Repair Operations team and/or Contractors.

4.5.2 Revenue Projects (£389k under-spend) – this category mainly includes budgets that fall outside of the other budgets remits (i.e. not planned, cyclical or in house responsive). The under-spend mainly relates to the non DLO budget (£195k), asbestos (£21k) and dampproofing (£80k) which is an offset related to the extra work mentioned in 4.3.1 above. Projects for the infrastructure works budget has not been fully utilised as yet this year, as a consequence of work being picked up in the WHQS Programme so a pro rata underspend is projected at £50k. The contingency budget is prudently assumed to be fully committed at this stage.

4.5.3 Planned Cyclical (£98k under-spend) – this relates to costs associated with our statutory servicing and maintenance obligations, e.g. heating, electrical, and legionella testing. Under-spends in this area relates to Alarm & Light Servicing (£32k), Fire safety doors (£22k). Other smaller savings are anticipated due to works being completed under the WHQS Programme and revised contractual arrangements.

4.5.4 As part of the merger of the Building Maintenance DLO with the HRA, the WHQS holding account was set up to monitor the in house workforce costs that would be recharged to the WHQS capital programme. A budget of £10.4m has been allocated in 2017/18 along with an income recharge to the capital programme so that the HRA had a nil cost. The same principle applies to the WHQS management team responsible for delivery of the WHQS programme where £2.5m budget has been allocated with an associated income recharge to capital. At period 4 this is projected to be overspent by £1.3m for the in house workforce and an underspend of £120k for the delivery team. This is as a consequence of increased resources required for the WHQS programme in respect of the in house contracts e.g sheltered schemes. The underspend on the delivery team is as a result of unfilled vacant posts. All costs are recharged to the WHQS programme.

4.6 Revenue Contribution to Capital (RCCO) (nil variance)

4.6.1 The HRA allowed for some £16.6m of revenue contributions towards the WHQS programme and this is expected to be fully committed at this time.

4.6.2 The total expenditure on the WHQS capital programme as at period 4 is some £9m against a budget of £53.6m. A recent exercise on actual costs has been carried out and applied to the current programme in place of the original Savills estimates, and this still remains affordable within the Housing business plan. However, further reprofiling on the WHQS programme is necessary to allow for recent contractor changes and applying these actual costs throughout the remaining contracts.

4.6.3 The HRA RCCO of £16.6m will fund this budgeted spend in addition to the £7.3m Major Repairs Allowance (MRA) from Welsh Government with the remaining balance being funded from HRA working balances and borrowing.

4.6.4 Borrowing will only be actioned this year if the WHQS programme exceeds some £42m.

4.7 HRA Working Balances

4.7.1 Working balances at the beginning of the 2017/18 financial year are £15.6m. This is expected to be fully utilised this year. To date no borrowing has been undertaken to fund the WHQS programme.

5. WELL-BEING OF FUTURE GENERATIONS

5.1 Effective financial management is a key element in ensuring that the well-being goals within the Well-being of Future Generations Act (Wales) 2016 are met.

6. EQUALITIES IMPLICATIONS

6.1 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.

7. FINANCIAL IMPLICATIONS

7.1 The overall underspend is relatively small at just under 1% of the total budget and whilst close monitoring is regularly carried out throughout the year, the scale of the HRA budget inevitably leads to variances throughout the year due to the large volume of staffing required to manage and operate the service, the reactive nature of the response repairs service, fluctuation in void properties and changes to interest rates to name but a few.

8. PERSONNEL IMPLICATIONS

8.1 There are no personnel implications.

9. CONSULTATION

9.1 There are no consultation responses, which have not been reflected in this report.

10. RECOMMENDATIONS

10.1 Members are requested to note the contents of this report.

11. REASONS FOR THE RECOMMENDATIONS

11.1 To inform Members of the financial position of the Housing Revenue Account.

12. STATUTORY POWER

12.1 Local Government Acts 1972 and 2003 and the Councils Financial Regulations.

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Consultees: Cllr L Phipps – Cabinet Member Homes & Places
Nicole Scammell - Acting Director of Corporate Services & Section 151 Officer
Christina Harray – Corporate Director Communities
Shaun Couzens – Chief Housing Officer
Fiona Wilkins - Public Sector Housing Manager
Paul Smythe – Housing Repairs Operations Manager
Stephen Harris – Acting Head of Corporate Finance
Marcus Lloyd – WHQS Infrastructure and Strategy Manager

Appendices
Appendix 1

HRA financial plan p4 2017/18

| HOUSING | <i>Page</i> | Revised | Projected | Variance |
|--|-------------|------------------|------------------|------------------|
| | <i>No</i> | 2017/2018 | 2017/2018 | 2017/2018 |
| <u>HOUSING REVENUE ACCOUNT</u> | | | £ | £ |
| <u>SUMMARY</u> | | | | |
| GENERAL MANAGEMENT | | 1,047,188 | 1,006,761 | 40,427 |
| CAPITAL FINANCING | | 7,955,549 | 7,955,549 | 0 |
| CENTRAL RECHARGES | | 2,216,879 | 2,216,879 | 0 |
| STRATEGY AND PERFORMANCE | | 1,661,352 | 1,611,218 | 50,134 |
| PUBLIC SECTOR HOUSING | | 5,171,818 | 5,228,844 | -57,026 |
| SUPPORTED HOUSING | | 0 | 0 | 0 |
| BUILDING MAINTENANCE SERVICES | | 30,209,840 | 29,965,430 | 244,410 |
| GROSS EXPENDITURE | | 48,262,626 | 47,984,681 | 277,945 |
| INCOME | | (48,262,626) | (48,262,626) | 0 |
| (SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES | | 0 | (277,945) | 277,945 |
| <u>HOUSING REVENUE ACCOUNT</u> | | | £ | £ |
| <u>GENERAL MANAGEMENT</u> | | 1,047,188 | 1,006,761 | 40,427 |
| <u>CAPITAL FINANCING COSTS</u> | | | | |
| Interest Charge | | 5,691,057 | 5,691,057 | 0 |
| Principal | | 2,263,700 | 2,263,700 | 0 |
| Debt Management | | 39,481 | 39,481 | 0 |
| Resheduling Discount | | (38,689) | (38,689) | 0 |
| EXPENDITURE TO HRA SUMMARY | | 7,955,549 | 7,955,549 | 0 |
| <u>CENTRAL RECHARGES</u> | | | | |
| Central Recharges | | 1,767,942 | 1,767,942 | 0 |
| Grounds Maintenance recharge to HRA | | 448,937 | 448,937 | 0 |
| EXPENDITURE TO HRA SUMMARY | | 2,216,879 | 2,216,879 | 0 |

| <u>HOUSING REVENUE ACCOUNT</u> | | | £ | £ |
|---------------------------------------|--|------------------|------------------|----------------|
| STRATEGY & PERFORMANCE | | 86,776 | 65,496 | 21,280 |
| | | | | 0 |
| PERFORMANCE DEVELOPMENT | | 650,793 | 652,164 | -1,371 |
| | | | | 0 |
| COMMUNICATIONS & ENGAGEMENT | | 99,576 | 99,866 | -290 |
| | | | | 0 |
| TRANSFORMING LIVES & COMMUNITIES | | 824,207 | 793,692 | 30,515 |
| | | | | |
| EXPENDITURE TO HRA SUMMARY | | 1,661,352 | 1,611,218 | 50,134 |
| | | | | |
| <u>HOUSING REVENUE ACCOUNT</u> | | | £ | £ |
| <u>PUBLIC SECTOR HOUSING</u> | | | | |
| Landlord General | | 173,311 | 160,385 | 12,926 |
| Sheltered Accommodation | | 1,367,613 | 1,408,599 | -40,986 |
| Holly Road Community support | | 1,884 | 3,375 | -1,491 |
| Eastern Valley AHO | | 649,340 | 661,692 | -12,352 |
| Upper Rhymney AHO | | 770,932 | 803,179 | -32,247 |
| Lower Rhymney Valley | | 0 | 20,110 | -20,110 |
| Gilfach NHO | | 0 | 0 | 0 |
| Lansbury Park NHO | | 333,546 | 338,020 | -4,474 |
| Graig Y Rhacca NHO | | 273,184 | 268,117 | 5,067 |
| Housing Allocations Cont. | | 124,053 | 118,445 | 5,608 |
| Tenants & Communities Involment | | 497,097 | 475,431 | 21,666 |
| Leaseholders Management | | 49,083 | 63,350 | -14,267 |
| Tenancy Enforcement | | 272,693 | 258,526 | 14,167 |
| Rents | | 703,435 | 693,968 | 9,467 |
| Community Wardens | | (44,353) | (44,353) | 0 |
| | | | | |
| EXPENDITURE TO HRA SUMMARY | | 5,171,818 | 5,228,844 | -57,026 |
| | | | | |

| <u>HOUSING REVENUE ACCOUNT</u> | | | £ | £ |
|---|--|-------------------|-------------------|----------------|
| <u>SUPPORTED HOUSING</u> | | | | |
| Dispersed Alarms | | 0 | 0 | 0 |
| Telecare Centre | | 0 | 0 | 0 |
| Ty Croeso Hostel | | 0 | 0 | 0 |
| EXPENDITURE TO HRA SUMMARY | | 0 | 0 | 0 |
| <u>HOUSING REVENUE ACCOUNT</u> | | | £ | £ |
| <u>RESPONSE REPAIRS & MAINTENANCE</u> | | | | |
| Employee Expenses net of recharges | | 1,360,647 | 1,357,007 | 3,640 |
| Repairs & Maintenance on Housing Stock | | | | |
| Responsive Repairs | | 8,114,142 | 8,339,435 | -225,293 |
| Revenue Contribution to Capital - WHQS Programme | | 16,642,877 | 16,664,431 | -21,554 |
| Revenue Projects | | 2,234,000 | 1,844,589 | 389,411 |
| Planned Cyclical | | 1,632,336 | 1,534,687 | 97,649 |
| Planned Programme | | 0 | 0 | 0 |
| | | 28,623,355 | 28,383,142 | 240,213 |
| Transport Related | | 8,950 | 10,304 | -1,354 |
| Supplies & Services | | 216,888 | 214,977 | 1,911 |
| EXPENDITURE TO HRA SUMMARY | | 30,209,840 | 29,965,430 | 244,410 |

| <u>HOUSING REVENUE ACCOUNT</u> | | | £ | £ |
|---|---------------------|---------------------|----------|---|
| <u>INCOME</u> | | | | |
| <u>Rents - Dwelling</u> | | | | |
| Gross Rent - Dwellings | (41,756,862) | (41,756,862) | 0 | |
| Gross rent - Sheltered | (4,639,651) | (4,639,651) | 0 | |
| Gross Rent - Hostel | 0 | 0 | 0 | |
| Voids - General Needs Dwelling/Sheltered | 700,000 | 700,000 | 0 | |
| Voids - Hostel | 0 | 0 | 0 | |
| Net Rent | (45,696,513) | (45,696,513) | 0 | |
| <u>Rents - Other</u> | | | | |
| Garages | (383,876) | (383,876) | 0 | |
| Garage Voids | 138,195 | 138,195 | 0 | |
| Shop Rental | (60,092) | (60,092) | 0 | |
| | (305,773) | (305,773) | 0 | |
| <u>Service Charges</u> | | | | |
| Sheltered - Service Charges | (1,420,280) | (1,420,280) | 0 | |
| Sheltered - Heating & Lighting | (151,668) | (151,668) | 0 | |
| Sheltered & Dispersed- Alarms | 0 | 0 | 0 | |
| Catering Recharge - Sheltered Accommodation | (38,378) | (38,378) | 0 | |
| Voids Schedule Water | 58,945 | 58,945 | 0 | |
| Non Scheduled Water Rates | (42,813) | (42,813) | 0 | |
| Welsh Water Commission | (615,447) | (615,447) | 0 | |
| Leaseholder - Service Charges | (10,000) | (10,000) | 0 | |
| | (2,219,640) | (2,219,640) | 0 | |
| <u>Government Subsidies</u> | | | | |
| Housing Subsidy | 0 | 0 | 0 | |
| | 0 | 0 | 0 | |
| <u>Interest Receivable</u> | | | | |
| Mortgage Interest | (700) | (700) | 0 | |
| Investment Income | (10,000) | (10,000) | 0 | |
| | (10,700) | (10,700) | 0 | |
| <u>Miscellaneous</u> | | | | |
| Miscellaneous | 0 | 0 | 0 | |
| Private Alarms | 0 | 0 | 0 | |
| Ground Rent | (30,000) | (30,000) | 0 | |
| | (30,000) | (30,000) | 0 | |
| <u>INCOME TO HRA SUMMARY</u> | | | | |
| | (48,262,626) | (48,262,626) | 0 | |



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

SUBJECT: TREASURY MANAGEMENT AND CAPITAL FINANCING PRUDENTIAL INDICATORS OUTTURN REPORT FOR 2016/17

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

1. PURPOSE OF REPORT

- 1.1 To present Members with details of Treasury Management activities and Capital Financing, together with the related Prudential Indicators for 2016/17.

2. SUMMARY

- 2.1 The Code of Practice on Treasury Management in the Public Services 2009, which was adopted by the Council on 12th October 2010, sets out a framework of operating procedures, which is encompassed in the Treasury Management Practices (TMPs). TMP6 (Reporting Requirements and Management Information Arrangements) provides for the submission of monitoring reports to the appropriate Committee on a quarterly basis.
- 2.2 Under the provisions of the Local Government Act 2003, The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 [The Capital Regulations], and the CIPFA's "The Prudential Code for Capital Finance in Local Authorities" [the Code], the Authority is obliged to approve and publish a number of indicators relevant to Capital Finance and Treasury Management.
- 2.3 The Authority's Annual Investment Strategy and Capital Financing Prudential Indicators for 2016/17 were approved by Council on 24th February 2016.

3. LINKS TO STRATEGY

- 3.1 Treasury Management Strategy 2016/17 as agreed by Council on 24th February 2016.
- 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 Background – Interest Rates

4.1.1 The Monetary Policy Committee (MPC) decreased the Bank Rate in August 2016 to 0.25% following the EU referendum. The repercussions of the referendum also resulted in the Bank of England restarting Quantitative Easing (QE) programme by gilt and corporate bond purchases; and providing cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy.

4.2 Treasury Management Advice

4.2.1 The Authority receives treasury management advice from Arlingclose Limited.

4.3 Borrowing Activity

4.3.1 No long-term loans were raised during 2016/17 other than three temporary loans totalling £11.91m. Temporary loans were raised for the purpose of cashflow requirements as investments were tied in.

4.3.2 Borrowing rates were volatile throughout 2016/17 with the 25-year maturity loan rate reached a high of 3.48% and a low of 2.28% and an overall average rate of 2.92%. The average rate for a 25 year annuity loan was 2.51%.

4.3.3 During the period covered by this report, PWLB loans to the value of £3.55m were repaid on maturity. Such loans had an average interest rate of 4.79%. A loan repayment of £30k was also made to the WRU in accordance with the loan agreement as agreed at the Cabinet meeting held on 30th October 2013. Furthermore temporary loans of £5.91m were repaid during the year.

4.3.4 Previously the Authority held four LOBO (Lender's Option Borrower's Option) loans with a total value of £40m. However in June 2016, a lender converted a LOBO loan to a fix rate loan (long-term bank loan) at no cost to the Authority and with no further changes to the original loan terms. This removes the uncertainty of future rate changes. At 31 March 2017, the Authority held £30m in LOBO loans and a £10m long-term bank loan.

4.3.5 As at 31st March 2017 the nominal value of the Council's treasury management debt portfolio was £289.8m and comprised of £30m LOBO loans, £10m long-term bank loan; £243.6m of PWLB loans; £6m local authority temporary loan and a £210k WRU loan in respect of the Ystrad Mynach Centre of Sporting Excellence.

4.4 Rescheduling

4.4.1 No loans were rescheduled during 2016/17.

4.5 Investments

4.5.1 Short-term Investments – up to 364 Days -Throughout the year the in-house team managed investments with a daily average of £1.42m. The return on these investments, which ranged from overnight deposits and deposits with duration of 1.8 years, was 0.69% compared with the target of 0.25%. The improvement in returns reflect the Authority's change in investment strategy and lending to high creditworthy counterparties that consist of banks; building societies; supranational institutions; the DMO, local authorities; and Corporates using a range of investment instruments such as corporate bonds; covered bonds; cash deposits; Gilts; treasury bills and moneymarket fund. Whilst the returns have improved, the riskiness of the investment portfolio has been quantified with a weighted average credit score equivalent to an AA- rating. As at 31st March 2017 the UK government was rated by two credit rating agencies at AA. Therefore the Authority's portfolio is one notch below the UK Government rating.

- 4.5.2 The total nominal value of investments as at 31st March 2017 (short-term and long-term) was £125.2m. The nominal value of short-term investments as at 31st March 2017 (excluding accrued interest and accounting charges) was £93.3m and comprised of £10.4m deposited with Local Authorities; £23.0m deposited with banks; £50.5m invested in bonds; and £9.4m deposited in the DMADF.
- 4.5.3 Long-term Investments- The value of long-term investments as at 31st March 2017 was £31.9m and invested in AAA rated bonds with an average duration of 4 years, with an average rate of return of 1.0%.
- 4.6 **Prudential Indicators**
- 4.6.1 Capital Financing Requirement
- 4.6.1.1 The capital financing requirement measures the Authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Authority does not associate borrowing with particular items or types of expenditure. In practice, the raising and repaying of loans is determined primarily by professional / expert advice, and may not necessarily take place in the relevant year. In order to create an operating environment within which the Treasury Manager can legitimately react to appropriate advice, the various authorised limits as identified in *Appendix 1* are set at a level in excess of the capital financing requirement. During the year, the Authority operated within the approved limits.
- 4.6.1.2 *Appendix 2* shows the value of the Capital Financing Requirement as at 31 March 2017 based on the audited Balance Sheet position. This is calculated to be £341.6m.
- 4.6.2 Prudential Indicators – “Prudence”
- 4.6.2.1 The Prudential Indicators for Treasury Management are shown in *Appendix 1*. Whilst the Authorised Limit has remained unchanged when compared to the original Council approved figure, the Operational Boundary limit has decreased as a result of new planned debt not being raised.
- 4.6.3 Prudential Indicators – “Affordability”
- 4.6.3.1 There is a requirement to analyse and report the capital financing costs, and express those costs as a percentage of the net revenue streams of the Authority. These are identified in *Appendix 2*.
- 4.6.3.2 Financing Costs to Net Revenue Stream- General Fund - the audited outturn shows a decrease on the budgeted position. This is mainly attributable to reduced interest costs as a result of deferred borrowing for the capital programme. The income generated from investments was higher than anticipated as the Authority locked into interest rates higher than the DMADF rate and the Base Rate. Furthermore, the Authority revised its MRP policy during the year (Council report 24th January 2017) that has resulted in significant savings as a result of a lower MRP charge for 2016/17. The saving will be held in a capital earmarked reserve and will be made available to the capital programme.
- 4.6.3.3 Financing Costs to Net Revenue Stream- General Fund and Housing Revenue Account (HRA) - The ratio is lower due the General Fund and the HRA not borrowing to fund the capital programme.
- 4.6.3.4 Incremental Effect of Capital Investment- The General Fund and the HRA show a decrease in this measure as a result of the method of funding the capital programme from internal resources.
- 4.6.4 Capital Expenditure and Funding
- 4.6.4.1 Capital Expenditure is reported in *Appendix 3*, for information purposes. The table indicates the audited position as at 31st March 2017.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 The effective management of the Authority's borrowing and investments are key in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

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

7. FINANCIAL IMPLICATIONS

- 7.1 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

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

9. CONSULTATIONS

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

10. RECOMMENDATIONS

- 10.1 Members are asked to note the contents of this report.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 Compliance with the CIPFA "Code of Practice for Treasury Management in the Public Services".

12. STATUTORY POWER

- 12.1 Local Government Acts 1972 and 2003.

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Consultees: N. Scammell – Acting Director of Corporate Services & S151 Officer

S. Harris - Interim Head of Corporate Finance

A. Southcombe – Finance Manager, Corporate Finance

Cllr B. Jones- Deputy Leader and Cabinet Member for Finance, Performance and Governance

Appendices:

Appendix 1 – Treasury Management Prudential Indicators – Prudence

Appendix 2 – Capital Finance Prudential Indicators – Affordability

Appendix 3 – Capital Expenditure and Funding

| | Budget 2016/17 | Actual 2016/17 |
|---|-------------------|-------------------|
| | | |
| | £000 | £000 |
| Authorised limit for external debt - | | |
| Borrowing | 366,267 | 366,267 |
| Other long term liabilities | 35,599 | 36,925 |
| Total | 401,867 | 403,192 |
| Operational boundary for external debt - | | |
| Borrowing | 293,014 | 289,852 |
| Other long term liabilities | 35,599 | 36,925 |
| Total | 328,613 | 326,777 |
| Upper limits for interest rate exposure | | |
| Principal outstanding on borrowing | 293,014 | 289,852 |
| Principal outstanding on investments | 110,000 | 125,180 |
| Net principal outstanding | 183,014 | 164,672 |
| Fixed rate limit – 100% | 183,014 | 164,672 |
| Variable rate limit – 50% | 54,904 | 82,336 |
| Upper limit for total invested for over 364 days | 50,000 | 31,868 |

| Maturity structure of fixed rate borrowing: Debt outstanding at 31 March 2017 | Upper Limit | Lower Limit | ACTUAL 2016/17 | |
|--|-------------|-------------|-------------------|-------------|
| | | | £000 | |
| Under 12 months | 35% | 0% | 10,354 | 4% |
| Over 12 months and within 24 months | 40% | 0% | 2,100 | 1% |
| Over 2 years and within 5 years | 50% | 0% | 4,623 | 2% |
| Over 5 years and within 10 years | 75% | 0% | 13,729 | 5% |
| Over 10 years | 95% | 0% | 259,046 | 89% |
| | | | 289,852 | 100% |

| Ratio of Financing costs to net revenue stream | Budget 2016/17 | Actual 2016/17 |
|--|-------------------|-------------------|
| General Fund | £000 | £000 |
| Principal repayments (MRP) | 8,437 | 2,305 |
| Net interest costs | 9,149 | 7,961 |
| Debt Management costs | 60 | 69 |
| Rescheduling discount | -226 | -226 |
| Investment income | -425 | -977 |
| Interest applied to internal balances | 847 | 823 |
| Total General Fund | 17,843 | 9,954 |
| Net revenue stream | 322,984 | 324,634 |
| Total as percentage of net revenue stream | 5.07% | 3.07% |
| Housing Revenue Account | | |
| Principal repayments | 2,340 | 2,330 |
| Interest costs | 5,646 | 5,254 |
| Rescheduling discount | -58 | -58 |
| Debt Management costs | 23 | 27 |
| Total HRA | 7,951 | 7,553 |
| Net revenue stream | 44,710 | 44,500 |
| Total as percentage of net revenue stream | 17.78% | 16.97% |

| Estimate of incremental impact of capital investment on Council Tax and Housing Rents | Budget 2016/17 | Actual 2016/17 |
|---|-------------------|-------------------|
| General Fund | £000 | £000 |
| costs of unsupportive borrowings - principal | 366 | 80 |
| - interest | 441 | 184 |
| Loss of investment income | 35 | 121 |
| Total | 842 | 385 |
| Impact on Band D council tax ** | 14.20 | 6.68 |
| Housing Revenue Account | | |
| Loss of investment income | 438 | 166 |
| Unsupported borrowings - principal | 0 | 0 |
| - interest | 0 | 0 |
| Total | 438 | 166 |
| Impact on average weekly rent ** | 0.04 | 0.29 |
| ** These are notional calculations as per regulations | | |

| Capital Financing Requirement | Budget 2016/17 | Actual 2016/17 |
|-------------------------------|-------------------|-------------------|
| | £000 | £000 |
| Council Fund | 225,024 | 228,553 |
| Housing Revenue Account | 113,916 | 112,997 |
| Total Authority | 338,941 | 341,550 |

Appendix 3 - Capital Expenditure and Funding

Outturn Report

| | Budget 2016/17 | Actual 2016/17 |
|--|---------------------------|---------------------------|
| Expenditure | | |
| | £000 | £000 |
| Council Fund | 17,099 | 34,990 |
| Housing Revenue Account | 36,022 | 32,317 |
| Total | 53,121 | 67,307 |
| Funding | | |
| Surplus/ (Deficit) Balance b/f | 1,971 | |
| Borrowings - Supported (GF) | 4,992 | |
| Internal Borrowing | | 5,873 |
| General Capital Grant - WG | 3,037 | 3,037 |
| RCCO (GF) | | 8,402 |
| RCCO Budget | 128 | |
| S106 Funding | | 136 |
| Capital underspends from previous years | 657 | |
| Ring-fenced uncommitted capital budgets | 610 | |
| Capital Receipts 2015/16 | 829 | 829 |
| Capital Receipts Reserve- 21st Century Schools | | 1,115 |
| General Fund Working Balances | 5,845 | 3,326 |
| Specific Grants & Contributions | | 12,272 |
| HRA Grants & Contributions | | 938 |
| RCCO- (HRA) | 28,676 | 24,038 |
| Major Repairs Allowance (HRA) | 7,345 | 7,340 |
| Total | 54,091 | 67,307 |
| Surplus | 970 | - |



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

SUBJECT: CAPITAL OUTTURN 2016/17

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

1. PURPOSE OF REPORT

- 1.1 To provide information to Members relating to the capital outturn for the 2016/17 financial year.

2. SUMMARY

- 2.1 The report provides details of actual capital expenditure for the 2016/17 financial year and slippage that has been requested to be carried forward into 2017/18.

3. LINKS TO STRATEGY

- 3.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on the 24th February 2016.
- 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 approved Capital Programme for the 2016/17 financial year totalled £55.69m, consisting of £17.10m for the General Fund and £38.59m for the Housing Revenue Account (HRA). During the year specific grants, slippage and contributions were received for various service areas taking the total available capital resources for 2016/17 to £94.09m. This is summarised in the table below: -

| | General Fund £000s | HRA £000s | Total £000s |
|---|-----------------------|---------------|----------------|
| Approved 2016/17 Budget | 17,099 | 38,592 | 55,691 |
| Slippage Brought Forward from 2015/16 | 21,530 | 0 | 21,530 |
| In Year Grants, Contributions | 12,784 | 0 | 12,784 |
| S106 Funding | 218 | 0 | 218 |
| Revenue Contribution to Capital Outlay (RCCO) | 967 | 0 | 967 |
| Other Funding | 2,903 | 0 | 2,903 |
| Total: | 55,501 | 38,592 | 94,093 |

4.2 The following table provides a summary of the 2016/17 outturn against each service area: -

| Capital Programme | Revised Estimated Target Spend £000s | Outturn Capital Spend £000s | Variance £000s |
|-----------------------------------|---|--------------------------------|-------------------|
| Education | 22,926 | 20,089 | 2,837 |
| Social Services | 3,653 | 496 | 3,157 |
| Private Housing | 4,814 | 3,388 | 1,426 |
| Urban Renewal & Countryside | 1,532 | 391 | 1,141 |
| Engineers | 9,715 | 5,474 | 4,241 |
| Land Reclamation | 2,133 | 5 | 2,128 |
| Property Services | 3,859 | 1,736 | 2,123 |
| Community & Leisure Services | 4,669 | 2,583 | 2,086 |
| Public Protection | 702 | 370 | 332 |
| Economic Dev & Regeneration | 283 | 219 | 64 |
| Corporate Services | 352 | 239 | 113 |
| Corporate Finance Balances | 864 | 0 | 864 |
| General Fund Total: - | 55,502 | 34,990 | 20,512 |
| HRA Total: - | 38,592 | 32,317 | 6,275 |
| Total Capital Programme: - | 94,094 | 67,307 | 26,787 |

4.3 The 2016/17 Housing Revenue Account (HRA) underspend of £6.28m will be carried forward into the 2017/18 financial year to support the ongoing programme of works to meet the Welsh Housing Quality Standard (WHQS).

4.4 The General Fund variance of £20.51m can be split between schemes that are ongoing or have been delayed in 2016/17 (slippage), ring-fenced budgets, schemes that were underspent as at 31 March 2017 and schemes that have resulted in overspends.

4.5 **Slippage:** Schemes to the value of £13.30m have been slipped into 2017/18 as a result of an ongoing program of works and delays in contractual arrangements. Appendix 1 sets out the schemes where slippage has occurred.

4.6 **Ring-fenced budgets:** As at 31 March 2017, a number of ring-fenced budgets remained unspent to the value of £6.97m. These budgets relate to specific grants, contributions and Section 106 monies or earmarked revenue funding transferred to a capital reserve. Appendix 2 provides a breakdown of the £6.97m.

4.7 **Underspends:** As at 31 March 2017, underspends totalling £307k were declared by budget holders upon the completion of capital schemes. Urban renewal have requested that £23k relating to the underspend on Town Centres and the Voluntary sector Grant Scheme to be retained to fund the ongoing ERDF liabilities at Newbridge subject to a Cabinet report to Members highlighting the change in circumstances. £284k is to be released into capital balances to fund the future capital programme. Details are provided in Appendix 3.

4.8 **Overspends:** As at 31 March 2017 Education reported overspends against capital schemes to the value of £67k. Appendix 4 details the schemes and the proposed funding correction required as agreed with budget holders.

5. WELL-BEING OF FUTURE GENERATIONS

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

6. EQUALITIES IMPLICATIONS

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

7. FINANCIAL IMPLICATIONS

7.1 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

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

9. CONSULTATIONS

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

10. RECOMMENDATIONS

10.1 Members are asked to note the contents of this report.

11. REASONS FOR THE RECOMMENDATIONS

11.1 Compliance with the CIPFA "Code of Practice for Treasury Management in the Public Services".

12. STATUTORY POWER

12.1 Local Government Acts 1972 and 2003.

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Consultees: N. Scammell – Acting Director of Corporate Services & S151 Officer

S. Harris - Interim Head of Corporate Finance

A. Southcombe – Finance Manager, Corporate Finance

Cllr B. Jones- Deputy Leader and Cabinet Member for Finance, Performance and Governance

Background Papers:
Budget Monitoring Reports 2016/17
Capital Outturn Report 2015/16

Appendices:
Appendix 1 – 2016/17 Slippage
Appendix 2 – 2016/17 Ring-fenced Budgets
Appendix 3 – 2016/17 Underspends
Appendix 4 – 2016/17 Overspends

Appendix 1: 2016/17 Slippage

| Service Area | Scheme | Outturn Position 31/03/2017 £000s | Comments |
|-------------------|--|---|---|
| Education | Basic Needs Accommodation | 186 | Works programmed for summer 2017 |
| Education | Asset Management | 1,126 | Restricted site access during the day for electrical rewiring has resulted in works being carried out during the night. |
| Education | 21st Century School-Newbridge/Cwmcarn | 1,472 | New funding approved Nov 16. Works subject to WG business case approval. |
| Lifelong Learning | Fochriw Youth Centre | 121 | Ongoing delivery of programme |
| Social Services | Various Schemes | 59 | Ongoing delivery of programme |
| Social Services | Children's Centre Complex Needs | 3,098 | Ongoing delivery of programme |
| Private Housing | Disabled Facility Grants | 134 | Ongoing delivery of programme |
| Private Housing | Home Imp Grants/Misc. | 187 | Ongoing delivery of programme |
| Private Housing | Home Repair Grant | 178 | Ongoing delivery of programme |
| Countryside | Environmental Schemes | 103 | Ongoing delivery of programme |
| Engineers | Infrastructure Retaining Walls | 196 | Ongoing delivery of programme |
| Engineers | Bridge Strengthening | 172 | Delay due to planning issues |
| Engineers | A472 Drainage Nelson | 600 | Delay due to works situated on a diversion route. |
| Engineers | Land Drainage-Corporate | 124 | Delay in works due to procurement/ weather related issues |
| Engineers | Land Drainage | 125 | Delay in works due to procurement/ weather related issues |
| Engineers | Corp Maintenance Tips Mines Spoils | 112 | Ongoing delivery of programme |
| Engineers | Various Schemes | 181 | Ongoing delivery of programme |
| Land Reclamation | Unfunded Liabilities Former Land Reclamation | 1,907 | Delay in settlement |
| Property Services | Former Meals On Wheels Pengam | 292 | Ongoing delivery of programme |
| Property Services | Longbridge Baths Risca | 1,299 | Ongoing delivery of programme |
| Property Services | Caerphilly Leisure Centre | 161 | Ongoing delivery of programme |
| Property Services | Various Schemes | 86 | Ongoing delivery of programme |

| | | | |
|----------------------------------|---------------------------|---------------|--|
| Community & Leisure Services | Cemeteries | 935 | Delay in construction works on the new cemetery within the Caerphilly basin. |
| Community & Leisure Services | Sport Pitches | 9 | Ongoing delivery of programme |
| Public Protection | Ty Llwyd Landfill Site | 200 | Ongoing delivery of programme |
| Public Protection | Various Schemes | 132 | Ongoing delivery of programme |
| Corporate Services | IT Hardware & Software | 52 | Ongoing delivery of programme |
| Corporate Services | One Stop Shop Development | 56 | Ongoing delivery of programme |
| | | | |
| Total Slippage 2016/17: - | | 13,303 | |

Appendix 2: 2016/17 Ring-fenced Budgets

| Service Area | Scheme | Outturn Position 31/03/2017 £000s | Comments |
|---|--|---|--|
| Urban Renewal | Risca s106 | 4 | S106 carried forward |
| Engineers | Various s106 Schemes | 1,893 | S106 carried forward |
| CLS | Playground Reinstatement | 374 | S106 carried forward |
| Private Housing | Various Schemes | 71 | Grant funding - ongoing programme |
| Private Housing | Home Improvement Loans | 298 | WG loan funding |
| Private Housing | Houses Into Homes Loans | 559 | WG loan funding |
| Urban Renewal | Town Centre Loan Scheme 15/16 | 500 | WG loan funding |
| Urban Renewal | Bargoed Unit Shops Tenants Incentive | 28 | Grant funding - ongoing programme |
| Urban Renewal | Park Lane Development | 93 | Options being developed for utilisation of site |
| Urban Renewal | Bargoed Cinema Development | 411 | Under review |
| Engineers | Various Schemes | 837 | Earmarked funding for historical liabilities & grant funded schemes |
| Engineers | Bedwas Colliery | 221 | Earmarked funding for historical liabilities at land reclamation sites |
| Community & Leisure Services | Ty Duffryn | 769 | Funding initially set-aside for potential Waste Transfer Station. Funding to remain ring-fenced pending the outcome of the ongoing waste strategy review |
| Economic Development & Regeneration | HLF Llancaiach Fawr | 42 | Earmarked funding for Llancaiach Fawr (HLF) |
| Corporate Services | LIDW | 5 | Scheme has ended, residual grant remaining and subject to WG approval to utilise. |
| Corporate Services | Unallocated Amounts (Underspends Given Up) | 864 | Cumulative underspends. 57% earmarked to fund 2018/19 and 2019/20 capital programme |
| Total Ring Fenced Budgets 2016/17: - | | 6,969 | |

Appendix 3: 2016/17 Underspends

| Service Area | Scheme | Outturn Position 31/03/2017 £000s | Comments |
|-------------------------------------|---------------------------------|---|--|
| Urban Renewal | Town Centres (Ur) | 1 | Scheme completed. Request to retain underspend to fund potential ERDF liabilities at Newbridge subject to future Cabinet report. |
| Countryside | Rdp Budding Business | 1 | Scheme completed. |
| Property Services | Risca Flood Alleviation | 283 | Scheme completed. |
| Economic Development & Regeneration | Voluntary Sector Capital Grants | 22 | Unable to expend full budget in year. Request to retain underspend to fund potential ERDF liabilities at Newbridge subject to future Cabinet report. |
| | | | |
| Total Underspends 2016/17: - | | 307 | |

Appendix 4: 2016/17 Overspends

| Service Area | Scheme | Outturn Position 31/03/2017 £000s | Comments |
|------------------------------------|-------------------------------------|---|---|
| Education | Health & Safety Reg Works | -3 | To be funded from 2017/18 capital budget allocation |
| Education | School Boiler Replacement Programme | -64 | To be funded from 2017/18 capital budget allocation |
| Total Overspends 2016/17: - | | -67 | |



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

SUBJECT: CODE OF PRACTICE - ETHICAL EMPLOYMENT IN SUPPLY CHAINS

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

1. PURPOSE OF REPORT

- 1.1 To provide Members with an overview of Welsh Government's Code of Practice for Ethical Employment in Supply Chains ('Code of Practice'), Appendix 1.
- 1.2 To advise Members of the intention of the Authority to sign up to the Code of Practice by 1st November 2017.

2. SUMMARY

- 2.1 The Welsh public sector spends an estimated £6bn every year on goods, services and works involving international supply chains. A huge range of goods, works and services are purchased by every part of the public sector but the unifying factor is that people are involved in each stage of these supply chains. It is therefore vital that, at every stage, there are good employment practices for the millions of employees. Although slavery was outlawed many years ago, and is illegal throughout the world, it is an endemic problem in some industries and in some part of the world. Indeed, cases of people being held in conditions of modern slavery are being discovered within the UK. There is a need to ensure these practices cannot take place in Wales and in our public sector supply chains around the world.
- 2.2 The scope of the Code of Practice covers procurement, supplier selection, tendering, contract management and supplier management.

3. LINKS TO STRATEGY

- 3.1 The Code of Practice contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015:
 - A prosperous 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
- a. The report has links to the Strategic Equality Plan SEO 2 – Inclusive Engagement and Participation.

4. THE REPORT

- 4.1 A Code of Practice on Ethical Employment in Supply Chains has been developed by Welsh Government to support the development of more ethical supply chains to deliver contracts for the Welsh public sector and third sector organisations in receipt of public funds. Evidence illustrates that unethical employment practices are taking place in supply chains throughout Wales and beyond.
- 4.2 The overall aim is to ensure that all public sector organisations are taking action to eradicate unlawful and unethical employment practices and to ensure all workers at every stage of the supply chain are treated fairly. The Code of Practice is designed to ensure that workers in public sector supply chains are employed ethically and in compliance with both the letter and spirit of UK, EU, and international laws. The Code of Practice covers the following employment issues:
- Modern Slavery and human rights abuses;
 - Blacklisting;
 - False self-employment;
 - Unfair use of umbrella schemes and zero hour contracts; and
 - Paying the Living Wage.
- 4.3 There is an expectation from Welsh Government that all Welsh public bodies whose functions are wholly or mainly Welsh devolved such as this Council should sign up to the Code of Practice. Third sector organisations in receipt of public funds, businesses based in Wales and businesses involved in Welsh public sector supply chains will also be expected or encouraged to sign up depending on their organisation type. Actions taken in relation to the Commitments contained within the Code of Practice should be appropriate and proportionate, in line with the size and influence of each organisation and the level of risk of labour exploitations within its supply chain. This is designed to minimise the impact on Small Medium Enterprises (SMEs).
- 4.4 To demonstrate that the Council is working towards complying with each of the Commitments stated in the Code of Practice an 'Action Plan' has been developed (as detailed in **Appendix 2** titled: Caerphilly CBC, Code of Practice Commitments 'Action Plan'). The 'Action Plan' details the Council's proposed approach and indicative timeline in order to implement each Commitment. In addition Welsh Government is developing a range of Toolkits to support the delivery of the Code of Practice and it is anticipated that the Council will utilise those resources.
- 4.5 In signing up to the Code of Practice the Council will agree to comply with the Commitments designed to eliminate modern slavery and support ethical employment practices.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 The overall aim of the Code of Practice maximises the Council's contribution to the Well-being Goals and is consistent with the five ways of working in terms of involvement, collaboration, long term, integration and prevention. The Council signing up to and implementing the Code of Practice clearly demonstrates our commitment to improving the social, economic, environmental and cultural well-being of the people of Wales. Ensuring workers in public sector supply chains in Wales are employed in a fair and ethical way.

6. EQUALITIES IMPLICATIONS

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

7. FINANCIAL IMPLICATIONS

7.1 There are no financial implications.

8. PERSONNEL IMPLICATIONS

8.1 The implementation of the Code of Practice will be monitored in terms of the impact that it has on Council resources. It is anticipated that if a risk based approach to managing Contractors and Suppliers is undertaken that management of the Code of Practice can be met from within existing resources coupled with some additional staff training.

9. CONSULTATIONS

9.1 This report has been sent to the Consultees listed below and all comments received are reflected in this report.

10. RECOMMENDATIONS

10.1 Members to note the expectation of Welsh Government that all Welsh public bodies whose functions are wholly or mainly Welsh devolved such as this Council should sign up to the Code of Practice.

10.2 Members to note the intention for Officers to sign up to the Code of Practice by 1st November 2017.

11. REASONS FOR THE RECOMMENDATIONS

11.1 To comply with Welsh Governments expectation that all Welsh public bodies whose functions are wholly or mainly Welsh devolved such as this Council should sign up to the Code of Practice for Ethical Employment in Supply Chains.

12. STATUTORY POWER

12.1 Local Government Acts 1972 and 2003 and the Local Government Measure 2009.

Author: Elizabeth Lucas, Head of Procurement and Customer Services
Consultees: Cllr C Gordon, Cabinet Member for Corporate Services
Cllr D Poole, Leader of Council
Nicole Scammell, Acting Director of Corporate Services & S151.
Stephen Harris, Interim Head of Corporate Finance.
Gail Williams, Interim Head of Legal Services and Monitoring officer.
Lynne Donovan, Acting Head of Human Resources and Organisational Development.
Paul Lewis, Acting Head of IT.
Mark Williams, Interim Head of Property.
Ian Evans, Contracts Manager, Procurement Services.
Natasha Ford, Supplier Relationship Officer, Procurement Services.

Appendices:

Appendix 1: Welsh Government's Code of Practice for Ethical Employment in Supply Chains

Appendix 2: Caerphilly CBC, Code of Practice Commitments 'Action Plan'.



Code of Practice

Ethical Employment in Supply Chains



Ministerial Foreword

“The Welsh public sector spends around £6bn every year on goods, services and works involving international supply chains. A huge range of goods, works and services are purchased by every part of the public sector but the unifying factor is that people are involved in each stage of these supply chains.

It is therefore vital that, at every stage, there are good employment practices for the millions of employees. Good employment practices, which empower and reward workers, help to improve the quality of life of people here in Wales and further afield and, in turn, result in better quality goods and services. Poor – and even unethical – practices, such as the unfair use of zero hours contracts, can lead to poor morale, high staff turnover and, in some cases, can be dangerous and exploitative.



Although slavery was outlawed many years ago, and is illegal throughout the world, it is an endemic problem in some industries and in some parts of the world. Indeed, cases of people being held in conditions of modern slavery are discovered within the UK. We must do more to ensure these practices cannot take place in Wales and in our public sector supply chains around the world.

We have produced this *Code of Practice on Ethical Employment in Supply Chains* to ensure all public sector organisations are taking action to eradicate unlawful and unethical employment practices and to ensure all workers at every stage of the supply chain are treated fairly. The 12 commitments in this code of practice are aimed at public, private and third sector organisations and the accompanying guides include advice and tools for putting each commitment into practice.

I hope as many organisations as possible sign up to the code of practice, which will ensure we contribute to the wellbeing of our people living and working in Wales and those involved in our supply chains across the world.”

Mark Drakeford AM
Cabinet Secretary for Finance
and Local Government

Introduction

This Code of Practice has been established by the Welsh Government to support the development of more ethical supply chains to deliver contracts for the Welsh public sector and third sector organisations in receipt of public funds.

Evidence illustrates that unethical employment practices are taking place in supply chains throughout Wales and beyond.

This Code is designed to ensure that workers in public sector supply chains are employed ethically and in compliance with both the letter and spirit of UK, EU, and international laws. The Code covers the following employment issues:

- Modern Slavery and human rights abuses
- Blacklisting
- False self-employment
- Unfair use of umbrella schemes and zero hours contracts

and

- Paying the Living Wage

Further information on each of these issues can be found in the Code of Practice Toolkit www.gov.wales/code-of-practice

In signing up to the Code, organisations will agree to comply with 12 commitments designed to eliminate modern slavery and support ethical employment practices.

The Welsh Government expects all public sector organisations, businesses and third sector organisations in receipt of public sector funding to sign up to this Code of Practice. Other organisations operating in Wales from any sector are encouraged to adopt the Code.

Action taken in relation to the 12 commitments contained within the Code should be appropriate and proportionate, in line with the size and influence of each organisation and the level of risk of labour exploitation within its supply chain.

The Code of Practice should be read in conjunction with the Toolkit which contains practical guidance, example text and templates to help address each of the subjects covered, and policy advice for public sector organisations.



Code of Practice Commitments

Our organisation will:

1. Produce a written policy on ethical employment within our own organisation and our supply chains. Once produced we will communicate the policy throughout our organisation and we will review it annually and monitor its effectiveness. As part of this we will:
 - 1.1. Appoint an Anti-Slavery and Ethical Employment Champion.
2. Produce a written policy on whistle-blowing to empower staff to raise suspicions of unlawful and unethical employment practices, and which places a responsibility on staff to report criminal activity taking place within our own organisation and our supply chains. Once produced we will communicate the policy throughout our organisation. We will review the policy annually and monitor its effectiveness. We will also:
 - 2.1. Provide a mechanism for people outside our organisation to raise suspicions of unlawful and unethical employment practices.
3. Ensure that those involved in buying/ procurement and the recruitment and deployment of workers, receive training on modern slavery and ethical employment practices, and keep a record of those that have been trained.
4. Ensure that employment practices are considered as part of the procurement process. We will:
 - 4.1. Include a copy of our Policy on ethical employment (Commitment 1) in all procurement documentation.
 - 4.2. Include appropriate questions on ethical employment in tenders and assess the responses provided.
 - 4.3. Incorporate, where appropriate, elements of the Code as conditions of contract.
 - 4.4. Ask bidders to explain the impact that low costs may have on their workers each time an abnormally low quote or tender is received.
5. Ensure that the way in which we work with our suppliers does not contribute to the use of illegal or unethical employment practices within the supply chain. We will:
 - 5.1. Ensure that undue cost and time pressures are not applied to any of our suppliers if this is likely to result in unethical treatment of workers.
 - 5.2. Ensure that our suppliers are paid on time – within 30 days of receipt of a valid invoice.
6. Expect our suppliers to sign up to this Code of Practice to help ensure that ethical employment practices are carried out throughout the supply chain.
7. Assess our expenditure to identify and address issues of modern slavery, human rights abuses and unethical employment practice. We will:
 - 7.1. Carry out regular reviews of expenditure and undertake a risk assessment on the findings, to identify products and/or services where there is a risk of modern slavery and/or illegal or unethical employment practices within the UK and overseas.
 - 7.2. Investigate any supplier identified as high risk, by direct engagement with workers wherever possible.
 - 7.3. Work with our suppliers to rectify any issues of illegal or unethical employment practice.

- 7.4. Monitor the employment practices of our high risk suppliers, making this a standard agenda item for all contract management meetings/reviews.
8. Ensure that false self-employment is not undertaken and that umbrella schemes and zero hours contracts are not used unfairly or as a means to:
 - 8.1. Avoid, or facilitate avoidance of, the payment of tax and National Insurance contributions and the relevant minimum wages.
 - 8.2. Unduly disadvantage workers in terms of pay and employment rights, job security and career opportunities.
 - 8.3. Avoid Health and Safety responsibilities.
9. Ensure that workers are free to join a Trade Union or collective agreement and to undertake any related activity and raise worker concerns without risk of discrimination. We will:
 - 9.1. Not make use of blacklists/prohibited lists.
 - 9.2. Ensure that our suppliers do not make use of blacklists/prohibited lists.
 - 9.3. Not contract with any supplier that has made use of a blacklist/prohibited list and failed to take steps to put matters right.
 - 9.4. Expect our suppliers to ensure that Trade Union representatives can access members and contracted workers.
10. Consider paying all staff the Living Wage Foundation's Living Wage as a minimum and encourage our suppliers to do the same. We will:
 - 10.1. Consider paying at least the Living Wage Foundation's Living Wage to all our staff in the UK.
 - 10.2. Consider becoming an accredited Living Wage Employer.
 - 10.3. Encourage our suppliers based overseas to pay a fair wage to all staff, and to ensure that staff working in the UK are paid at least the minimum wage.

11. Produce an annual written statement outlining the steps taken during the financial year, and plans for future actions, to ensure that slavery and human trafficking are not taking place in any part of our organisation and its supply chains. We will:
 - 11.1. Ensure that the statement is signed off at senior management/board level.
 - 11.2. Publish the statement on our website. If this is not possible, we will provide a copy to anyone within 30 days of a request being made.

All organisations signing up to this Code are expected to produce and publish this annual written statement – for commercial organisations with a turnover of £36m or more, this also fulfils the requirements of Section 54 of the Modern Slavery Act 2015.

We encourage all organisations to publish their statements on the Transparency in Supply Chains (TISC) register www.tiscreport.org free of charge for all public and small organisations. In exchange, they can make use of the Wales Anti-Slavery Logo.

For Public sector to whom the Code of Practice on Workforce Matters (2014) applies:

12. Ensure all those undertaking work on an outsourced contract are treated fairly and equally. We will:
 - 12.1. Ensure that public sector staff who are transferred as part of a public service which is outsourced to a third party retain their terms and conditions of employment.
 - 12.2. Ensure that other staff working on an outsourced public service are employed on terms and conditions that are comparable to the transferred public sector staff.

Implementing the Code of Practice

The 'Code of Practice – Ethical Employment in Supply Chains' has been established to help ensure workers in public sector supply chains in Wales are employed in a fair and ethical way.

The scope of the Code of Practice covers procurement, supplier selection, tendering, contract management and supplier management.

Who can sign up to the Code?

| Organisation type | |
|--|--|
| Welsh public bodies whose functions are wholly or mainly Welsh devolved: <ul style="list-style-type: none"> • Welsh Government • National Procurement Service • Welsh Government Sponsored Bodies • NHS Wales • Local Government • Emergency Services (excluding Police) | Are expected to sign up to the Code |
| Higher and Further Education Institutions | Are expected to sign up to the Code |
| Third sector organisations in receipt of Welsh public funds through grants, contracts or any other means | Are expected to sign up to the Code |
| Businesses involved in Welsh public sector supply chains | Are expected to sign up to the Code |
| Other public bodies based in Wales | Are encouraged to sign up to the Code |
| Other businesses based in Wales | Are encouraged to sign up to the Code |



How to sign up

To notify us that you are signing up to the Code, simply send an email to vwpolicy@wales.gsi.gov.uk using the subject line 'Code of Practice' and include the following information:

- Your name
- Your role
- Your email address
- Your organisation's name
- Your organisation's contact details – address & telephone number

Code of Practice Toolkit

This Code is accompanied by a Toolkit made up of a series of Guides and Procurement Advice Notes along with document templates, example tender questions, and example contract conditions. These provide practical advice and guidance to help you when implementing the Code.

The following Guides are available to download at www.gov.wales/code-of-practice

- Guide to tackling modern slavery and human rights abuses
- Guide to tackling unethical employment practices
- Guide to tackling Blacklisting
- Guide to implementing the Living Wage through procurement
- Example Questions, Conditions and Policies

The following Procurement Advice Notes (PANs), aimed at public sector procurers, also form part of the Toolkit:

- Employment Practices on Publicly Funded Projects
- Blacklisting in the Construction Industry
- Revised Code of Practice on Workforce Matters.

Other policy commitments, particularly for the public sector, such as those produced by Workforce Partnership Council, should be applied. Where relevant these are referenced in the Guides.

How to implement the Code

In your own organisation:

The Welsh Government appreciates that the commitments within the Code are wide-ranging. You should be able to take action on the majority of the commitments quickly, particularly those that relate to your contracting activity, but some will take time to implement in full. Once you have signed up to the Code, we recommend you take the following steps:

- Carry out an assessment to identify the commitments with which you already comply.

For the remaining commitments:

- Prioritise the commitments according to your own organisation's impacts and situation.
- Develop an Action Plan, detailing the activities you will be undertaking to implement each commitment.
- Assign timescales to each of the actions within your Action Plan.

If you are a small organisation you may need longer to implement the Code fully. We suggest you begin with those commitments which you feel have most relevance to your organisation and work on others over time. Alternatively you may also wish to take more focussed action against each of the commitments. For example, for Commitment 7 'Assess our expenditure to identify and address issues of modern slavery and unethical employment practice' – you could begin by only assessing suppliers who supply a particular type of commodity, or only those suppliers involved in supplying your core product or service.

In your Supply Chain(s):

A number of the commitments within the Code relate to ethical practices within your supply chains. An effective way to achieve this is to expect your suppliers to sign up to the Code.



Reporting requirements

For Welsh public sector bodies only:

Welsh public sector organisations will be asked to report on their status in relation to sign-up and implementation of the Code providing information on:

- The number of staff involved in procurement who have undertaken training on modern slavery and ethical employment practices (as both a number & percentage); and
- The number of suppliers who have signed up to the Code of Practice as a result of action taken by the organisation.

We will also ask for copies of your Code of Practice Action Plan (which should form part of your annual Written Statement).

Issues relating to ethical employment practices on publicly funded projects which are raised through the Supplier Feedback Service will be reported.

For all organisations:

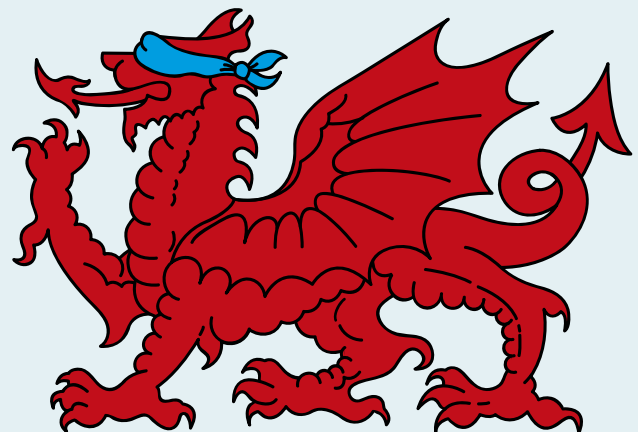
Through Commitment 11 of the Code each organisation agrees to produce and publish an annual written statement outlining the steps taken in relation to modern slavery. You will only be able to continue to use the Wales anti-slavery logo if you continue to produce your annual statement and commit to carrying out the actions contained in it.

Supporting information

Practical advice and guidance on implementing the Code are contained within the Code of Practice Toolkit:

www.gov.wales/code-of-practice

Say **NO**
to Slavery



Modern Slavery Helpline: **0800 0121700**

Appendix 2: Caerphilly CBC, Code of Practice Commitments 'Action Plan'

| No | Code of Practice Commitments | Caerphilly CBC Action Plan | Owner(s) |
|--------------|---|---|--|
| 1 | <p>Produce a written policy on ethical employment within our own organisation and our supply chains. Once produced we will communicate the policy throughout our organisation and we will review it annually and monitor its effectiveness. As part of this we will:</p> <p>Appoint an Anti-Slavery and Ethical Employment Champion.</p> | <p>Head of Procurement to draft and implement a written policy on ethical employment within our own organisation and our supply chains. – 1st November 2017. Arrange for the policy to be monitored as part of the Service improvement process – annually.</p> <p>Appoint Anti Slavery and Ethical Employment Champion in the form of the Cabinet Member for Corporate Services. – 1st November 2017.</p> | <p>Corporate Director and S151/Head of Procurement and Customer Services</p> |
| 2 Page 48 | <p>Produce a written policy on whistle blowing to empower staff to raise suspicions of unlawful and unethical employment practices, and which places a responsibility on staff to report criminal activity taking place within our own organisation and our supply chains. Once produced we will communicate the policy throughout the organisation. We will review the policy annually and monitor its effectiveness. We will also:</p> <p>Provide a mechanism for people outside our organisation to raise suspicions of unlawful and unethical employment practices.</p> | <p>Review and update current HR Policy on Whistle blowing to accommodate the ability for Staff to report Criminal activity. – April 2018</p> | <p>Head of Legal Service and Head of HR</p> |
| 3 | <p>Ensure that those involved in buying/procurement and the recruitment and deployment of workers, receive training on modern slavery and ethical employment practices, and keep a record of those that have been trained.</p> | <p>Modern Slavery and ethical employment practices highlighted as part of the PDR process for all staff involved with the buying and Procurement process and the recruitment and deployment of works. Training to be provided as part of relevant staff training plans. – On going year on year as part of staff review programme A copy of the Code of practice – ethical employment in supply chains to be available via the Authority's intranet and internet. – 1 November 2017</p> | <p>Director of Corporate Services and S151</p> |
| 4 | <p>Ensure that employment practices are considered as part of the procurement process. We will:</p> <p>Include a copy of our Policy on Ethical Employment (commitment 1) in all procurement documentation.</p> | <p>Update all Procurement documentation to include a copy of the code as standard documentation. – 1st November 2017</p> <p>Review terms and conditions of contract where necessary to reflect appropriate areas of the code. On going as and when required</p> | <p>Head of procurement</p> |

| | | | |
|---------|---|--|---|
| | <p>Include appropriate questions on ethical employment in tenders and assess the responses provided.</p> <p>Incorporate, where appropriate, the elements of the Code as conditions of contract.</p> <p>Ask bidders to explain the impact that low costs may have on their workers each time an abnormally low quote or tender is received.</p> | <p>Up date procurement processes and procedures to accommodate review of abnormally low bids - 1st November 2017</p> | |
| 5 | <p>Ensure that the way in which we work with our suppliers does not contribute to the use of illegal or unethical employment practices within the supply chain. We will:</p> <p>Ensure that undue cost and time pressures are not applied to any of our suppliers if this is likely to result in unethical treatment of workers.</p> <p>Ensure that our suppliers are paid on time – within 30 days of receipt of valid invoice</p> | <p>Review our standard processes and procedures to ensure we do not apply undue cost and pressures to the supply chain – 1st December 2017.</p> <p>Ensure all contract stipulate 30 days payment terms on receipt of a valid invoice. To ensure were possible on all new contracts, all sub-contractors have equal payment terms. 1 December 2017</p> | <p>Head of Procurement</p> |
| Page 49 | <p>Expect our suppliers to sign up to this Code of Practice to help ensure that ethical employment practices are carried out throughout the supply chain.</p> | <p>Ensure that all ITT from 1st November 2017 have the necessary request for all contractors to commit to the Code of Practice, from 1st April 2018.</p> | <p>Head of Procurement</p> |
| 7 | <p>Assess our expenditure to identify and address issues of modern slavery, human rights abuses and unethical employment practice. We will:</p> <p>Carry out regular reviews of expenditure and undertake a risk assessment on the findings, to identify products and/or services where there is a risk of modern slavery and/or illegal or unethical employment practices within the UK and overseas.</p> <p>Investigate any supplier identified as high risk, by direct engagement with workers wherever possible.</p> <p>Work with our suppliers to rectify any issues of illegal or unethical employment practice.</p> <p>Monitor the employment practices of our high risk suppliers, making this a standard agenda item for all contract management meetings/reviews.</p> | <p>Review our expenditure analysis and risk assessment tools to develop new working practices. March 2018</p> <p>Review and develop process March 2019</p> <p>Review and develop process March 2019</p> <p>Review and develop process March 2019</p> | <p>Head of Procurement</p> <p>Head of Procurement</p> |
| 8 | <p>Ensure that false self-employment is not undertaken and that umbrella</p> | <p>Details to be reviewed as part of Terms and Conditions</p> | <p>Head of</p> |

| | | | |
|----|---|---|----------------------------|
| | <p>schemes and zero hours contracts are not used unfairly or as a means to:</p> <p>Avoid, or facilitate avoidance of, the payment of tax and National Insurance contributions and the relevant minimum wages.</p> <p>Unduly disadvantage workers in terms of pay and employment rights, job security and career opportunities.</p> <p>Avoid Health and Safety responsibilities.</p> | <p>of Contract.</p> <p>Review in consultation with advice and guidance from HR.</p> <p>These elements of the code will be reflected in all new procurement documentation from March 2018.</p> | Procurement |
| 9 | <p>Ensure that workers are free to join a Trade Union or collective agreement and to undertaken any related activity and raise worker concerns without risk of discrimination. We will:</p> <p>Not make use of blacklists/prohibited lists.</p> <p>Ensure that our suppliers do not make use of blacklists/prohibited lists.</p> <p>Not contract with any supplier that has made use of a blacklist/prohibited list and failed to take steps to put matters right.</p> <p>Expect our supplier to ensure that Trade Union representatives can access members and contracted workers.</p> | <p>This element of the code will be reflected in all procurement documentation from March 2018.</p> | Head of Procurement |
| 10 | <p>Consider paying at least the Living Wage Foundations Living Wage as a minimum and encourage our suppliers to do the same. We will:</p> <p>Consider paying at least the Living Wage Foundations Living Wage to all our staff in the UK.</p> <p>Consider becoming an accredited Living Wage Employer.</p> <p>Encourage our suppliers based overseas to pay a fair wage to all staff and to ensure that staff working in the UK are paid at least the minimum wage.</p> | <p>Where appropriate the Authority will consider and encourage through all procurement documents from March 2018.</p> | Head of Procurement |
| 11 | <p>Produce an annual written statement outlining the steps taken during the financial year, and plans for future actions, to ensure that slavery and human trafficking are not taking place in any part of our organisation and its supply chains. We will:</p> <p>Ensure that the statement is signed off at senior management/board level.</p> | <p>Provide an annual statement at the end of each financial year start April 2018 and report to CMT.</p> | Head of Procurement |

| | | | |
|----|--|--|----------------------------|
| | Publish the statement on our website. If this is not possible, we will provide a copy to anyone within 30 days of a request being made. | A Copy of the report will be available internally and externally via the Council website. | |
| 12 | <p>For Public Sector to whom the Code of Practice on Workforce Matters (2014) applies:</p> <p>Ensure all those undertaking work on an outsourced contract are treated fairly and equally. We will:</p> <p>Ensure that public sector staff who are transferred as part of a public service which is outsourced to a third party retain their terms and conditions of employment.</p> | This element of the code will be considered as part of all outsourcing contract arrangements in consultation with HR | Head of Procurement |