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Am unrhyw ymholiad yn ymwneud â'r agenda hwn cysylltwch â Rebecca Barrett
(Rhif Ffôn: 01443 864245 E-bost: barrerm@caerphilly.gov.uk)

Dyddiad: Dydd Mercher, 10 Ionawr 2018

Annwyl Syr/Fadam,

Bydd cyfarfod **Pwyllgor Craffu Polisi ac Adnoddau** yn cael ei gynnal yn **Ystafell Sirhywi, Tŷ Penallta, Tredomen, Ystrad Mynach** ar **Dydd Mawrth, 16eg Ionawr, 2018** am **5.30 pm** i ystyried materion a gynhwysir yn yr agenda canlynol. Mae croeso i chi ddefnyddio'r iaith Gymraeg yn y cyfarfod, a dylid rhoi cyfnod rhybudd o 3 diwrnod gwaith os ydych yn dymuno gwneud hynny. Bydd cyfieithu ar y pryd yn cael ei ddarparu ar gais.

Yr eiddoch yn gywir,

A handwritten signature in black ink, appearing to read 'Chrissy'.

Christina Harrhy
PRIF WEITHREDWR DROS DRO

A G E N D A

Tudalennau

- 1 I dderbyn ymddiheuriadau am absenoldeb.
- 2 Datganiadau o Ddiddordeb.

Atgoffi'r Cyngorwyr a Swyddogion o'u cyfrifoldeb personol i ddatgan unrhyw fuddiannau personol a/neu niweidiol mewn perthynas ag unrhyw eitem o fusnes ar yr agenda hwn yn unol â Deddf Llywodraeth Leol 2000, Cyfansoddiad y Cyngor a'r Cod Ymddygiad ar gyfer Cyngorwyr a Swyddogion.

A greener place Man gwyrddach

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I gymeradwyo a llofnodi'r cofnodion canlynol:-

- | | | |
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| 3 | Pwyllgor Craffu Polisi ac Adnoddau a gynhaliwyd ar 14eg Tachwedd 2017. | 1 - 8 |
| 4 | Cyfarfod Arbennig o Pwyllgor Craffu Polisi ac Adnoddau a gynhaliwyd ar 4ydd Rhagfyr 2017. | 9 - 14 |
| 5 | Ystyried unrhyw fater a gyfeiriwyd at y Pwyllgor hwn yn unol â'r drefn galw i mewn. | |
| 6 | I dderbyn adroddiad llafar gan yr Aelod(au) Cabinet. | |
| 7 | Rhaglen Waith y Dyfodol Pwyllgor Craffu Polisi ac Adnoddau. | 15 - 26 |
| 8 | I dderbyn ac ystyried yr adroddiadau* Cabinet canlynol:- <ol style="list-style-type: none">1. Cynigion Cyllideb Drafft ar gyfer 2018/19 - 15fed Tachwedd 2017;2. Sylfaen Treth Y Cyngor 2018-2019 - 13eg Rhagfyr 2017;3. Adroddiad Monitro Cyllideb Refeniw Canol y Flwyddyn yr Awdurdod Cyfan 2017/18 - 13eg Rhagfyr 2017;4. Dileu Dyledion dros £20,000 (WEDI EITHRIO) - 13eg Rhagfyr 2017. | |

**Os oes aelod o'r Pwyllgor Craffu yn dymuno i unrhyw un o'r adroddiadau Cabinet uchod i gael eu dwyn ymlaen ar gyfer adolygiad yn y cyfarfod, cysylltwch â Rebecca Barrett, 01443 864245, erbyn 10.00 a.m. ar ddydd Llun, 15fed Ionawr 2018.*

I dderbyn ac ystyried yr adroddiadau Craffu canlynol:-

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| 9 | Taliadau Cyfrif Refeniw Tai - 2018/2019. | 27 - 32 |
| 10 | Strategaeth Flynyddol Rheoli'r Trysorlys, Dangosyddion Darbodus Cyllid Cyfalaf a Pholisi Darpariaeth Isafswm Refeniw ar gyfer 2018/19. | 33 - 60 |
| 11 | Diweddariad ar Gronfeydd. | 61 - 72 |
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Cylchrediad:

Cynghorwyr M.A. Adams, Mrs E.M. Aldworth, K. Dawson, K. Etheridge, Mrs C. Forehead, Miss E. Forehead, L. Harding, G. Kirby, C.P. Mann, Mrs D. Price (Is Gadeirydd), J. Pritchard (Cadeirydd), J. Ridgewell, R. Saralis, Mrs M.E. Sargent, J. Taylor a L.G. Whittle

A Swyddogion Priodol



POLICY AND RESOURCES SCRUTINY COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON
TUESDAY, 14TH NOVEMBER 2017 AT 5.30 P.M.

PRESENT:

Councillor J. Pritchard - Chair
Councillor Mrs D. Price - Vice Chair

Councillors:

M. Adams, K. Etheridge, Mrs C. Forehead, L. Harding, G. Kirby, C.P. Mann, J. Ridgewell,
Mrs M.E. Sargent, J. Taylor, L.G. Whittle

Cabinet Members:

C. Gordon (Corporate Services), Mrs B. Jones (Finance, Performance and Governance),
Mrs L. Phipps (Homes and Places)

Together with:

C. HARRY (Corporate Director - Communities), L. Donovan (Acting Head of Human Resources
and Organisational Development), S. Couzens (Chief Housing Officer), P. Lewis (Acting Head
of IT), M. Williams (Interim Head of Property Services), L. Lane (Corporate Solicitor),
E. Sullivan (Scrutiny Officer), R. Barrett (Committee Services Officer)

Together with:

Ms N. Jenkins (Wales Audit Office), Mr R. Price (Wales Audit Office), Mr C. Davies (Chair -
Caerphilly Homes Task Group), Mrs S. Jones (Tenant Representative)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mrs E.M. Aldworth, K. Dawson, Miss E. Forehead
and R. Saralis, together with N. Scammell (Acting Director of Corporate Services and Section
151 Officer).

2. DECLARATIONS OF INTEREST

Councillor Mrs B. Jones declared an interest in Agenda Item 8 (WAO Review of the WHQS
Delivery Programme) and Councillor K. Etheridge declared an interest in Agenda Item 9
(Sickness Absence within the Council). Details are minuted with the respective item.

3. MINUTES – 3RD OCTOBER 2017

RESOLVED that the minutes of the Policy and Resources Scrutiny Committee held on 3rd October 2017 (minute nos. 1 - 9) be approved as a correct record and signed by the Chair.

4. CALL-IN PROCEDURE

There had been no matters referred to the Scrutiny Committee in accordance with the call-in procedure.

5. REPORT OF THE CABINET MEMBERS

The Scrutiny Committee received verbal reports from Councillors Mrs L. Phipps, C. Gordon and Mrs B. Jones. Questions and comments were invited on the report contents.

Councillor Mrs L. Phipps (Cabinet Member for Homes and Places) updated Members on developments across Property Services, including the forthcoming completion of the new Abertysswg and Pontllytyn Primary School, classroom extension works at Newbridge School, the demolition of Pontllanfraith House Council Offices, and the tender process for the demolition of the former Pontllanfraith and Oakdale Comprehensive School buildings.

The Cabinet Member also referred to the report due to be presented that evening in relation to the WAO review of the WHQS programme, and asked Members to note the added benefits that the scheme has delivered as part of the Council's aim to transform homes, lives and communities. These include benefits to local businesses and suppliers arising from significant work packages being undertaken by local contractors, training and job opportunities, additional funding to deliver energy efficiency measures, environmental improvements, and adaptations to tenant homes to increase their independence and meet their needs.

Reference was made to the apprenticeships and job opportunities created as a result of the WHQS programme and a Member queried whether redundancy costs would be incurred against these posts following completion of the programme in 2020. It was confirmed that these posts are fixed term contracts and hence there would be no redundancy costs associated with the programme end for these posts. A query was received regarding the intended demolition dates for the former Pontllanfraith and Oakdale Comprehensive Schools. The Cabinet Member explained that the demolition of the Pontllanfraith site is on hold pending the outcome of the Pontllanfraith Leisure Centre consultation exercise, and that she would advise the Member of the Oakdale demolition date following the meeting. A Member also queried whether the energy efficiency measures arising from the WHQS programme include the installation of solar panels, and the Cabinet Member confirmed that she would make enquiries on this and advise the Member in due course.

Councillor C. Gordon (Cabinet Member for Corporate Services) advised Members of the work being carried out by the Communications Team. These include budget consultation activities on the draft savings proposals, comprising a meeting of the Viewpoint Panel, public drop in sessions across the county borough, discussions with key stakeholder groups and a survey to be made available online and via the December edition of Newline. The Council recently welcomed a delegation from their counterparts in Ludwigsburg to discuss the Council's e-Government agenda and how they are embracing digital services. The Communications Team also oversaw the successful launch of the annual Operation Santa appeal, which will see thousands of gifts distributed to over 600 children across the county borough in the coming weeks.

Members were also informed that a new set of standards have recently been agreed for Customer Services, which will set out how services across the Authority will deal with customers. The new standards will be launched on 4th December 2017 and a copy of the standards were tabled at the meeting for Members' information.

The Cabinet Member also provided an update in respect of the potential IT collaboration that is currently under consideration (the Shared Resource Service). It was explained that the trade unions would be updated on developments in the coming weeks and then emails would be sent to relevant staff on the matter. A consultation meeting with staff was recently held which received a number of questions on the potential collaboration, and it is intended for this item to be brought to the Scrutiny Committee for consideration in early 2018.

Discussion took place regarding the potential IT collaboration and the Cabinet Member confirmed that staff and trade unions will continue to be kept updated on developments ahead of the matter being considered by the Scrutiny Committee. In response to Members' queries, it was confirmed that it is anticipated for all relevant staff to be accommodated by the Shared Resource Service if the collaboration were to proceed. Members also discussed the survey for the draft savings proposals and it was confirmed that the Council are utilising a number of avenues to improve completion rates, including promotion via their social media pages.

Councillor Mrs B. Jones (Cabinet Member for Finance, Performance and Governance) presented her report and updated Members on key developments across Corporate Finance. She explained that draft budget proposals for 2018/19 were due to be presented to Cabinet the following day, and would then be followed by a period of consultation prior to final proposals being presented to Cabinet and Council in February 2018. The draft budget proposals include savings totalling £7.2m along with a proposed increase in Council Tax of 4.52%. A cash flat position is assumed for schools, which means that the funding delegated to schools will remain at 2017/18 levels.

Discussion took place regarding the proposed Council Tax increase of 4.52% and the Cabinet Member explained that this figure had been proposed in order to minimise savings having to be found from elsewhere (thereby reducing the potential impact on front-line services). It was confirmed that this figure could be subject to change following the period of consultation.

The Cabinet Members were thanked for their reports.

6. POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

Emma Sullivan (Scrutiny Officer) presented the report, which outlined details of the Policy and Resources Scrutiny Committee Forward Work Programme (FWP).

Members were advised that the FWP included all reports agreed at the meeting held on 3rd October 2017 and outlined the reports planned for the period November 2017 to July 2018. Members were asked to consider the FWP alongside the Cabinet Work Programme as appended to the report and to suggest any changes.

Members discussed the items listed on the Forward Work Programme and it was agreed that a report on Affordable Homes in New Developments be scheduled for 10th April 2018. Suggestions were made by Members regarding the potential remit and breadth of this report and Officers confirmed that these would be incorporated into the report contents.

It was agreed that subject to the foregoing addition, the Policy and Resources Scrutiny Committee Forward Work Programme be published on the Council's website.

7. CABINET REPORTS

Following a request from a Member of the Scrutiny Committee, the following report had been brought forward for discussion at the meeting. None of the other Cabinet reports had been brought forward.

Wales Audit Office (WAO) Local Risk Based Reviews: Asset Management and Information Management and Technology – Caerphilly County Borough Council.

A copy of the Cabinet report and decision notice was tabled for Members' information and discussion took place on a number of the WAO findings detailed in the report. In response to a query from the Member on the use of the Council's new Corporate Asset Management Strategy, Officers explained that work has commenced on an overarching strategic approach across service areas, and that it is anticipated that a draft strategy will be developed in Spring 2018.

The Member also queried the likely date for a detailed review of the effectiveness of the Council's Business Improvement Board (as identified by the WAO) to be carried out. Ms Non Jenkins (Wales Audit Office) confirmed that contact with the Council has been made on this matter but that a review is considered premature at this point in time. It is intended that this review will form part of the main Council Audit which is expected to commence in March 2018.

In response to a Member's query over whether interim management arrangements across the Authority may have contributed towards the lack of a strategic approach for the use of Council assets and current IT arrangements, Ms Jenkins explained that this would be for the Council to assess as part of ongoing review work.

REPORTS OF OFFICERS

Consideration was given to the following reports.

8. SICKNESS ABSENCE WITHIN THE COUNCIL

Following the agreement of the Scrutiny Committee, the item was moved forward on the agenda.

Councillor K. Etheridge declared an interest in this item (having a family member who is affected by the issues in the report) and left the meeting during consideration of this item.

Lynne Donovan (Acting Head of Human Resources and Organisational Development) presented the report which had been requested at the Scrutiny Committee meeting of 6th June 2017. The report outlined the position with regard to sickness absence within the Council, including the levels of absence for the previous 2 years and the actions taken to improve these.

It was explained that the Managing Attendance Team was established in October 2010 to support Managers to manage absence effectively and consistently across the authority. Members were referred to the report which set the overall absence levels per quarter during the previous 2 years by directorate, together with details of long term and short term absences during this period. The report also detailed the process surrounding Informal Absence Reviews (IAR), reasons for absence across the Authority (overall and per directorate) and details of the appointments undertaken by the Occupational Health Unit to support the management of sickness absence. Appended to the report were details of the number and percentage of employees per directorate that have reported sick across a range of days per each quarter, together with a copy of an email from the Cabinet Member for Corporate Services in relation to sickness absence.

Members noted an increase in the number of reported days lost per FTE (full time equivalent) for 2016/17 (12.2 days compared to 11.7 days for 2015/16). In Quarter 4 for each year (January to March), 68% of employees had no sickness absence and this rose to over 70% of staff in other quarters, with Quarter 2 each year (July to September) reporting over 80% attendance. As a result of concerns regarding increasing sickness absence levels during mid 2016/17, a number of activities have been carried out, which were detailed in the report. These include regular discussion at management meetings, additional training, guidance and support by HR, reminders to managers regarding the completion of Informal Absence Reviews, and the creation of extra Occupational Health sessions to reduce the backlog.

The Cabinet Member for Corporate Services referred to his email to the Leadership Team as appended to the report, which outlined his commitment to addressing sickness absence across the Authority. He expressed concerns regarding the current high levels of sickness absence compared to neighbouring authorities, and emphasised the need for these to be reduced, particularly in view of the workload impact that sickness absence can place on the remaining staff within a service area.

In response to a Member's query, it was confirmed that a comparison of sickness levels had been carried out across other local authorities but not the private sector due to differing working environments and practices. Discussion took place in regards to the completion of Informal Absence Reviews, and Officers confirmed that HR are ensuring that these are correctly completed, and are providing common advice and support to managers in this regard. It was explained that if a service area consistently fails to complete these documents, then the matter will be addressed through the Corporate Management Team and Head of Service.

In response to a Member's query, it was confirmed that the sickness information for the Directorate of Education and Lifelong Learning includes schools staff. A Member referred to the high level of sickness absence across Social Services and queried whether more detailed information is available in this regard. Officers confirmed that they are able to break this down into service areas/teams and offered to forward this information to the Member.

Members expressed a need for the recognition of good attendance and Officers confirmed that staff in Social Services used to receive a letter of thanks but that this practice has been discontinued in recent years. It was confirmed that this is a process that could be revisited and Members welcomed the opportunity to acknowledge staff efforts in view of the additional pressures placed on them as a result of sickness absence. Officers added that consideration is being given towards developing a staff focus group to address the matter of sickness absence and the support available to staff.

Members expressed a need for an update report on sickness absence to be brought back to the Scrutiny Committee at a future point in time and this was agreed by those present.

Following discussion on its contents, the Scrutiny Committee noted the sickness absence information contained within the report.

9. WALES AUDIT OFFICE REVIEW OF THE WHQS DELIVERY PROGRAMME

Councillor Mrs B. Jones declared an interest in this item (being a Council tenant who has benefitted from the programme) and left the meeting during consideration of this item.

Members were referred to the report considered by Cabinet on 1st November 2017, which detailed the recommendations resulting from the Wales Audit Office (WAO) review of the Welsh Housing Quality Standard (WHQS) delivery programme, together with Officer's comments and the actions proposed in response to the WAO report. An extract of the

Cabinet minutes which detailed the discussion on the item was appended to the report. The Scrutiny Committee were asked to note the outcome of the WAO Review of the WHQS Programme and the response from the Council which addresses its content, the issues raised therein and the proposals for improvement.

The Chair welcomed Ms Non Jenkins and Mr Ron Price (Wales Audit Office) to the meeting and invited them to present their finding, conclusions and proposals for improvement as detailed within the document.

Ms Jenkins highlighted the key issues contained within the report and referred to the scope of the review, the interviews and evidence collated from Officers, tenants and leaseholders, the conclusions drawn and the subsequent statutory recommendations (which will be followed up to ensure that they are being addressed). It was the view of the WAO that “the majority of tenants’ homes remain below the Welsh Housing Quality Standard 4 due to longstanding inefficient and ineffective programme management and the Council is unlikely to achieve the Standard by 2020”. The WAO have subsequently made three recommendations for the Council to address:-

- **Recommendation 1** - By September 2017, develop a comprehensive, overarching, financial and operational programme, setting out how the Council will achieve WHQS by 2020;
- **Recommendation 2** - Assure itself that it is meeting its statutory landlord responsibilities;
- **Recommendation 3** - Ensure it has sufficient project management capacity to deliver the Council’s WHQS programme effectively by 2020.

Christina HARRY (Corporate Director – Communities) emphasised the Council’s commitment to meeting the WHQS standard by 2020 and outlined the current position and anticipated projections as discussed at the meeting of Cabinet on 1st November 2017. 75% of internal works and 40% of external works are expected to be completed by March 2018, with 94% of internal works and 80% of external works expected to be completed by March 2019. It was explained that Officers agree with the recommendations set out by WAO and accept that further improvements need to be made, which are being delivered in accordance with the action plan and will be monitored on a monthly basis by Caerphilly Homes Project Board.

However, the Scrutiny Committee were advised that Officers do not agree with the overall conclusion drawn by the WAO as it is felt that this statement does not offer a fair assessment of the current position of the programme. Members were reminded of the delayed start to the WHQS programme of works, arising from the outcome of the housing transfer ballot, changes at senior management level and the time taken to procure suitable contracts for the delivery of such a major investment project. Since that time, considerable progress has been made across the WHQS programme. The recommendations were made following the review in March/April 2017 and at that point in time significant changes were already in the process of being made, which are demonstrated within the action plan, with many tasks already completed.

Officers also summarised the numerous benefits arising from the WHQS programme to date. These include a continual cost-effective approach to works which have allowed the programme to remain within budget, high levels of tenant satisfaction, improvements to quality of life, and community and environmental benefits. The Council have also recently introduced a Dynamic Purchasing System which has been received positively by local contractors and has contributed to an accelerated rate of completions. Overall, Officers consider that the measures put in place have resulted in a significantly increased and focused rate of completions and are confident that the programme will be completed by 2020.

Mr Clive Davies (Chair of Caerphilly Homes Task Group) was welcomed to the meeting and invited to present the views of the Task Group, who had considered the report at their meeting on 2nd November 2017. He explained that the Task Group held concerns regarding the

accuracy of the information contained in the report and the way in which the report had been compiled, and would wish to see a further report on progress across the WHQS programme of works since that time. Concerns had also been raised in regards to procurement processes, and overall, it was the view of tenants that it will be difficult to achieve the Welsh Housing Quality Standard by 2020.

Discussion took place on the contents of the report and a Member asked the WAO whether it would be beneficial for the Council to employ additional staff to engage with tenants and assess the quality of completed works. The Member also asked whether the Council should alert Welsh Government to the possibility that the works may not be completed by 2020 so that appropriate action can be taken ahead of the deadline. Ms Jenkins emphasised that the Council still has more than two years to complete the programme of works and explained that the recommendations had been made in order to allow the Council to take prompt action and demonstrate that it has arrangements in place to deliver the programme by 2020. In relation to staffing measures, she explained that it was the Council's responsibility to determine that they have sufficient capacity to deliver the programme. Ms Jenkins also confirmed that the WAO would reach the same conclusions if writing the report again, as no follow-up work has been carried out since the original review in March 2017.

A Member queried the feasibility of meeting the Welsh Housing Quality Standard by 2020. Officers explained that at the time of the WAO review in March 2017, external works to 1300 properties had been completed. Since that time, the rate of completions has accelerated considerably and 3000 properties have been completed in the last 6 months. New contractor and contingency arrangements have now been put in place across a number of areas, which are proving extremely successful, and therefore Officers continue to be optimistic that the programme will be completed by 2020.

Discussion took place regarding value for money across the programme and Members referred to the in-house workforce costs outlined in the report, which are approximately 20% higher than external contractors. Officers explained that these costs include an element of DLO and other support costs (such as IT, Procurement and HR) and outlined the benefits of having an in-house workforce, including access to a wide bank of trusted staff, reliability of works, and high levels of tenant satisfaction. Clarification was also sought in regards to the payment of the living wage by contractors and Officers explained that contractors are encouraged to pay the living wage but this cannot be enforced by the Council. Members were asked to note that the Council also has the facility to recruit additional resources without delay, which allows resources to be brought into the programme as and when required to meet contractual demands.

A Member suggested that additional weight could have been given to the views of the tenant representatives from the Caerphilly Homes Task Group, given that they represent tenants across the county borough. Officers explained that they have since consulted with these representatives in regards to their feedback given to the WAO and a number of improvements have been made to the programme as a result. The Scrutiny Committee were advised that Officers take particular exception to the tenant representatives' claims that the WHQS programme is "having a detrimental rather than transformational impact on people's lives", given the quality of work carried out and the high standard of feedback from Council tenants, together with other benefits such as energy efficiency and the creation of jobs across the county borough.

In response to a Member's query, Officers outlined details of the "no access" process, which allows the Council to meet its statutory landlord responsibilities in relation to gas safety. A Member also sought assurances as to the quality of contractors used and Officers outlined the procedures in place to ensure these standards are being met.

A Member expressed a need for the actions outlined in the report arising from the WAO recommendations to be proactively driven forward in order to achieve these objectives,

together with continuous monitoring of the progress made in this regard, and discussion took place regarding the most suitable course of action to progress this matter. Arising from this, it was moved and seconded that in addition to noting the outcome of the WAO review and the Council's response, a cross-party working group be established to consider the recommendations from the WAO and to review the progress made against the three recommendations. By a show of hands this was unanimously agreed.

RESOLVED that:-

- (i) the outcome of the Wales Audit Office review of the Welsh Housing Quality Standard programme and the response from the Council which addresses its content, the issues raised therein, and the proposals for improvement, be noted;
- (ii) a cross-party working group be established to consider the recommendations from the WAO and to review the progress made against the three recommendations.

Officers confirmed that they would contact the Scrutiny Committee following the meeting with regards to the specific arrangements for the working group.

The Chair thanked Ms Jenkins and Mr Price for attending the meeting and responding to issues raised during the course of the debate.

The meeting closed at 7.46 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 16th January 2018, they were signed by the Chair.

CHAIR



SPECIAL POLICY AND RESOURCES SCRUTINY COMMITTEE

**MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON
MONDAY, 4TH DECEMBER 2017 AT 5.30 P.M.**

PRESENT:

Councillor J. Pritchard - Chair

Councillors:

M. Adams, Mrs E.M. Aldworth, K. Etheridge, Mrs C. Forehead, L. Harding, G. Kirby,
J. Ridgewell, Mrs M.E. Sargent, L.G. Whittle

Cabinet Members:

C. Gordon (Corporate Services), Mrs B. Jones (Finance, Performance and Governance)

Together with:

S. Harris (Interim Head of Corporate Finance), R. Hartshorn (Head of Policy and Public Protection), L. Lucas (Head of Procurement), C. Forbes-Thompson (Interim Head of Democratic Services) and R. Barrett (Committee Services Officer)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor K. Dawson, Miss E. Forehead, C.P. Mann, Mrs D. Price (Vice Chair), R. Saralis and J. Taylor, together with Cabinet Member Mrs L. Phipps (Homes and Places).

2. DECLARATIONS OF INTEREST

Councillors M. Adams, C. Gordon and G. Kirby declared a personal interest in Agenda Item 3 (Draft Budget Proposals for 2018/19 – Pontllanfraith Leisure Centre) and Councillor J. Pritchard declared a personal interest in Agenda Item 4 (2018/19 Draft Savings Proposals for Corporate Services and Miscellaneous Finance). Details are minuted with the respective item.

REPORTS OF OFFICERS

Consideration was given to the following reports.

3. DRAFT BUDGET PROPOSALS FOR 2018/19

Councillors M. Adams, C. Gordon and G. Kirby declared a personal interest in respect of the proposals relating to Pontllanfraith Leisure Centre, being local ward members for the area and having spoken in opposition to the proposed closure. Councillor M. Adams stated that he did not have a closed mind in respect of the proposed closure. As the Committee were being asked for comments and there were no recommendations in relation to this proposal, these Members remained in the meeting during consideration of the item.

The report, which was presented to Cabinet on 15th November 2017, provided Members with details of draft budget proposals and draft savings proposals for the 2018/19 financial year, to allow for a period of consultation prior to a final decision in February 2018.

Members noted the headline issues in the WG Provisional 2018/19 Local Government Financial Settlement and the details of the draft budget proposals for 2018/19. The report detailed Whole Authority Cost Pressures (£8.867m), together with Inescapable Service Pressures and Other Service Commitments (£2.310m) and a 1% reduction in Welsh Government Funding equating to £2.965m for 2018/19 after adjusting for the transfer in of specific grants and for funding for new responsibilities. Additionally, the report outlined draft savings proposals for 2018/19 (£7.205m) and a proposed Council Tax Uplift of 4.52% (£2.999m) which will ensure that a balanced budget is deliverable for 2018/19. The draft budget proposals assume no growth for schools in 2018/19, and as there is no requirement in the Provisional Settlement to protect schools, they will be required to manage their own pay and non-inflationary increases in 2018/19 along with other emerging cost pressures.

The report outlined the financial pressures placed on service areas, in particular Social Services, arising from fee increases for external care providers and further demand in both Adult and Children's Services. As a result, the report proposed that a further £1.5m be allocated in the 2018/19 budget to meet these ongoing financial pressures. Members were also referred to the report appendices which summarised the savings proposals by Directorate/Service Area, together with the savings proposals that are likely to have an impact on the public. £4.682m of the proposed £7.205m savings are 'nil impact', consisting of vacancy management, budget realignment and minor changes to service provision.

Members were reminded of the Medium-Term Financial Plan presented to Council in February 2017, which showed a potential savings requirement of £22.161m for the three-year period 2019/20 to 2021/22, and assumed a cash flat position in terms of the WG Financial Settlement for each of these years. WG has now provided an all-Wales indicative reduction in Aggregate External Finance of minus 1.5% for 2019/20, which would increase the Council's savings requirement by a further £3.984m for 2019/20 alone. If this was replicated in 2020/21 and 2021/22 then further savings of £7.789m would be required. This would result in a total savings requirement of circa £34m for the three-year period 2019/20 to 2021/22 and presents further challenges moving forward in regards to the Authority's Medium-Term Financial Plan.

It was explained that the indicative reduction of 1.5% is being reviewed by WG following the Chancellor's Autumn Budget Statement and the Final 2018/19 Local Government Financial Settlement, due to be issued on the 20th December 2017, may include a revised indicative figure for 2019/20. An updated Medium-Term Financial Plan covering the period 2018/19 to 2022/23 will be presented to both Cabinet and Council in February 2018.

The Scrutiny Committee were invited to consider and comment on the Draft Savings Proposals for 2018/19.

Discussion took place regarding nil impact savings and Members queried why these had not been identified in previous years. Officers outlined the history of nil impact savings as part of the MTFP and explained that these have been significant in recent years due to the continued

assessment of staffing levels and working practices across service areas. However, all the 'back office' options are now close to being exhausted and therefore the level of nil impact savings will decrease in future years.

A Member referred to the increase in employer pension contributions (which form part of the Whole Authority Cost Pressures) and queried whether there could be a significant impact on the Council's pension fund as a result of increased life expectancy. Officers outlined the process in relation to the actuarial valuation of the pension fund and confirmed that longer life expectancy is a significant factor in increasing liabilities on the pension fund.

A number of queries were received regarding the Council's Private Finance Initiative (PFI) contracts for schools, which are currently subject to an ongoing review and which has been included in the 2018/19 inescapable service commitments/pressures. Members sought clarification on the costs and duration of these contracts and it was confirmed that these are due to run to 2033/34. Officers explained that the ongoing work with Local Partnerships may allow for potential flexibility across certain areas of the PFI contracts (such as catering and cleaning) which could enable savings to be made in these areas. Officers confirmed that all options will be examined as part of the ongoing review, which could include the consideration of early termination of the contracts. Members requested that they be kept informed of the outcome of the review.

In response to a Member's query, Officers provided an explanation of the possible "double count" in relation to the treatment of Free School Meals as part of the anticipated shortfall of £22m for the Schools PFI Sinking Fund. Members were advised that following completion of the review, a detailed report will be prepared confirming the specific reasons for the anticipated shortfall.

A Member queried whether the funds allocated under inescapable service commitments/pressures for the City Deal partnership revenue contribution (£60k) and City Deal debt charges would be sufficient to cover the potential costs. Officers explained that the 10 local authorities are currently working on the City Deal business plan and that this will clarify the financial commitment in the medium-term.

Concerns were expressed regarding the impact of a proposed 11.3% reduction in the Highways Maintenance budget, to include a reduction in the frequency of gully cleansing. Officers explained that detailed information would be contained in the report being presented at a special meeting of the Regeneration and Environment Scrutiny Committee on 13th December 2017 and that the concerns of Members would be highlighted at that meeting. Members also referred to the proposed deletion of two Community Safety Warden (CSW) posts and queried the number of staff in post. Officers confirmed that there are currently 9.8 FTE (full time equivalent) permanent posts, although 1.8 is vacant and has been offered up as an MTFP saving. 3 CSWs have been appointed in the year on fixed term contracts to cover the vacant posts.

Discussion took place regarding the proposal to reduce Air Quality and Contaminated Land Monitoring and Contractors. Officers confirmed that this proposal would reduce the resources associated with environmental monitoring. Members raised concerns that this proposal could have an impact on Air Quality Management Areas (such as Hafodyrynys) but Officers explained that monitoring at Air Quality Management Areas would be prioritised within remaining resources.

A Member suggested that it could be seen as inappropriate to include the proposed closure of Pontllanfraith Leisure Centre in the list of proposed savings, given that this item is currently the subject of a consultation exercise. Members were reminded that all the proposals contained within the report were in draft form only at the current time and would be subject to approval from Cabinet. Discussion also took place regarding the proposed introduction of a

£20 charge for household rat treatments. It was confirmed that this would comprise of a single charge for multiple visits if required and there would be a reduction for those in receipt of means-tested benefits.

Having fully considered the report, Members unanimously agreed that the details of the draft budget proposals for 2018/19 be noted.

4. 2018/19 DRAFT SAVINGS PROPOSALS FOR CORPORATE SERVICES AND MISCELLANEOUS FINANCE

Councillor J. Pritchard declared a personal interest in respect of the savings proposals relating to the Greener Caerphilly Small Grants Fund, as the building where he works is a previous recipient of this funding.

Consideration was given to the report, which provided the Scrutiny Committee with details of the 2018/19 draft savings proposals for the Corporate Services Directorate and Miscellaneous Finance, and sought the views of Members prior to final 2018/19 budget proposals being presented to Cabinet and Council in February 2018.

It was explained that the proposed savings of £1,967k have been split into those with nil direct public impact and those with a low or medium public impact. The nil impact savings (£1,873k) consist mainly of vacancy management, budget realignment and minor changes to service provision, and details of these were outlined to the Scrutiny Committee. Members noted that the vacancy savings include a number of retirements across individual service areas where these posts will not be replaced. The remaining savings proposals (£94k) will impact on the public to varying degrees, and Officers summarised each of these as follows, with further details contained in the report:-

1. Customer First – Staffing Reduction - £80k (Public Impact: Low)
2. Corporate Policy – Reduction in Technical Assistance Budget- £4k (Public Impact: Low)
3. Corporate Policy – Reduction in Well-being budget - £10k (Public Impact: Low)

Members were referred to the report appendices which contained equalities impact assessments for the proposed reduction in the Technical Assistance and Well-being budgets. Further information was also tabled at the meeting which detailed footfall across Customer Services Offices, types of usage, and service requests received through the Contact Centre.

Discussion took place regarding the proposed staffing reduction within Customer First and Members sought clarification on the reasons for a significant drop in footfall across Customer Services Offices during 2016/17 and for 2017/18 to date. The Scrutiny Committee were reminded that as a result of the Customer Services Strategy agreed by Cabinet in April 2016, the Council is now seeing a much more flexible approach to customer interaction, and the service is now more planned and focused on customer outcomes and demands. An increasing amount of residents are now using online methods to contact the Council, and additional online services coupled with self-service and appointment booking will also be introduced in the next 12 months. Therefore less people are visiting Customer Services Centres or requiring face-to-face contact with staff.

In response to a Member's query, it was confirmed that all Customer Services staff are fully utilised across the service area and are working to their full capacity, and the Scrutiny Committee were asked to note that staff in face to face roles support the contact centre by answering calls remotely. .

Concerns were raised over whether the relocation of Blackwood Customer Services from the Market Place in the town centre to the Blackwood Library site has contributed to a decline in footfall numbers. Officers reiterated the changes to the service since the relocation in 2015, including an increase in online contact and improved access to flexible payment methods, which have contributed to a decrease in visitor numbers.

Members were advised that Officers, in consultation with the Leader and Cabinet Member for Corporate Services, will be examining the way that services are delivered and whether these can be more effectively delivered in a different way. These will include examining the use of libraries across the county borough to determine whether additional services can be delivered from these sites. Reference was made to the use of hubs and one-stop shops in other parts of the UK that allow users to access a variety of services in one place (such as doctors' surgeries and housing offices), and it was explained that consideration would be given to how a similar type of service could be implemented within Caerphilly county borough. Particular emphasis was placed on the need for the Council to consider smarter (more digital) ways of working with regards to Customer Services in the future.

Queries were received regarding the user location for Customer Services Offices and their potential travel distances to an alternative site if their preferred location is closed. Officers explained that they do not hold travel data for customers but that an appointments system is offered to the public to ensure that they are receiving the correct service and to avoid unnecessary or lengthy journeys.

Discussion also took place regarding the proposals to reduce the Technical Assistance and Well-being budgets within Corporate Policy. Arising from this, a Member queried whether underspends had contributed to the proposed budget reduction for the Community Regeneration Fund. It was confirmed that the Fund has a recent history of underspends arising from a lack of match funding applications and that further information would be made available in the report being presented to the special meeting of the Regeneration and Environment Scrutiny Committee on 13th December 2017. Clarification was also sought on funding levels in respect of the Greener Caerphilly Small Grants scheme. Officers explained that this is difficult to define as it is dependent on applicant match funding on a £1 for £1 basis, but that only £5k was awarded externally during 2016/17.

A Member suggested that it would be useful for a Members' Seminar to be arranged combining the outcome of the discussions from all the special Scrutiny Committee meetings on the 2018/19 draft savings proposals. Officers confirmed that arrangements would be made to progress this in due course.

Having fully considered the report, Members noted the details of the 2018/19 draft savings proposals for Corporate Services and Miscellaneous Finance.

The meeting closed at 6.39 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 16th January 2018, they were signed by the Chair.

CHAIR

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POLICY AND RESOURCES SCRUTINY COMMITTEE – 16TH JANUARY 2018

SUBJECT: POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

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

1. PURPOSE OF REPORT

1.1 To report the Policy and Resources Scrutiny Committee Forward Work Programme.

2. SUMMARY

2.1 Forward Work Programmes are essential to ensure that Scrutiny Committee agendas reflect the strategic issues facing the Council and other priorities raised by Members, the public or stakeholders.

3. LINKS TO STRATEGY

3.1 The operation of scrutiny is required by the Local Government Act 2000 and subsequent Assembly legislation. The Forward Work Programmes contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2016 by ensuring there is an effective scrutiny function and that council policies are scrutinised against the following goals:

- 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 Policy and Resources Scrutiny Committee forward work programme includes all reports that were identified at the scrutiny committee meeting on 14th November 2017. The work programme outlines the reports planned for the period January 2018 to July 2018.

4.2 The forward work programme is made up of reports identified by officers and members and has been prioritised into three priority areas, priority 1, 2 or 3. Members are asked to consider the work programme alongside the cabinet work programme and suggest any changes before it is published on the council website. Scrutiny committee will review this work programme at every meeting going forward alongside any changes to the cabinet work programme or report requests.

4.3 The Policy and Resources Scrutiny Committee Forward Work Programme is attached at Appendix 1. The Cabinet Forward Work Programme is attached at Appendix 2.

5. WELL-BEING OF FUTURE GENERATIONS

5.1 This report contributes to the well-being goals as set out in links to strategy above. It is consistent with the five ways of working as defined within the sustainable development principle in that by ensuring the scrutiny function is effective when reviewing services and policies and ensure it considers the wellbeing goals.

6. EQUALITIES IMPLICATIONS

6.1 There are no specific equalities implications arising as a result of this report.

7. FINANCIAL IMPLICATIONS

7.1 There are no specific financial implications arising as a result of this report.

8. PERSONNEL IMPLICATIONS

8.1 There are no specific personnel implications arising as a result of this report.

9. CONSULTATIONS

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

10. RECOMMENDATIONS

10.1 That Members consider any changes and agree the final forward work programme prior to publication.

11. REASONS FOR THE RECOMMENDATIONS

11.1 To improve the operation of scrutiny.

12. STATUTORY POWER

12.1 The Local Government Act 2000.

Author: Emma Sullivan, Senior Committee Services Officer
Consultees: Christina Harray, Interim Chief Executive
Richard Harris, Deputy Monitoring Officer
Catherine Forbes-Thompson, Interim Head of Democratic Services

Appendices:
Appendix 1 Policy and Resources Scrutiny Committee Forward Work Programme
Appendix 2 Cabinet Work Programme

Policy & Resources Scrutiny Committee Forward Work Programme January 2018 to June 2018			
Meeting Date: 16th January 2018			
Subject	Purpose	Key Issues	Witnesses
Review of Treasury Management Strategy (P2)	To present Members with details of the 2018/19 Treasury Management Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision policy prior to consideration by Council.	The report will contain details of the following: - <ul style="list-style-type: none"> ▪ interest rate prospects in both the short-term and longer-term; ▪ the borrowing strategy to fund the General Fund and Housing Revenue Account (HRA) capital programmes; ▪ details of the Annual Investment Strategy; ▪ the Minimum Revenue Provision policy; and ▪ the associated prudential indicators for the three financial years 2018/19 to 2020/21. 	Interim Head of Corporate Finance – Stephen Harris
Whole Authority Revenue Budget Monitoring Report 2017/18 (P2)	To inform Members of projected whole-authority revenue budget expenditure for the 2017/18 financial year.	The report will provide information on the position of the whole-authority in respect of revenue budget monitoring for 2017/18. . Consideration will be given to actual expenditure and income to date. A projection will be made of the likely outturn (year-end) position and where significant variations against budget are identified these will be commented upon.	Interim Head of Corporate Finance – Stephen Harris
Update on Reserves (P2) – Members Request	To present the Scrutiny Committee with details of the usable reserves held by the Authority.	The report will provide detailed information on all usable reserves to ensure that there is an opportunity for effective scrutiny of the balances held and their intended purpose.	Interim Head of Corporate Finance – Stephen Harris
Housing Rent Increase (P1)	To present the housing rent increases prior to their consideration by Cabinet.	To present the housing rent increases for the forthcoming financial year in order to meet the requirement to notify tenants in advance of any increase being applied.	Chief Housing Officer – Shaun Couzens

Policy & Resources Scrutiny Committee Forward Work Programme
APPENDIX 1

Meeting Date: 27th February 2018			
Subject	Purpose	Key Issues	Witnesses
WHQS Update and Findings of the Cross Party Working Group (P1)	To review progress with the implementation of the WHQS Programme and report the findings of the Cross Party Working Group.	To provide members with a performance update on the delivery of the programme to include total number of properties fully WHQS compliant as well as progress against the individual elements of the programme together with projections for 2020.	Shaun Couzens – Chief Housing Officer Marcus Lloyd – WHQS and infrastructure Strategy Manager.
Poverty Strategy (P3) – Members Request	To present an update on the Council's policy of tackling poverty.		Rob Hartshorn

Meeting Date: 10th April 2018			
Subject	Purpose	Key Issues	Witnesses
British Telecom – Broadband Coverage and the Digital Profile (P3) – Members Request	To present an update on progress made providing superfast broadband services to the CCBC area following previous attendance at 28 th February 2017 meeting.	Key issues include how the programme is: <ul style="list-style-type: none"> • Supporting economic growth. • Reducing digital exclusion. Increasing availability of Fibre to the Cabinet (FTTC) services to improve performance and download speeds.	Paul Lewis – Acting Head of IT and Central Services
Disabled Facilities Grant – Performance (P2)	Information report to provide Members with an update regarding Performance Monitoring of Disabled Facilities Grant and the information regarding the implementation of ENABLE.	An update on performance of Disabled Facilities Grants during 2017/18 and highlight any potential challenges that may affect delivery of the Performance Indicator. Identify any areas of improvement linked to the implementation of ENABLE.	Shaun Couzens – Chief Housing Officer/Claire Davies – Principal Housing Officer
Affordable Homes in New Developments (P1)	Provide a six monthly Update on the delivery of Affordable Housing through the Planning process.	Members are aware of the position of Affordable Housing Provision through the planning process.	Tim Stephens – Development Control Manager and Interim Head of Planning.
Programme for Procurement	The Programme for Procurement sets out the Councils vision for developing and managing its third party expenditure in line with the Councils wellbeing objectives, Wales Procurement Policy and UK legislation.	The Council is committed to ensuring it achieves value for money from its third party procurement expenditure – circa, £170,000,000 per annum. It also recognises the value of using procurement to support its wider Cultural, Social, Economic and Environmental objectives, in ways that offer real long-term benefits to the community it serves and the people of Wales, whilst balancing the issues of value for money.	Liz Lucas

Meeting Date: 29th May 2018			
Subject	Purpose	Key Issues	Witnesses
Sheltered Housing Schemes, Eastern Valley Area Remodelling (P1)	To provide members with proposals for remodelling a small number of sheltered housing schemes in the eastern valley.	For members to consider a number of options in relation to our sheltered housing schemes which may include improvements remodelling, alternative use and possibly demolition.	Shaun Couzens – Chief Housing Officer/ Fiona Wilkins – Public Sector Housing Manager/Angela Hiscox – Elderly Persons Housing Manager
New Build – Options for Delivery (P1)	To advise Members of the new funding stream for Local Authority house building and to outline a development programme for new build Council homes. The report sets out how we will maximise the funding opportunities available over the next three years and deliver up to 46 new build homes, with an indicative total grant of £3,893,923 and indicative overall investment of £6,713,791. The report also confirms the sites available to develop, and the proposed specification for new build.	To confirm the new build Council Housing programme, including the preferred delivery option in order for the Council to utilise the Affordable Housing Grant funding that has been allocated to CCBC.	Shaun Couzens - Chief Housing Officer/Claire Davies – Principal Housing Officer/ Kevin Fortey – Housing Development Officer

Policy & Resources Scrutiny Committee Forward Work Programme
APPENDIX 1

Meeting Date: 10th July 2018			
Subject	Purpose	Key Issues	Witnesses
Year End Performance for Corporate Services 2017/18 (P2)	Performance of Corporate Services for 2017/18	Highlighting the exceptions and looking forward to 2018/19. The future challenges, setting out key objectives/priorities for the next twelve months, and identifying areas for improvement.	Nicole Scammell – Interim Corporate Director Corporate Services.
Wellbeing Objective WO5 – Investment in Council Homes (P1)	To provide an update of progress against the Councils highest priorities identified within the Councils Corporate Plan 2016.	To provide an update against the Well-being Objective action plan using the Council Ffynnon scorecard which provides PI data regarding completion of internal and external works programmes and adds information on peoples satisfaction with the internal works. The update of the WBO should also identify any emerging slippage or additional progress against the action plan	Shaun Couzens – Chief Housing Officer
Year End Performance Housing Services (P1)	Performance Monitoring	An update on performance of the Housing Service during 2017/18, to set out the key service objectives for 2018/19 and highlight any potential challenges that may affect delivery of these objectives.	Shaun Couzens – Chief Housing Officer Christina HARRY – Corporate Director Communities

Meeting Date: to be confirmed			
Subject	Purpose	Key Issues	Witnesses
Supported Accommodation (P3)	This information report will update members on the progress of supported accommodation	To advise members on the progress of supported accommodation.	
Local Housing Strategy			
Shared Resource Service (SRS) (Special Meeting) (P1)	To present the proposal in respect of the Authority joining the SRS.	The SRS is a joint committee that presently included Gwent Police, Torfaen CBC, Newport CBC, Blaenau Gwent CBC and Monmouth CBC. This collaboration provides IT Services to its Members.	Matthew Lewis SRS Nicole Scammell

Cabinet Forward Work Programme

APPENDIX 2

31ST JANUARY 2018	Key Issues	Service Area
Annual Equalities Report 2016-2017	<p>The Council has a statutory duty to produce an annual monitoring report on Equalities issues under current legislation. The requirements are very detailed as to what relevant information must be included in the annual monitoring and improvement report.</p> <p>The information presented is to ensure that the regulatory body involved (the Equalities and Human Rights Commission) is provided with full evidence of the Council's compliance and commitment to the statutory duty.</p>	Public Protection
Update on Reserves	To present details of the usable reserves held by the Authority and to outline proposals for the use of reserves in some areas.	Corporate Finance
Land at Plasturtwyn Terrace, Llanbradach Page 23	<p>To seek members' instructions in relation to the disposal of the land, which has been declared surplus. The options are</p> <ol style="list-style-type: none"> 1. To negotiate a disposal directly with the zoned Housing Association partner, in which case affordable housing could be up to 100% or 2. To put the site on the market with a view to achieving a capital receipt, with affordable housing limited to a maximum of 40% 	Property Services
Housing Revenue Account Charges – 2018/2019	For Members to consider and take a view on the increased Housing rent charges proposed in this report, prior to consideration by Cabinet on the 31 January 2018. The charges predominantly focus on council house rents and are intended to be effective for the Housing Revenue Account (HRA) for the 2018/19 financial year.	Housing
Disposal of land at Bargoed Development Plateau to Marstons PLC	<p>To seek approval in principle to the disposal of Council owned land at Bargoed Development Plateau to Marstons PLC to facilitate development of a pub/restaurant.</p> <p>To authorise the Interim Head of Property Services to negotiate with Marstons PLC to agree the detailed terms and conditions of the disposal and with WG in order to satisfy the conditions of the WG Land Reclamation Grant that part funded the construction costs of the Bargoed Development Plateau.</p>	Economic Development

Cabinet Forward Work Programme

APPENDIX 2

ERDF 4.4 Funding Opportunities – The Lawn Industrial Estate Rhymney and T.D. Nelson.	The report advocates identifying the Lawn Industrial Estate and Ty Du Nelson as the Council’s primary focus for ERDF Programme measure 4.4 and seeks to identify the required levels of match funding to allow the projects to progress. It also advocates agreeing in principle entering into a Joint Working/Development Agreement with Welsh Government at Ty Du based on the received draft Heads of Terms.	Economic Development
Car Salary Sacrifice Scheme	To advise Cabinet of the implications of HMRC changes in relation to the treatment of tax and national insurance for the Car Salary Sacrifice Scheme and to make appropriate recommendations on the future of the Scheme.	Human Resources
Amendments to Authorisation of Officers within the Public Protection Division	The report will inform Cabinet of the introduction of the Public Health (Wales) Act 2017 and ask for the authorisation of officers under the Act. The report will also seek a recommendation from Cabinet to Council that the Act be added to the Council’s Constitution.	Public Protection
Land at Coronation Road, Blackwood	To seek approval to the principle of disposing of land between Coronation Road and Lilian Road, Blackwood to the Pobl Group for an affordable housing scheme having a mix of properties that addresses the needs identified within the Council’s Housing Register.	Property Services
Children’s Burial Fees	To seek the views of Cabinet on the formal adoption of a Memorandum of Understanding (MoU) between Welsh Government and Local Government across Wales to set out a consistent approach in relation to children’s burial fees.	

14TH FEBRUARY 2018	Key Issues	Service Area
Budget Proposals 2018/19 and Medium-Term Financial Strategy 2018/2023	To seek Cabinet endorsement of the 2018/19 budget proposals contained within this report prior to final determination at Council on the 20th February 2018.	Corporate Finance
Business Improvement Programme	To provide Cabinet with an overview of the Business Improvement Portfolio Board aims and objectives; the programmes/projects which sit within its remit and associated timelines for delivery, and the programme/project management arrangements in place and interfaces with existing governance requirements	Communities
Control of Hand Arm Vibration at Work Policy	Cabinet approval is sought for the Policy which details the roles and responsibilities at all levels for the control of vibration.	Health and Safety

Cabinet Forward Work Programme

APPENDIX 2

Electrical Safety Policy	The purpose of this report is to seek Committee Members approval for the draft policy for Electrical Safety prior to the report being referred to Cabinet for consideration.	Health and Safety
Corporate Risk Register	To provide an update of the Corporate Risk Register in accordance with the Council's Risk Management Strategy. The updated Corporate Risk Register (CRR) is presented to Audit Committee so there is opportunity for the Committee to satisfy itself that appropriate arrangements are in place for the council's risk management processes to be regularly and robustly monitored and scrutinised	Public Protection
Dying to Work Campaign		Human Resources

18TH FEBRUARY 2018	Key Issues	Service Area
25 CBC Corporate Plan	The Corporate Plan sets out the Council's Priorities. The Local Government Measure 2009 requires all local authorities in Wales to set and publish a set of priorities as is 'practicably possible' in the new financial year. The introduction of the Well-being of Future Generations (Wales) Act 2015 (WBFGA) also places a legal requirement for public bodies to set and publish 'Well-being Objectives' and publish by a specific date of no later than 31st March 2018.	Public Protection
Fixed Penalty Notices for Flytipping	To seek Cabinet approval for a fixed penalty amount for fly tipping offences following the introduction of the Unauthorised Deposit of Waste (Fixed Penalties) (Wales) Regulations 2017.	Public Protection
General Data Protection Regulation (GDPR) – Statutory Role of Data Protection Officer	To inform Members of the requirement to create a new statutory role of Data Protection Officer as prescribed by the forthcoming EU General Data Protection Regulation (GDPR) and recommend a suitable allocation of the responsibility to an existing role within the Authority.	Information Technology

Cabinet Forward Work Programme

APPENDIX 2

28TH MARCH 2018	Key Issues	Service Area
The Gwent VAWDASV Strategy	To seek Cabinet approval for the Regional Gwent Violence Against Women, Sexual Violence, & Domestic Abuse Strategy 2017-22. The purpose of this strategy is to set out the regional integrated approach to stop violence against women, domestic abuse and sexual violence, to improve the health and well-being of individuals and families affected by abuse and hold to account those who perpetrate such abuse.	Public Protection
EAS Business Plan	To seek members views on the draft EAS Business Plan 2018-2021 and the Local Authority Annex 2018-2019	Education
25TH APRIL 2018	Key Issues	Service Area
Procurement Strategy		Procurement
30TH MAY 2018	Key Issues	Service Area
Sheltered Housing Schemes – Eastern Valleys Area Remodelling	To provide members with proposals for remodelling a small number of sheltered housing schemes in the eastern valley, in order for members to consider a number of options which may include improvements, remodelling, alternative use and possibly demolition.	Housing
Affordable Homes New Build Proposals	To confirm the new build Council Housing programme, including the preferred delivery option in order for the Council to utilise the Affordable Housing Grant funding that has been allocated to CCBC.	Housing
11TH JULY 2018	Key Issues	Service Area
Corporate Risk Register	To provide an update of the Corporate Risk Register in accordance with the Council's Risk Management Strategy. The updated Corporate Risk Register (CRR) is presented to Audit Committee so there is opportunity for the Committee to satisfy itself that appropriate arrangements are in place for the council's risk management processes to be regularly and robustly monitored and scrutinised.	Public Protection



POLICY AND RESOURCES SCRUTINY COMMITTEE – 16TH JANUARY 2018

SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2018/2019

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

1. PURPOSE OF REPORT

- 1.1 For Members to consider and take a view on the increased Housing rent charges proposed in this report, prior to consideration by Cabinet on the 31st January 2018. The charges predominantly focus on council house rents and are intended to be effective for the Housing Revenue Account (HRA) for the 2018/19 financial year.

2. SUMMARY

- 2.1 Members will be aware that the preparation of the Housing Revenue Account (HRA) budget is quite separate to the work involved in setting the General Fund Budget and Council Tax. The HRA is funded by rental income received from council tenants rather than the Council Tax Payer. Whilst 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, therefore value for money must always be sought. We charge our council tenants rent over a 48 week basis but The Welsh Government (WG) base their rents on a 52 week basis so this report shows the 52 week equivalent.
- In previous years WG determined the annual guideline rent increases. The standard uplift policy for Local Authorities used to be based on the previous September Retail Price Index (RPI) plus a 2% real increase in support of rent convergence. The Minister for Housing and Regeneration has recently changed this uplift policy as part of the new Policy for Social Housing Rents. The new rent policy came into effect from April 2015 and was accepted by Members in the 2015/16 HRA charges report. The policy sets a target rent band for each Authority and if the average weekly rent is below the target rent, the Authority will have to increase average rents, and if the average weekly rent is above the target rent, average rents will increase at a lower rate, to bring the rent back within the target envelope.
 - The uplift on the new rent policy is fixed for five years and uses the previous September Consumer Price Index (CPI) inflation figure (as opposed to the RPI inflation figure) and also applies a 1.5% real increase to the average local authority rent. The previous September CPI inflation figure was 3%. WG announced the rent uplift for 2018/19 to be 4.5% which is CPI at 3% plus 1.5%. This increase applied to our current average rent means we are within the low end of the target rent
 - 2018/19 will be the final year of the existing five year agreement and no commitment has been made on future rents for 2019/20 onwards, but it is likely that rent increases will see a reduction due to the pressure. The Minister for Housing and Regeneration has when comparing Welsh rents to those in England where rents are required to be reduced by 1% a year for 4 years from their 2015/16 baseline.

- 2.2 The responsibility for setting the rents for individual dwellings remains with the individual landlords, however the current policy sets a target rent band, or envelope, for each landlord who will be required to operate with average weekly rent levels that fall within the scope of those bands. The policy is intended to provide landlords with a continuing measure of discretion over their overall rent levels and there is no proposal to alter Caerphilly CBC's current rent structure for the 2018/19 rent charges, only to apply an increase that is within the current policy and also supports the Housing Business Plan.
- 2.3 The target rent bands provide a low end figure, a mid-point and a high end figure for each landlord. The average weekly rent level for each landlord is compared to the target rent band and the difference dictates what level the rent needs to be adjusted to fall within the target rent band. The minimum increase we can apply in order to remain within the rent envelope is 3.6%.
- 2.4 In order to meet the deadlines for advising tenants of increases in rents and other charges, the increases have to be determined and fully agreed by 21st February 2018. All charges must be formally agreed (including call in period) by this date or it will not allow sufficient time for notice of increase to tenants, which is a legal requirement. Any delay in notifying tenants would result in a rental loss of about £32k per week (based on a 3.6% increase).
- 2.5 All relevant charges are highlighted within this report detailing the amount of additional income that would be generated (excluding voids) if the proposed increases were implemented, along with the percentage of service users receiving housing benefit.
- 2.6 The report also includes proposals for garage rental income.
- 2.7 Service Charges for sheltered schemes no longer form part of this report as they were recently reviewed under the Housing (Wales) Act 2014 requirement and are now charged on an actual basis per scheme.

3. LINKS TO STRATEGY

- 3.1 The recommendations within this report provide the council with additional income that will be used to supplement existing funding arrangements to provide management, repair and improvement of the housing stock. This funding is used to maximize the resources available to assist in meeting and maintaining the WHQS. The rent increase is applied equally to all tenants. The report therefore links to the following strategic objectives:
- Improving Lives and Communities: Homes in Wales (Welsh Government, 2010) which sets out the national context on meeting housing need, homelessness and housing related support services.
 - Caerphilly Delivers (Single Integrated Plan 2013): P2 "improve standards of housing and communities, giving appropriate access to services across the county borough".
 - IO5: Investment in Council homes to transform homes, lives and communities (WHQS) (Corporate plan 2016-2017)
- 3.2 Effective financial planning and financial control contribute 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 globally responsible Wales

4. THE REPORT

4.1 Rent Increase

- 4.1.1 For a number of years the WG have effectively determined the level of annual rent increases, and these increases have been linked with the Housing Revenue Account Subsidy (HRAS) calculations, thus restricting an Authority from completely controlling its rental income. Members will be aware of the buyout of the HRAS system which introduced self-financing from April 2015
- 4.1.2 Under the current rent policy a target rent band for each Authority is set by WG so there is still some degree of control retained by WG however, all of the rental income will be retained by the Authority and used to fund expenditure, service debt and create borrowing headroom to support the delivery of WHQS and future investment.
- 4.1.3 As a result of the housing benefit limitation scheme, rent increases above DWP rent limits do not produce extra income from tenants in receipt of housing benefit. At this stage however, as in previous years, details regarding the DWP limit under the current rent policy are yet to be confirmed. Approximately 69% of tenants are in receipt of housing benefit.
- 4.1.4 The WG draft proposal for 2018/2019 of its policy rent band for CCBC is
- Low end £85.57 per week
 - Mid-point £90.08 per week
 - High end £94.58 per week
- 4.1.5 CCBC's current average rent for 2017/18 is £82.61 (52 week basis) which is below the rent envelope. To ensure we are within our rent envelope a minimum increase of 3.6% is necessary which would take our rent at the absolute low end point of £85.57. In previous years we have been above the low end and just under the mid-point level. The Housing Business Plan assumed 3.5% rent increase for 2018/19 but that was on the assumption that CPI would be 2%. As the CPI level is higher this has increased the rent envelope which means the 3.5% is slightly under the minimum required level to meet the rent policy.
- 4.1.6 WG have stated in their policy that "*The rent policy allows you to apply the inflation plus £2 (per week) if you are aiming to move to a higher point within the Target Rent Band to meet your business plan commitments...*"
- 4.1.7 There is a transitional protection arrangement in place which ensures that rents cannot be increased by more than CPI plus 1.5% plus £2 for any individual tenant. This means that the maximum CCBC can increase its rent is 6.5% before the protection arrangement is compromised, which would create an average rent of £87.98 per week (52 week basis), which is still within the low end level of our rent envelope.
- 4.1.8 The current average rent for CCBC is £82.61 based on 52 weeks. The latest business plan submitted to WG in March 2017 included a rent increase of 3.5% for 2018/19 (assuming CPI would be 2%) and this resulted in a £45.5m borrowing requirement in order to meet the WHQS by 2019/20. A rent increase of less than 3.5% will mean less income for the WHQS programme which will obviously result in increased borrowing. As part of the HRAS buy out there is an imposed borrowing cap of approx. £70m (after previous borrowing has been taken into account) so there is limited flexibility to increase borrowing. If the borrowing levels go beyond the cap then the WHQS will be unaffordable. Meeting the WHQS standard by 2020 is a statutory requirement.
- 4.1.9 In order to comply with the rent policy, the minimum increase we can apply is 3.6%. However, members must be made aware of the reduction in future rents not only due to the uplift from CPI + 1.5% changing to CPI + 1%, but also the likely requirement to reduce or restrict future increases to coincide with the English rents restrictions. This could place additional financial risk on our business plan from 2019/20 onwards so an increase of 4.5% for 2018/19 should be considered

- ⊖ An increase of 3.6% would result in a £2.97 weekly increase to £85.58 on a 52 week basis. This is an additional rental stream of £1.7m that would result in a saving on our borrowing requirement of £600k
- An increase of 4.5% would result in a £3.72 weekly increase to £86.33 on a 52 week basis. This is an additional rental stream of £2.1m, and would result in a saving on our borrowing requirement of £1.1m Rent charges within Caerphilly would also still remain within the low end of the target rent band, and this is the increase that has been incorporated within the rent policy as set by WG.
- Members have the discretion within the rent policy to increase rent up to a maximum of 6.5% which is a £5.37 per week increase to £87.98 on a 52 week basis. This is an additional rental stream of £3m which would make a saving on the current borrowing requirement of £5.8m thus freeing up significant flexibility within the borrowing scope.
- All of these increases are within the rent envelope for CCBC and even the highest increase at 6.5% does not reach the mid-point of our rent envelope. However, a minimum increase of 3.6% is needed to meet the minimum rent envelope target, but members should be mindful of the likely impact of this level in the Business Plan going forward. Members should consider an increase of 4.5% to future proof likely reductions in coming years.

4.1.10 The Stock Condition Survey carried out in 2008 reported that high levels of investment are required to maintain the properties and meet the Welsh Housing Quality Standard. Experience has shown that significant variances arise once the properties are surveyed and contract packages are specified and indications of cost escalation have emerged based on trends from tender prices and valuations. The small level of uncommitted borrowing that remains up to the borrowing cap will therefore be crucial in meeting these costs, and would be compromised if additional borrowing is committed to supplement a rent increase less favourable to the business plan. A rent increase less than 3.6% would contravene the rent policy and would inevitably reduce the Council's ability to manage and maintain the housing stock to the necessary standards. Failure to implement these increased charges would increase the shortfall in resources identified in the Housing Business Plan required to meet the WHQS by 2019/20 and maintain it thereafter. An increase above 3.6% would create more flexibility within the Business Plan and have a positive impact on the level of borrowing required to meet the WHQS but the maximum allowable under WG policy for 2018/19 is 6.5%.

4.2 Garage Charges

4.2.1 The garage rationalisation and refurbishment programme, linked to the WHQS programme has led to a reduction in our garage stock and will result in improvements to our remaining stock. This work, which is ongoing, is currently having a significant impact on void levels as the blocks of garages must be fully vacated prior to commencement of works on each site. On completions of works to each block, former garage tenants and former leaseholders of garage plots will be offered new tenancies of the newly built and refurbished garages, prior to new tenants being sought for the remainder from existing waiting lists or through marketing. Therefore it is not proposed to increase the rent on Council owned garages this year.

4.2.2 Tenants in receipt of benefit

Garage rents are not eligible for housing benefit and the majority (72%) of garage tenants are not actually council house tenants.

4.2.3 Financial impact

The Business Plan has included a 2% increase on garage rental income. Not increasing the income will mean a loss of approximately £5k in the Business Plan in 2018/19. This will not have an immediate impact on the borrowing requirement if this is only for one year, and will be completely offset if the rental income is higher than 3.5%.

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 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; therefore a full EIA has not been carried out.

7. FINANCIAL IMPLICATIONS

- 7.1 This report deals with the financial implications of the proposed rent increases which affects the HRA.
- 7.2 The impact of the Welfare Reform Act is not taken into consideration.

8. PERSONNEL IMPLICATIONS

- 8.1 The proposals contained in this report will not alter the current arrangements for the collection of housing revenue account monies.

9. CONSULTATIONS

- 9.1 All consultation responses have been reflected in this report. The report will be presented to Cabinet on the 31st January 2018.

10. RECOMMENDATIONS

- 10.1 Members are asked to consider and give a view on the following recommendations which will be presented to Cabinet on the 31st January 2018;
- (a) Members recommend to Cabinet the level of increase per property from April 2018 based on the options in the report which is either
 - (i) 3.6% - The minimum increase to set our rents at the absolute bottom of the rent envelope but not future proofing expected rent levels from 2019/20 onwards.
 - (ii) 4.5% - The increase imposed by WG to ensure the final year of compliance with the rent policy criteria of CPI plus 1.5% and to future proof expected rent levels from 2019/20.
 - (iii) 6.5% - The maximum increase before the rent policy is contravened.
 - (b) This report is submitted to Cabinet for consideration.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 Inflationary increases on providing all aspects of the housing service are experienced annually, however as the HRA cannot legitimately set a deficit budget, the loss of additional income will result in reduced resources being available to effectively manage and maintain the stock.

- 11.2 Housing benefit will cover the increased costs for the rent charge in this report for 69% of our tenants up to the Housing Benefit limitation rate (yet to be confirmed).
- 11.3 If charges are not increased annually it has a detrimental effect on subsequent years as higher increases are then needed to recover the shortfalls from previous years.
- 11.4 The Council's Business Plan relies on inflationary increases to remain viable.

12. STATUTORY POWER

- 12.1 Local Government Act 1972. This is a Cabinet function.

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Angela Hiscox, Housing Manager – Older Persons Services
Amanda Main, Acting Benefits Manager
Stephen Harris, Interim Head Of Corporate Finance
Cllr Sean Morgan, Chair Policy & Resources Scrutiny Committee
Cllr Gez Kirby, Vice Chair Policy & Resources Scrutiny Committee
Cllr D Poole, Deputy Leader & Cabinet Member for Housing
Anwen Rees, Senior Policy Officer (Equalities and Welsh Language)
Gail Williams, Interim Head of Legal Services/Monitoring Officer

Background Papers: Available on request
Housing Revenue Account Charges – 2018/19
Welsh Government Rent Policy Guidelines



**POLICY AND RESOURCES SCRUTINY COMMITTEE –
16TH JANUARY 2018**

**SUBJECT: TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE
PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION
POLICY FOR 2018/2019**

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND S151 OFFICER

- 1.1 The attached report is due to be presented to Council on the 22nd February 2018.
- 1.2 Members of the Scrutiny Committee are asked to consider and comment upon the content of the report prior to consideration by Council.

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Appendices:
Appendix 1 - Report to Council 22/02/18 – Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2018/19.



SPECIAL COUNCIL - 22ND FEBRUARY 2018

SUBJECT: TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2018/2019

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER

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 2018/2019.

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] increased Bank Rate in November 2017 to 0.50%. Future increases are likely to be gradual.
- 5.1.3 The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now suppressing growth. Transitional arrangements will extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
- 5.1.4 Consumer price inflation reached 3.10% in November 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.
- 5.1.5 The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19. The Bank of England's MPC have agreed that any future increase would be limited and gradual. The risk of a cut to zero or negative rates has diminished and there is now a chance that rates will rise despite the economic context.

5.2 Interest Rate Prospects- Long-term

5.2.1 Longer-term interest rates have risen in the past year, reflecting the possibility of increasing short-term rates. Arlingclose forecasts these to remain broadly constant during 2018/19, but with some volatility is expected as EU exit negotiations progress. 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 £22m (as at 31st March 2017) 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 2018/19 for the General Fund to support the capital programme and provision has been made in the budget to fund this level of borrowing. The HRA will borrow £44.3m in 2018/19 to fund the WHQS capital programme.

5.3.2 **Therefore the total 2018/19 borrowing requirement will be £61.9m 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- £44.3m

The LGBI borrowing is funded by WG contributions to support the 21st Century Schools capital programme. The borrowing approvals relate to previous financial years whereby the borrowing had been deferred and subsequently these are now being rolled forward until the Authority raises such loans. Capital expenditure in the relevant financial year that would have been funded by the borrowing approvals was subsequently funded from internal borrowing. Retrospectively borrowing these approvals will replenish the internal borrowing.

5.3.3 The 2018/19 supported borrowing approval of £4.96m will be funded by internal borrowing in order to support the 2018/19 capital programme.

5.3.4 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.

5.3.5 Current PWLB forecasts suggest interest rates will remain volatile during 2018/19 and will be influenced by geopolitical tensions; global economic prospects and the outcome of the Brexit negotiations. The use of internal borrowing to fund the 2018/19 capital programme or the decision to defer borrowing as set out in paragraph 5.3.2 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 £17.6m new debt finance will remain in place irrespective of the decision to borrow internally or externally.

5.3.6 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”.

5.3.7 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
- Any counterparty approved for investments

5.3.8 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

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

5.3.10 The Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period as well as mitigate against the risk of rising borrowing interest rates.

5.3.11 **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 5.3.10 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 £20m of these can be "called" within 2018/19. 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 (2017/18)** - 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) money market funds and call accounts.

5.11.3 The 2018/19 Investment Strategy will continue with the lending approach as set out in the 2017/18 Strategy.

5.11.4 This Strategy (2018/19), in line with the Welsh Government guidance, sets out the Authority's policies for (and in order of priority) the security, liquidity and yield of its investments. It will have regard to credit ratings and determine the periods for which funds may be prudently invested, whilst aiming to achieve, or better a target rate for investments of **0.25% (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 2018/19 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. NON-TREASURY INVESTMENTS

- 7.1 Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes. Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

8. TREASURY MANAGEMENT ADVISER

- 8.1 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).

9. TREASURY MANAGEMENT TRAINING

- 9.1 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.
 - Relevant staff is encouraged to study professional qualifications from CIPFA; the Association of Corporate Treasurers; and other relevant organisations.
- 9.2 Officers will look to schedule Member training for autumn 2018. Further training will be undertaken as and when required.

10. PRUDENTIAL INDICATORS

10.1 Capital Financing Requirement

- 10.1.1 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.
- 10.1.2 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.

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

10.2 Prudential Indicators – “Prudence”

10.2.1 The proposed Prudential Indicators for Treasury Management Strategy are detailed in *Appendix 5*.

10.3 Prudential Indicators – “Affordability” [Appendices 6 and 7]

10.3.1 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.

10.3.2 The estimate of the incremental effect on council tax and housing rents for 2018/19 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.

10.3.3 The General Fund future revenue streams are based upon the content of “the Budget Report”.

10.3.4 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 2017/18 as a base), less an adjustment for estimated reduction in housing stock as a result of the “Right to Buy” sales.

10.4 Capital Expenditure and Funding

10.4.1 The summary Capital Expenditure and funding, as shown in **Appendix 7** of this report has been considered in “the Budget Report”. The capital expenditure and funding detailed in Appendix 7 is subject to further change in the final report that will be presented to Full Council in light of General Fund working balances being made available to support the core capital programme.

10.4.2 The Revenue Support Grant (RSG) provided by the Welsh Government (WG) includes an element to off-set the costs of borrowing funds for capital purposes. WG has announced an indicative level of supported borrowings of £4.96m in respect of the 2018/19 financial year, together with General Capital Grant funding of £3.02m.

10.4.3 For calculation purposes, it has been assumed that those two elements of funding support will remain static for 2019/20 and for 2020/21. HRA provisional values for the years 2018-2021 are based on the 2018/19 allocation of the Major Repairs Allowance of £7.30m and assumed to continue at this level for future years.

11. MINIMUM REVENUE PROVISION (MRP)

11.1 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.

11.2 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.

11.3 The Authority will continue to apply the revised MRP policy that was agreed by Members on 24th January 2017. 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 MRP policy is detailed in Appendix 8.

12. OTHER LOCAL ISSUES

12.1 The Authority's Banker

12.1.1 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.

12.1.2 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.

12.2 Policy on Apportioning Interest to the HRA

12.2.1 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.

13. WELL-BEING OF FUTURE GENERATIONS

13.1 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.

14. EQUALITIES IMPLICATIONS

14.1 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.

15. FINANCIAL IMPLICATIONS

15.1 The Treasury Management Strategy for 2018/19 as outlined in this report, if approved by Members, is likely to generate estimated interest of £600k and this has been reflected in the budget report for 2018/19. A provision has also been made to cover the estimated costs of the supported and unsupported borrowing requirements for 2018/19.

16. PERSONNEL IMPLICATIONS

16.1 There are no personnel implications.

17. CONSULTATION

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

18. RECOMMENDATIONS

- 18.1 That the Annual Strategy for Treasury Management 2018/19 be approved.
- 18.2 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.
- 18.3 That the Prudential Indicators for Treasury Management be approved as per Appendix 5.
- 18.4 That the Prudential Indicators for Capital Financing be approved as per Appendices 6 & 7.
- 18.5 That Members adopt the MRP policy as set out in Appendix 8.
- 18.6 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.
- 18.7 That the Authority borrows £17.6m for the General Fund to support the 2018/19 capital programme and £44.6m for the HRA WHQS programme.
- 18.8 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.
- 18.9 That the Authority adopts the monetary and investment duration limits as set in Appendix 3 of the report.

19. REASONS FOR THE RECOMMENDATIONS

- 19.1 The Annual Strategy report is a requirement of the CIPFA “Code of Practice for Treasury Management in the Public Services”.
- 19.2 The Investment Strategy is a requirement of the Local Government Act 2003.
- 19.3 To comply with the legislative framework and requirements as indicated in paragraphs 2.1 to 2.5.

20. STATUTORY POWER

- 20.1 Local Government Act 1972.

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Consultees: C. Harrhy- Interim Chief Executive
S. Harris- Interim Head of Corporate Finance & Deputy & S151 Officer
A. Southcombe – Finance Manager, Corporate Finance
Cllr Barbara Jones, Deputy Leader & Cabinet Member for Finance, Performance and Governance

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 07/11/2017 and subject to change)

	Arlingclose (Central case)
2018/19 Q1	0.50%
Q2	0.50%
Q3	0.50%
Q4	0.50%
2019/20	0.50%
2020/21	0.50%

PWLB (Forecasts as at 07/11/2017 and subject to change- Source Arlingclose (Central case))

	Q1 – 2018/19	Q2 – 2018/19	Q3 – 2018/19	Q4 – 2018/19
5 Year	0.75%	0.80%	0.80%	0.80%
10 Year	1.25%	1.25%	1.25%	1.25%
25 year	1.85%	1.85%	1.85%	1.85%
50 Year	1.70%	1.70%	1.70%	1.70%

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

Budget Period	Investment Returns	Borrowing Rates (PWLB 50 Years)
2018/19	0.60%	3.50%
2019/20	0.50%	4.00%
2020/21	0.50%	4.50%
2021/22	0.75%	4.50%
2022/23	1.00%	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.

Bail-in legislation has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

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 £85,000 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 collateralised 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		£20m 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 conjunction 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).

Target Rate

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 2018/19 of at least **0.25%**.

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

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 Collateralised 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 2018/19-2020/21

	Budget 2018-19	Budget 2019-20	Budget 2020-21
	£000	£000	£000
Authorised limit for external debt -			
Borrowing	424,074	426,040	424,433
Other long term liabilities	32,504	30,614	28,442
Total	456,578	456,654	452,875
Operational boundary for external debt -			
Borrowing	339,259	340,832	339,546
Other long term liabilities	32,504	30,614	28,442
Total	371,764	371,446	367,988
Capital Financing Requirement	374,857	370,648	362,181
Upper limits for interest rate exposure			
Principal outstanding on borrowing	339,259	340,832	339,546
Principal outstanding on investments	100,000	90,000	90,000
Net principal outstanding	239,259	250,832	249,546
Fixed rate limit – 100%	239,259	250,832	249,546
Variable rate limit – 30%	71,778	75,250	74,864
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%

	Budget 2018-19	Budget 2019-20	Budget 2020-21
	£000	£000	£000
Gross Debt and Net Debt			
Outstanding Borrowing	339,259	340,832	339,546
Other long term liabilities	32,504	30,614	28,442
Gross Debt	371,764	371,446	367,988
Less investments	100,000	90,000	90,000
Net Debt	271,764	281,446	277,988

Appendix 6 - Prudential Indicators - Capital Finance

Ratio of Financing costs to net revenue stream	Budget 2018-19	Budget 2019-20	Budget 2020-21
General Fund	£000	£000	£000
Principal repayments	2,383	2,612	2,670
Interest costs	8,825	8,478	8,497
Debt Management costs	42	41	44
Rescheduling discount	-110	-	-
Investment income	-600	-450	-450
Interest applied to internal balances	847	816	900
Total General Fund	11,386	11,497	11,661
Net revenue stream	330,643	334,009	336,177
Total as percentage of net revenue stream	3.44%	3.44%	3.47%
Housing Revenue Account			
Principal repayments	2,194	3,014	3,020
Interest costs	6,413	6,761	6,638
Rescheduling discount	-28	-	-
Debt Management costs	50	33	32
Total HRA	8,630	9,808	9,691
Net revenue stream	47,210	48,626	50,085
Total as percentage of net revenue stream	18.28%	20.17%	19.35%

Capital financing requirement [end of year position]	Budget 2018-19	Budget 2019-20	Budget 2020-21
	£000	£000	£000
Council Fund	224,135	219,634	214,791
Housing Revenue Account	150,722	151,014	147,389
Total Authority	374,857	370,648	362,181

Appendix 7 - Capital Expenditure and Funding

	Budget 2018-19	Budget 2019-20	Budget 2020-21
	£000	£000	£000
Expenditure			
Council Fund	10,206	10,136	10,056
Housing Revenue Account	39,215	26,742	24,200
Total	49,421	36,878	34,256
Funding			
Surplus/ (Deficit) Balance b/f	158	-	-
Borrowings - Supported (GF)	-	-	-
General Capital Grant - WG	3,020	3,020	3,020
Internal Borrowing	4,962	4,962	4,962
RCCO Budget	128	128	128
Capital underspends from previous years	168	326	306
Property Services Capital Earmarked Reserve	12	-	-
One off funding- MRP Review	1,758	1,700	1,640
RCCO- (HRA)	11,570	14,833	16,355
Borrowings - Unsupported (HRA)	20,300	4,564	500
Major Repairs Allowance (HRA)	7,345	7,345	7,345
Total	49,421	36,878	34,256
Surplus C/f	-	-	-

Appendix 8 MRP 2018/19 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 2018/19 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 2018/19 that is financed by debt will not be subject to a MRP charge until 2019/20.



POLICY AND RESOURCES SCRUTINY COMMITTEE – 16TH JANUARY 2018

SUBJECT: UPDATE ON RESERVES

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

1. PURPOSE OF REPORT

- 1.1 To present the Scrutiny Committee with details of the usable reserves held by the Authority.
- 1.2 To present details of proposals for the use of reserves prior to consideration by Cabinet.

2. SUMMARY

- 2.1 The report provides details of the usable reserves held by the Authority as at the 1st April 2017 totalling £120.576m.
- 2.2 The report also includes proposals for the use of reserves in some areas. The Scrutiny Committee is asked to consider these proposals prior to them being presented to Cabinet at its meeting on the 31st January 2018.

3. LINKS TO STRATEGY

- 3.1 Ensuring that adequate General Fund balances are maintained to meet any unforeseen expenditure and the establishment of specific reserves to meet known future financial commitments are key elements of prudent financial management.
- 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 Appendix 1 provides details of the Authority's usable reserves as at the 1st April 2017 totalling £120.576m. The following paragraphs provide a detailed commentary on the balances held.

4.2 General Fund

4.2.1 The opening balance on the General Fund as at the 1st April 2017 was £17.833m. After adjusting for 2017/18 in-year use of General Fund balances the projected position as at the 31st March 2018 is a balance of £13.131m. This is summarised in the table below: -

	£m	£m
General Fund Opening Balance as at 01/04/17		17.833
In-Year Use of General Fund Balance: -		
- 2016/17 Council Tax Surplus to Support 2017/18 Budget (Council 22/02/17)	(1.400)	
- Additional Provision - Senior Officer Investigation (Council 13/06/17)	(0.469)	
- Transfer to Capital Earmarked Reserve (Cabinet 05/07/17)	(2.054)	
- Adjustment for Misstatement in 2016/17 Accounts (Audit Committee 17/10/17)	(0.629)	
- Additional Provision - Senior Officer Investigation (Council 21/11/17)	(0.150)	
		(4.702)
Projected General Fund Balance as at 31/03/18		13.131

4.2.2 In line with the Council's Reserves Strategy the Section 151 Officer provides advice on the appropriate level of the General Fund Reserve annually as part of the budget setting process and this is subject to approval by Cabinet and Full Council. Typically, the Section 151 Officer has recommended in previous budget reports to Council that the minimum balance on the General Fund Reserve should be £10m i.e. circa 3% of the Council's net revenue budget. The 2018/19 budget report will be presented to Council on the 22nd February 2018 and this will include recommendations on the use of the General Fund balance in excess of the recommended 3% minimum.

4.3 Housing Revenue Account (HRA)

4.3.1 HRA funds must be ring-fenced and cannot be transferred into General Fund balances. The balance on the HRA usable reserves as at the 1st April 2017 was £16.821m. Most of this funding will be utilised for the Welsh Housing Quality Standard (WHQS) Capital Programme.

4.4 Capital Reserves

4.4.1 The total capital reserves of £37.709m as at the 1st April 2017 are ring-fenced for the Authority's Capital Programme. These reserves will be subject to a detailed review over the coming months and the outcome of this review will be reported to the Scrutiny Committee in due course.

4.5 Corporate Services

4.5.1 The balance on Corporate Services reserves as at the 1st April 2017 totalled £29.633m. The following table provides details of individual balances and the purpose of the reserves:-

Reserve	Amount £m	Description
Trehir Reserve	0.585	Required for potential works on former landfill site.
Invest to Save Reserve	0.272	To provide repayable one-off financial support for service initiatives that deliver cashable savings. £250k of this balance is currently committed to purchase a Velocity Patcher for carriageway resurfacing works (agreed by Cabinet on the 1 st October 2014).
Insurance Earmarked Reserve	5.904	Self-insurance facility. The Authority's insurance excess is £250k. All claims

		below this level are funded through the insurance earmarked reserve.
Risk Management Reserve	0.690	To support risk management initiatives that mitigate insurance claims. Annual contributions to this reserve from Directorate revenue budgets have been reduced from 2016/17 onwards as part of approved savings to support the MTFP.
Corporate Property Service Initiatives Reserve	0.157	To support Corporate building schemes.
Electoral Admin Reserve	0.461	Cumulative balance on funding set aside annually for local elections.
Health & Safety Initiatives	0.262	To meet unavoidable cost pressures in Council establishments.
PC Replacement Reserve	1.081	This reserve funds the ongoing replacement of essential IT hardware and software across the Authority.
Private Finance Initiative (PFI) Equalisation Reserves	11.900	Committed to funding approved PFI Schemes.
Corporate Services Service Initiatives Reserves	6.738	<ul style="list-style-type: none"> • Careline (£226k) – Retained underspends on the Care First budget. • Counsel Fees (£592k) – Retained underspends on the Counsel Fees revenue budget. • Council Tax Reduction Scheme (£2.251m) – Retained underspends on the CTRS budget. The Welsh Government has currently only committed to a fully funded scheme until the end of 2018/19. Options for the use of this reserve may need to be considered in future years in the event of funding reductions. • Apprenticeship Scheme (£852k) – Committed to ongoing apprenticeships and for match-funding the ESF Inspire to Work project. • Member Services (£536k) – Ring-fenced retained underspends on the Member Services budget. • Voluntary Sector Grants (£127k) – Retained underspends on the Grants to the Voluntary Sector budget. This budget is monitored by Members on the Grants to the Voluntary Sector Panel. • Municipal Mutual Insurance (MMI) Levy (£564k) – Funding set aside to meet future liabilities arising from the MMI Scheme of Arrangement. • Senior Officer Investigation (£245k) – Previously approved funding in respect of the ongoing investigation. • Replacement of IDOX Document Management System for Council Tax/Housing Benefits (£150k). • Contingency for one-off cost of MTFP staffing reductions (£381k).

		<ul style="list-style-type: none"> • Schools PV Panels (£14k). • Contingency for cost pressures in Waste Management (£800k).
Salix Finance	0.224	To support energy saving initiatives.
Retained Underspends Reserves	1.359	Accumulated service underspends.
Total: -	29.633	

4.5.2 Members will note from the above that £1.359m is held in 'Retained Underspends Reserves'. Cabinet has previously agreed a policy whereby service areas retain 50% of reported underspends at the financial year-end. Conversely, any service based overspends are carried forward by the service areas responsible for generating the overspends. This approach has worked well as there is full ownership and accountability by budget holders in respect of delivering a balanced budget. At its meeting on the 27th July 2016, Cabinet agreed a Reserves Strategy which included the introduction of a cap on the cumulative amount that can be held by Directorates in service underspend reserves. This will be covered in more detail in section 4.9 of this report.

4.6 Communities

4.6.1 The balance on Communities reserves as at the 1st April 2017 totalled £3.285m. The following table provides details of individual balances and the purpose of the reserves:-

Reserve	Amount £m	Description
DLO Surplus/Deficit	0.301	Retained cash surplus for Network Contracting Services (NCS) work arising from the Sirhowy Enterprise Way PFI contract.
Planning - Community Infrastructure Levy	0.251	Revenue generated from the Community Infrastructure Levy.
Planning - LDP Related Expenditure	0.131	Ring-fenced reserve for the Local Development Plan.
Highways – Service Specific Reserve.	0.500	Ring-fenced winter maintenance reserve.
Community Regeneration Fund	0.136	Approved grants to be drawn down.
Economic Development – Service Initiative Reserve.	0.013	£2k relates to footfall counters and £11k is ring-fenced for capital works to the Hafod Deg building.
Area Forum Reserve	0.070	This is being utilised to support agreed MTFP savings in this area.
Cemeteries Reserve	0.932	Funds set-aside to meet the capital cost of future land acquisition for Cemeteries.
General Fund Housing Service Initiatives Reserve	0.329	<ul style="list-style-type: none"> • Renewal Fund for future building costs at Ty Croeso single persons' accommodation (£128k). • Renewal fund for the replacement of white goods and internal decoration at Ty Fesen family accommodation (£160k). • Shortfall in Shelter contract payments for 2017/18 to 2019/20 (£21k). • Homelessness prevention (£20k).
Retained Underspends Reserves	0.622	Accumulated service underspends.
Total: -	3.285	

4.7 Education & Lifelong Learning

4.7.1 The balance on Education & Lifelong Learning reserves as at the 1st April 2017 totalled £8.284m. The following table provides details of individual balances and the purpose of the reserves:-

Reserve	Amount £m	Description
Service Initiatives Reserve	1.056	<ul style="list-style-type: none"> • ESF Bridges into Work (£374k) – Match-funding contribution (agreed by Cabinet 27/07/15). • ESF Working Skills for Adults (£169k) - Match-funding contribution (agreed by Cabinet 27/07/15). • Voluntary Early Release (VER) costs (£499k) – Required to meet ongoing liabilities in schools. • Fire Safety (£14k) – Earmarked reserve to fund fire alarm upgrades.
Schools PFI Earmarked Reserves	0.870	Contingent sum for unforeseen cost pressures for 2 PFI schools.
School Balances	2.332	Net overall retained underspends ring-fenced to schools.
Local Management of Schools (LMS) Contingency.	2.657	Accumulated underspends on LMS revenue budget. This reserve is maintained to support potential redundancy costs in schools, statutory maintenance costs and other unforeseen unavoidable cost pressures.
Accumulated Service Underspends	1.369	As per agreed policy (see paragraph 4.5.2).
Total: -	8.284	

4.8 Social Services/Public Protection/Corporate Policy

4.8.1 The balance on Social Services, Public Protection and Corporate Policy reserves as at the 1st April 2017 totalled £7.011m. The following table provides details of individual balances and the purpose of the reserves:-

Reserve	Amount £m	Description
Community Activities Reserve	0.066	To support trading activities in Day Centres.
Service Initiatives Reserve	1.906	<ul style="list-style-type: none"> • Therapeutic Fostering Service (£875k). Approved by Cabinet 13/04/16. • Operation Jasmine (£86k). • Finance IT System (£26k) – Required to deal with any unforeseen costs arising from the implementation of the Welsh Community Care Information System (WCCIS). • Gwent Frailty Programme (£268k) – To meet future Invest to Save loan repayments to the Welsh Government. • Immediate Response Team (£343k) – See paragraph 4.8.2 below.

		<ul style="list-style-type: none"> • Gwent Safeguarding Partnership (£143k) – Contribution to partnership to 2018/19. • Temporary Staff in Adult Services (£8k) – See paragraph 4.8.2 below. • Demographic Pressures Contingency (£157k) – Underspends from previous years set aside to meet increasing demand for services. See paragraph 4.8.2 below.
Reserves Held for Partnerships	2.121	Reserves held on behalf of partnerships led by Caerphilly CBC: - <ul style="list-style-type: none"> • North Resource Centre (£38k). • SE Wales Shared Lives Scheme (£145k). • Youth Offending Service (£539k). • SE Wales Safeguarding Children Board (£182k). • SE Wales Emergency Duty Team (£47k Deficit). • I.T. Consortium (£178k). • Gwent Frailty Programme (£1.086m).
Accumulated Service Underspends	2.918	As per agreed policy (see paragraph 4.5.2)
Total: -	7.011	

4.8.2 £343k of the Service Initiatives Reserve was originally set aside to fund a pilot Immediate Response Team within Children's Services to deal with situations where children are at risk of becoming 'looked after' by the Authority. Due to revenue budget underspends across the Social Services Directorate in recent years the Team has been funded from core revenue budget and there has been no requirement to draw on the reserve. Furthermore, the Team is now funded through a new grant. In paragraph 4.9.3 of this report it is proposed to utilise the funding of £343k to partially offset a projected overspend on the wider Social Services budget for 2017/18. To assist with offsetting the projected overspend it is also proposed to utilise the reserves of £8k for temporary staff in Adult Services and the £157k Demographic Pressures Contingency.

4.9 Cap on Retained Underspend Reserves

4.9.1 As mentioned in paragraph 4.5.2, at its meeting on the 27th July 2016 Cabinet agreed a Reserves Strategy which included the introduction of a cap on the cumulative amount that can be held by Directorates in service underspend reserves. This cap is set at 3% of the net revenue budget for each Directorate and where this is exceeded then proposals must be presented to utilise the excess or a justification must be made to hold the reserves above the 3% level. The following table summarises the 2017/18 net budget for each Directorate, the balance on underspend reserves as at the 1st April 2017 and whether the cap has been exceeded:-

Directorate	2017/18 Net Budget £m	Reserve Balance £m	3% Cap £m	Excess Above Cap £m
Corporate Services	19.665	1.359	0.590	0.769
Communities	35.980	0.622	1.079	-
Education & Lifelong Learning	32.933	1.369	0.988	0.381
Social Services etc.	91.172	2.918	2.735	0.183

4.9.2 The following table summarises proposals to utilise or retain the excess accumulated underspend reserves for Corporate Services and Education & Lifelong Learning (Social Services is considered separately in paragraphs 4.93 and 4.94): -

Directorate/Proposal	£m
1) Corporate Services Excess	0.769
Proposals: -	
- Relocation of IT staff from Ty Penallta to Ty Tredomen	(0.050)
- 2 year fixed-term Grade 6 post in HR for sickness absence monitoring	(0.060)
- 1 year fixed-term Grade 7 post in Corporate Property (Electrician)	(0.035)
- 1 year fixed-term Grade 10 post in Corporate Property (Land Sales)	(0.048)
- IT Systems: -	
- Upgrade of General Ledger system	(0.189)
- AP Forensics Software (fraud monitoring)	(0.034)
- Upgrade of Income Management System	(0.101)
- Access Rights Management Solutions (to aid GDPR)	(0.080)
- SQL Server licences	(0.060)
- Welsh Community Care Information System (WCCIS) maintenance	(0.025)
- Balance to be transferred to the General Fund	(0.087)
	0.000
2) Education & Lifelong Learning Excess	0.381
Proposals: -	
- Contribution to fixed-term Grade 9 Fire Officer post (to 31/03/18)	(0.023)
- Traffic calming works at Islwyn High School	(0.111)
- School condition surveys (rolling programme)	(0.074)
- Contribution to budget pressures in Behaviour Support & Mental Health	(0.173)
	0.000

4.9.3 For Social Services/Public Protection and Corporate Property there is currently a projected net overspend of £1.780m for the 2017/18 financial year. To assist with this situation moving forward it is proposed to establish the following specific reserves totalling £711k (to be funded from the Retained Underspend Reserve): -

- £50k to fund Caerphilly CBC's contribution to the cost of a Joint Protection of Vulnerable Adults (POVA) Co-ordinator post to 2021/22.
- £205k to cover Caerphilly CBC's contribution to the Gwent Safeguarding Partnership to 2021/22.
- £206k for additional fixed-term staff to address workload pressures in Children's Services (approved by Cabinet 19/07/17).
- £250k for Invest to Save trials to mitigate cost pressures arising from increasing demand for services.

4.9.4 To ensure that sufficient reserves are available to meet the projected 2017/18 overspend and to provide some headroom for 2018/19 it is proposed that the following reserves currently held in the Social Services Service Initiative Reserves should be used to partially offset the anticipated 2017/18 overspend: -

- £343k for the Immediate Response Team.
- £8k for temporary staff in Adult Services.
- £157k Demographic Pressures Contingency.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 The establishment and management of reserves are key elements of effective financial management which assists the achievement of the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015.

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 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 of the Scrutiny Committee are asked to:-

10.1.1 Note the content of the report.

10.1.2 Support a recommendation to Cabinet that accumulated underspend reserves above the 3% cap for Corporate Services and Education & Lifelong Learning be utilised as detailed in the table in paragraph 4.9.2 of this report.

10.1.3 Support a recommendation to Cabinet that specific reserves totalling £711k are established for Social Services as detailed in paragraph 4.9.3 of this report.

10.1.4 Support a recommendation to Cabinet that funding totalling £508k is released from Social Services Service Initiative Reserves to partially offset the anticipated revenue budget overspend for 2017/18 (as detailed in paragraph 4.9.4 of this report).

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 To ensure that the Scrutiny Committee is provided with details of the usable reserves held by the Authority and is able to consider specific proposals to Cabinet.

12. STATUTORY POWER

- 12.1 The Local Government Acts 1998 and 2003.

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Dave Roberts, Principal Group Accountant, Corporate Services
Mike Eedy, Finance Manager, Environment
Jane Southcombe, Finance Manager, Education & Lifelong Learning
Mike Jones, Interim Financial Services Manager, Social Services
Lesley Allen, Principal Accountant, Housing
Richard Harris, Internal Audit Manager & Acting Deputy Monitoring Officer

Background Papers:
Council (22/02/17) – Budget Proposals 2017/18 and Medium-Term Financial Strategy 2017/2022
Cabinet (27/07/16) – Reserves Strategy

Appendices:
Appendix 1 List of Usable Reserves

List of Usable Reserves

APPENDIX 1

Directorate	Service Area	C.C.	Subj	Description	Opening Balance (01/04/17)
1) General Fund					
Corporate Services	CORPORATE BAL SHEET	9931	D781	GENERAL FUND	17,832,917
Total General Fund					17,832,917
2) Housing Revenue Account					
Housing Revenue Account	HRA			VARIOUS	16,821,209
Total HRA					16,821,209
3) Capital Reserves					
All	CAPITAL EARMARKED RESERVES			VARIOUS	16,357,993
All	USEABLE CAPITAL RECEIPTS			VARIOUS	11,538,476
All	CAPITAL GRANTS UNAPPLIED			VARIOUS	9,812,874
Total Capital Reserves					37,709,344
4) Corporate Services					
Corporate Services	CORPORATE BAL SHEET	9931	D861	TREHIR RESERVE	584,549
Corporate Services	B/S CAP - CORPORATE	9985	D857	RESERVE - INVEST TO SAVE	271,829
Corporate Services	INSURANCE FUND	9987	D911	INSURANCE EARMARKED RESERVE	5,903,893
Corporate Services	INSURANCE FUND	9987	D935	RISK MANAGEMENT RESERVE	690,285
Corporate Services	PROPERTY - CORPORATE SERVICES	9924	D899	SERVICE INITIATIVES RESERVE	157,392
Corporate Services	POLICY AND RESOURCES BAL SHEET	9926	D948	ELECTORAL ADMIN RESERVES	460,999
Corporate Services	CORPORATE SERVICES BAL SHEET	9928	D952	HEALTH & SAFETY INITIATIVES	262,606
Corporate Services	CORPORATE SERVICES BAL SHEET	9928	D953	CORPORATE PC REPLACEMENT RESER	1,080,668
Corporate Services	CORPORATE SERVICES BAL SHEET	9928	D828	SEW PFI EQUALISATION RESERVE	2,266,095
Corporate Services	CORPORATE SERVICES BAL SHEET	9928	D850	EDUC PFI EQUALISATION RESERVE	9,634,173
Corporate Services	CORPORATE BAL SHEET	9931	D899	SERVICE INITIATIVES RESERVE	1,609,218
Corporate Services	CORPORATE SERVICES BAL SHEET	9928	D899	SERVICE INITIATIVES RESERVE	5,128,875
Corporate Services	B/S CAP - PROPERTY	9979	D944	SALEX FINANCE	223,963
Corporate Services	BUILDING CONSULTANCY	9925	D856	RESER - UNDER/ OVER SPEND C/F	54,203
Corporate Services	CORPORATE SERVICES BAL SHEET	9928	D856	RESER - UNDER/ OVER SPEND C/F	1,303,896
Total Corporate Services					29,632,644

Directorate	Service Area	C.C.	Subj	Description	Opening Balance (01/04/17)
<u>5) Communities</u>					
Communities	HIGHWAYS BALANCE SHEET	9908	D882	DLO SURPLUS / DEFICIT C/F	300,750
Communities	PLANNING BAL SHEET	9923	D877	COMMUNITY INFRASTRUCTURE LEVY	251,143
Communities	PLANNING BAL SHEET	9923	D899	LDP RELATED EXPENDITURE	130,527
Communities	HIGHWAYS BAL SHEET	9932	D899	SERVICE SPECIFIC RESERVE	500,000
Communities	ECON DEVT & TOURISM BAL SHEET	9927	D892	RESERVE - COMMUNITY REGEN FUND	135,693
Communities	ECON DEVT & TOURISM BAL SHEET	9927	D899	SERVICE INITIATIVE RESERVE	12,835
Communities	PLANNING BAL SHEET	9923	D891	RESERVE - AREA FORUM	70,499
Communities	COMMUNITY & LEISURE BAL SHEET	9939	D865	RESERVES - CEMETERIES	932,453
Communities	ECON DEVT & TOURISM BAL SHEET	9927	D856	RESER - UNDER/ OVER SPEND C/F	4,152
Communities	HOUSING NON HRA BAL SHEET	9917	D899	SERVICE INITIATIVES RESERVE	329,208
Communities	HOUSING NON HRA BAL SHEET	9917	D856	RESER - UNDER/ OVER SPEND C/F	162,760
Communities	HOUSING PRIVATE BAL SHEET	9918	D856	RESER - UNDER/ OVER SPEND C/F	115,950
Communities	DIRECTORATE OF ENVIRONMENT	9936	D856	RESER - UNDER/ OVER SPEND C/F	339,012
Total Communities					3,284,981
<u>6) Education & Lifelong Learning</u>					
Education	EDUCATION BAL SHEET	9919	D899	SERVICE INITIATIVES RESERVE	1,055,595
Education	EDUCATION BAL SHEET	9919	D949	PFI SCHOOLS EARMARKED RESERVES	869,921
Education	SCHOOLS BAL SHEET	9920	D785	RESERVES - DELEGATED SCHOOLS	2,331,965
Education	EDUCATION BAL SHEET	9919	D868	RESERVES LMS EARMARKED	2,657,113
Education	EDUCATION BAL SHEET	9919	D856	RESER - UNDER/ OVER SPEND C/F	1,369,571
Total Education & Lifelong Learning					8,284,164
<u>7) Social Services/Public Protection/Corporate Policy</u>					
Social Services	SOCIAL SERVICES BAL SHEET	9922	D859	RESER - SOC SERV COMM ACTIVITIES	65,858
Social Services	SOCIAL SERVICES BAL SHEET	9922	D899	SERVICE INITIATIVES RESERVE	1,906,344
Social Services	SOCIAL SERVICES BAL SHEET	9922	D951	RESERVES HELD FOR PARTNERSHIPS	2,121,413
Social Services	SOCIAL SERVICES BAL SHEET	9922	D856	RESER - UNDER/ OVER SPEND C/F	2,872,587
Public Protection	TRADING STANDARDS	9937	D856	RESER - UNDER/ OVER SPEND C/F	31,011
Public Protection	ENVIRON HEALTH BAL SHEET	9938	D856	RESER - UNDER/ OVER SPEND C/F	13,720
Total Social Services/Public Protection/Corporate Policy					7,010,933
GRAND TOTALS: -					120,576,193

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POLICY AND RESOURCES SCRUTINY COMMITTEE – 16TH JANUARY 2018

**SUBJECT: WHOLE AUTHORITY REVENUE BUDGET MONITORING REPORT
2017/18**

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

1. PURPOSE OF REPORT

- 1.1 To provide the Scrutiny Committee with details of projected whole-authority revenue budget expenditure for the 2017/18 financial year.

2. SUMMARY

- 2.1 This report provides information on the position of the whole-authority in respect of revenue budget monitoring for 2017/18. Detailed budget monitoring reports are prepared for Scrutiny Committees throughout the financial year. Consideration has been given to actual expenditure and income trends and projections have been made of the likely year-end outturn position. Where variations from budget have been identified these are commented upon throughout the report.

3. LINKS TO STRATEGY

- 3.1 The Council has a number of corporate strategies and this report deals with the use of resources in the achievement of those strategies.
- 3.2 Effective financial planning and financial control contribute 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 Members will be aware of the ongoing challenging financial outlook for Local Government and the need to identify significant savings to support the Council's Medium-Term Financial Plan (MTFP). Officers have been mindful of this and consequently expenditure has been curtailed in a number of areas in recent years with the aim of identifying savings in advance to support the MTFP. This prudent approach has resulted in a trend of reported year-end underspends for all Directorates.

4.2 However, the position is now becoming more challenging with a number of cost pressures emerging across some service areas. The table below provides a comparison between the original 2017/18 budget, a revised budget (where approved changes have been made in year), and the projected outturn. A more detailed summary by service area is provided in Appendix 1. The total projected revenue budget underspend for the Authority for 2017/18 is £947k.

Service Area	Original Budget 2017/18 £000's	Revised Budget 2017/18 £000's	Projected Outturn 2017/18 £000's	Projected (Overspend)/ Underspend £000's
Education & Lifelong Learning	124,993	124,868	124,723	145
Social Services, Public Protection and Corporate Policy	89,612	89,737	91,517	(1,780)
Communities	44,010	44,010	43,748	262
Corporate Services	19,692	19,666	18,532	1,134
Miscellaneous Finance	47,124	47,150	45,964	1,186
Totals: -	325,431	325,431	324,484	947

4.3 **Education & Lifelong Learning (Projected Underspend of £145k)**

4.3.1 A net underspend of £145k is currently projected for the Directorate as summarised below: -

Service Area	Projected (Overspend)/ Underspend £000's
Planning & Strategy: -	
- Relief Supply Cover (SRB's and Maternity)	(85)
- Early Retirement Pension Costs (Schools)	(50)
- Management & Support Service Costs	119
Learning, Education & Inclusion: -	
- Psychological Services	57
- Visually Impaired Service	45
- 14 – 19 Transport Initiative	56
- Education Other Than at School (EOTAS)	(660)
- Additional Support and Out of County	260
- Early Years – Rising 3's	75
- Support Services & Resources	46
- Music Service	(94)
- Education Achievement Service (EAS)	51
- Other	126
Lifelong Learning: -	
- Community Education	80
- Libraries	119
Directorate Total: -	145

4.3.2 Due to the unpredictability of sickness in Special Resource Bases and maternity absences across all school sectors, the Relief Supply Cover spend on school based staff is always very closely monitored. This area of the budget was overspent in the 2016/17 financial year, so whilst current data does not indicate any significant variance to budget it is prudent to include a potential overspend with some 3 months remaining until the end of the financial year.

- 4.3.3 Based on current information the budget relating to retirement costs associated with school based staff is currently projected to overspend by £50k.
- 4.3.4 The projected underspend of £119k in relation to Management & Support Service Costs relates predominantly to in-year savings on staff costs. Some of these are one-off in nature due to in-year vacancies and others are ongoing and form part of the Directorate's MTFP savings proposals moving forward.
- 4.3.5 The projected underspend of £57k in the Psychological Service has originated due to delays in the recruitment of appropriately qualified staff. However, the service does now have a full complement of staff.
- 4.3.6 In recent years the Visually Impaired Service has reported an underspend and this continues to be the case for 2017/18.
- 4.3.7 The projected underspend on the 14-19 Transport Initiative (which allows pupils wider course access between schools) is a recent trend that is anticipated to continue in 2017/18. This budget heading forms part of savings proposals moving forward.
- 4.3.8 The Education Other Than at School (EOTAS) provision, which accommodates learners who are unable to attend and learn through mainstream school, continues to be a significant budget pressure in 2017/18. This provision continues to receive an increasing number of referrals for children with challenging behaviour. The projected overspend for this provision is currently estimated to be £660k. An internal review of demand and costs is ongoing but it should be recognised that whilst this is a substantial increase the cost would be much greater if pupils were not accommodated in EOTAS but placed instead in Out of County placements. This in part has contributed to the projected underspend of £260k in the Additional Support & Out of County budget, which is partly offsetting the EOTAS budget pressure.
- 4.3.9 The spend on Early Years – Rising 3's is very much demand led, as it is driven by the number of age 3 pupils who access nursery provision in the term following their 3rd birthday. This can vary from year to year, with spend based on the birth rate and parental choice with regards to accessing this "early" provision.
- 4.3.10 The underspend against the Support Services & Resources budget relates predominantly to an in-year vacancy that has now been filled and a vacant post (£30k) which is part of future savings proposals.
- 4.3.11 In 2017/18 there has been a further reduction of £50k in the budget for the Authority's Music Service. Whilst there is currently a projected overspend, the service has made progress with regards to achieving savings targets set in previous years. Managers remain confident that the MTFP savings target for the service is achievable in the medium to longer-term.
- 4.3.12 In 2017/18, as in 2016/17, the charge on the main contract with the Education Achievement Service (EAS) is less than current budget provision. This variance forms part of savings proposals for future years.
- 4.3.13 The projected underspend of £80k in Community Education relates predominantly to the Youth Service. This variance is a mix of in-year underspends, in particular relating to vacant posts and savings in advance for the 2018/19 financial year.
- 4.3.14 The Libraries projected underspend of £119k relates to in-year vacancies and savings around supply cover arrangements, together with savings relating to premises and vehicle hire. The premises and vehicle hire savings equate to circa £60k and this has been identified as part of the savings proposals for 2018/19.

4.4 Social Services, Public Protection and Corporate Policy (Projected Overspend of £1,780k)

4.4.1 A net overspend of £1,780k is currently projected as summarised in the following table: -

Service Area	2017/18 Revised Budget £000's	2017/18 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
Social Services: -			
- Children's Services	21,457	24,206	(2,749)
- Adult Services	57,072	56,704	368
- Service Strategy/Business Support	2,594	2,452	142
Social Services Sub-Total: -	81,123	83,362	(2,239)
Public Protection	7,224	6,887	337
Corporate Policy	1,390	1,268	122
Total: -	89,737	91,517	(1,780)

Children's Services

4.4.2 The Children's Services Division is currently projected to overspend its budget by £2,749k as summarised in the following table: -

	2017/18 Revised Budget £000's	2017/18 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
Management, Fieldwork & Administration	9,163	8,814	349
External Residential Care	2,398	5,270	(2,872)
Fostering & Adoption	7,293	7,628	(335)
Youth Offending	395	395	0
Families First	75	0	75
After Care Support	726	739	(13)
Other Costs	1,407	1,360	47
Totals: -	21,457	24,206	(2,749)

Management, Fieldwork and Administration

4.4.3 In response to the anticipated reductions in Welsh Government funding over the forthcoming financial years, a prudent approach to vacancy management has been adopted. This has led to a projected underspend of £349k against Management, Fieldwork and Administration posts within the Children's Services Division.

External Residential Care/Fostering & Adoption

4.4.4 An overall overspend of £3,207k is projected in respect of children's placement costs. Significant budgetary pressures are being experienced in this area and forecasts assume that all current placements will remain in place throughout the financial year. However, every effort will continue to be made to identify more cost effective arrangements wherever possible.

Families First

4.4.5 The £75k underspend in respect of Families First is due to additional Welsh Government funding being made available to fund the core staff team.

Aftercare

4.4.6 An overspend of £13k is projected in respect of Aftercare Services and this reflects the number of 16 to 18 year olds currently in receipt of leaving care services.

Other Costs

- 4.4.7 The projected £47k underspend for 'Other Costs' is largely the result of maximising the Edge of Care Grant funding from Welsh Government. The work of the Immediate Response Team has been re-focused towards achieving the objectives of this specific grant funding and therefore the cost of the team will be funded through this grant.

Adult Services

- 4.4.8 The Adult Services Division is currently projected to underspend its revised budget by £368k as summarised in the following table: -

	2017/18 Revised Budget £000's	2017/18 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
Management, Fieldwork & Administration	7,621	7,199	422
Own Residential Care and Supported Living	5,923	5,704	219
External Residential Care	13,567	13,454	113
Own Day Care	4,344	4,163	181
External Day Care	1,163	1,235	(72)
Supported Employment	71	68	3
Aid and Adaptations	783	654	129
Home Assistance and Reablement (excl. Frailty)	10,981	11,210	(229)
Gwent Frailty Programme	2,274	2,183	91
Other Domiciliary Care	11,225	11,514	(289)
Resettlement	(1,020)	(1,020)	0
Supporting People	0	650	(650)
Other Costs	713	590	123
Additional Social Care Workforce Costs	0	240	(240)
Social Care Workforce Grant	(573)	(1,140)	567
Totals: -	57,072	56,704	368

Management, Fieldwork and Administration

- 4.4.9 The £422k underspend in Management, Fieldwork and Administration can be attributed to a prudent approach to vacancy management.

Own Residential Care and Supported Living

- 4.4.10 The £219k underspend in this area includes around £82k in respect of Clos Tir y Pwll Supported Living Home. This home is currently under-occupied and staffing levels have been adjusted as a result. The remainder of this underspend can be attributed to staffing vacancies at Min y Mynydd and Beatrice Webb Residential Homes for Older People. A review of staff rotas has enabled these vacancies to be held for an extended period with no detriment to service provision and will help the Division meet its MTFP savings targets.

Own Day Care

- 4.4.11 Around £64k of the underspend of £181k within CCBC's own day care services is due to temporary staffing vacancies within the Mental Health Community Support Team. The remainder of this underspend can be attributed to a prudent approach to vacancy management which will help the Division meet its MTFP savings targets.

Aids and Adaptations

- 4.4.12 The £129k underspend is due to a refund from the Gwent-Wide Integrated Community Equipment Service (GWICES) in respect of unspent funding from 2016/17.

Gwent Frailty Programme

- 4.4.13 Underspending across the Gwent Frailty Programme largely resulting from short-term staffing vacancies is likely to result in a £91k reduction in the contribution required from Caerphilly Social Services.

Supporting People

- 4.4.14 Demand for services linked to homelessness, mental health issues, substance misuse and floating support arrangements has continued to grow throughout the financial year while Welsh Government grant funding has remained at the 2016/17 level. This has contributed to a potential overspend of £650k.

Costs of Care Packages

- 4.4.15 An overall overspend of £150k is projected for 2017/18 in respect of packages of care commissioned with the independent sector or through the in-house Home Assistance & Reablement Team as shown in the table below:-

	2017/18 Revised Budget £000's	2017/18 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
External Residential Care	13,567	13,454	113
External Day Care	1,163	1,235	(72)
Home Assistance and Reablement (excl. Frailty)	10,981	11,210	(229)
Other Domiciliary Care	11,225	11,514	(289)
Additional Social Care Workforce Costs	0	240	(240)
Social Care Workforce Grant	(573)	(1,140)	567
Totals: -	36,363	36,513	(150)

- 4.4.16 The overall cost of care packages for adults has increased by £717k since the budget was set at the beginning of the year, mainly resulting from fee increases aimed at resolving workforce issues within the independent sector. These pressures have largely been offset by a second tranche of Welsh Government Social Care Workforce Grant funding targeted at tackling these workforce issues which has resulted in the net overspend of £150k.
- 4.4.17 Demand for these services is difficult to predict and can fluctuate significantly, particularly through the winter months, and with an ageing population it is quite possible that this overspend could increase further by the end of the financial year.

Other Costs

- 4.4.18 An underspend of £123k is predicted against other Adult Services budgets. Around £88k of this has resulted from the maximisation of Welsh Government Grant. The remaining variance is largely as a result of a review of voluntary sector contracts which will help the Division meet its MTFP savings targets.

Service Strategy & Business Support

- 4.4.19 This service area is currently projected to underspend by £142k as summarised in the following table: -

	2017/18 Revised Budget £000's	2017/18 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
Management and Administration	1,124	1,037	87
Office Accommodation	467	428	39
Office Expenses	169	168	1
Other Costs	834	819	15
Totals: -	2,594	2,452	142

4.4.20 The underspend of £142k in respect of Service Strategy & Business Support includes a £87k underspend resulting from vacancy savings and salary spinal point savings, and a £39k underspend resulting from office re-locations. The remainder of the underspend is attributable to the Joint Workforce Development Team.

Public Protection

4.4.21 Public Protection is currently projecting an underspend of £337k on an overall revenue budget of £7,224k.

4.4.22 Environmental Health is projecting a net underspend of £144k primarily due to an underspend of £158k in salaries from a combination of vacant posts (some of which are being held to support savings requirements for 2018/19), maternity leave, reduced hour contracts and reduced overtime. There are a number of ongoing issues in respect of pollution and contaminated land sites that are unpredictable and difficult to assess in terms of financial cost, but it is assumed the existing provisions and budget will cover this at present. Pollution and contaminated land sites are being closely monitored as any increases in this area would impact on the overall financial position.

4.4.23 Trading Standards, Licensing, Community Safety and CCTV has a projected net underspend of £155k. This is primarily due to a combination of vacant posts, staff secondment and reduced working hours. There is also some additional income in Registrar's and one-off sampling recharge income in relation to Trading Standards. Licensing fee income can be subject to variation so this will be monitored closely.

4.4.24 There is a projected overall net underspend of £38k for Catering Services.

Corporate Policy

4.4.25 Corporate Policy is projecting an underspend of £122k after taking account of: -

- A projected underspend of £35k in the Policy Team due to various small in-year savings.
- A projected underspend of £82k 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 underspend of £6k for the Community Safety budget.

4.5 Communities (Projected Underspend of £262k)

4.5.1 The projected outturn for the Communities Directorate is an underspend of £262k. However, after adjusting for the previously approved transfer of a projected underspend on Cemeteries to a ring-fenced reserve, the net underspend for the Directorate reduces to £81k as summarised in the following table: -.

Service Area	2017/18 Revised Budget £000's	2017/18 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
Regeneration & Planning	4,018	3,881	137
Engineering Services	19,984	19,917	67
Community & Leisure Services	18,490	18,492	(2)
Housing Services	1,354	1,294	60
Directorate General	164	164	0
Total: -	44,010	43,748	262
Transfer of Cemeteries Projected Underspend to Earmarked Reserve	-	-	(181)
Net Projected Underspend: -	-	-	81

- 4.5.2 Overall an underspend of £137k is projected for the Regeneration & Planning Division consisting of an overspend of £163k for Planning Services and an underspend of £300k for Economic Development and Tourism.
- 4.5.3 Countryside Services are reporting an underspend of £59k, with a shortfall in income generation from car park charging of £30k being more than offset by underspends from vacant posts and other operational costs.
- 4.5.4 Development Control is reporting an overspend of £80k partly as a result of Planning application fee income presently being projected to be £70k short of the £564k budget. Additional legal fees and advice linked to a number of large planning applications are also resulting in a further overspend of £64k. These overspends are partly offset by staffing underspends due to a vacant post. There is also an overspend of £86k in Building Control, where income is presently projected to be £102k below the £295k budget. Planning application fee and building control fee income is dependent on the number of applications received and applications and fee levels can vary significantly. The addition of one or two large planning applications can make a significant difference to income levels and this will be monitored closely over the next few months.
- 4.5.5 Strategic Planning budgets are presently projected to be £51k overspent due a shortfall in rechargeable fee income, partly offset by staffing underspend due to staff on reduced working hour contracts.
- 4.5.6 Overall Regeneration is presently projecting an underspend of £300k. Business Support has an underspend of £120k which is due to a combination of underspend of £100k in the Community Regeneration Fund due to an anticipated reduction in the number of applicants for grant match funding support, and reductions in other operational costs such as marketing and promotion, subscriptions etc.
- 4.5.7 Business Urban Renewal is reporting an overspend of £46k. This includes a projected overspend of £55k in relation to the Bargoed retail shop units due to under-occupancy of the units and reduced rental income in 2017/18. This is partly offset by underspends in other operational costs within the Urban Renewal and Town Centre management teams.
- 4.5.8 There is a projected £40k underspend in relation to Industrial Properties due to rental income being in excess of budget and underspends in some operational costs.
- 4.5.9 Tourism Events and marketing have a net underspend of £22k due to additional income from pitch fees and concessions at various events and town centre markets, and reductions in some operational costs in the marketing, promotion and events team. At present the Tourism Venues (including the Blackwood Miners' Institute) are reporting an overall combined underspend of £124k primarily due to the delayed filling of vacant posts and some vacant

posts which are MTFP savings in advance. Income targets at some venues are being exceeded particularly the Caerphilly Visitor Centre.

- 4.5.10 Community Regeneration has an underspend of £7k; mainly due to additional staff recharge income from support provided to the grant funded Communities First Programme.

Engineering Services

- 4.5.11 There is currently a projected underspend of £67k for Engineering Services.
- 4.5.12 Highway Operations is reporting a projected overspend of £48k. This includes a £23k overspend in highway maintenance works primarily due to additional pot hole repairs, partly offset by reduced call outs for other reactive maintenance work. In addition there is a projected £62k overspend in street lighting energy due to increased energy prices partly offset by savings from energy efficient light investments. There is also projected £20k reduced income in relation to New Roads and Streetworks Act (NRSWA) fixed penalties and additional income of £23k from dropped kerb installation requests.
- 4.5.13 The current assumption is that the winter maintenance element of the highway maintenance budget (£1.1m) will be fully spent but this will depend on the severity of the winter weather. There is funding in the winter maintenance reserve of £500k which can be accessed if necessary.
- 4.5.14 Engineering Projects Group is reporting an underspend of £29k including underspend in staffing from the delayed filling of posts (£74k) partly offset by reduced fee income and additional costs associated with the acquisition of surveying equipment and I.T. systems.
- 4.5.15 Public Transport is reporting an underspend of £27k, mainly due to the Connect 2 lead driver being funded via grant.
- 4.5.16 At this stage Network Contracting Services (NCS) is anticipating a surplus of £70k primarily in relation to the Sirhowy Enterprise Way (SEW) contract. The financial position of NCS is heavily dependent on the volume and value of work secured during the year and this is monitored closely along with productivity levels within the workforce.
- 4.5.17 Engineering General has a projected overspend of £36k primarily from additional costs of Head of Service cover.

Community & Leisure Services

- 4.5.18 The Community & Leisure Division is presently projecting an overall net overspend of £2k.
- 4.5.19 Waste Management & Cleaning Services is reporting an overspend of £382k. There is an anticipated overspend in dry recycling treatment (£326k), albeit that this has reduced significantly on previous years due to the commencement of the new dry recycling contract in July 2017. There are some ongoing recycling contamination problems which the Council is looking to address in conjunction with the new contractor and via an education, advice and enforcement programme with householders.
- 4.5.20 There is also a projected overspend of £126k in relation to Civic Amenity Sites, primarily due to increased tonnage of waste and running costs. Vehicle running costs for all the collection rounds are showing a £265k overspend in relation to repairs, cover vehicles and fuel. These overspends will be partly offset by an anticipated reduction in vehicle acquisitions this financial year and a net staffing underspend of £362k primarily due to vacant posts in Street Cleansing.
- 4.5.21 There is a one-off corporate contingency reserve of £800k to provide temporary support for cost pressures in waste management. This funding is not currently being released as the Communities Directorate is projecting an overall small surplus on its revenue budget for 2017/18.

- 4.5.22 An underspend of £221k is projected for Parks, Outdoor Facilities and Cemeteries. Cemeteries is reporting a projected £181k underspend due to income in excess of budget and reductions in maintenance expenditure. Any underspend in relation to Cemeteries is ring-fenced for future investment in cemetery infrastructure. Parks and Outdoor facilities are reporting a combined underspend of £40k primarily due to vacant posts, some of which are MTFP savings in advance, partly offset by an overspend in relation to tree maintenance. The tree maintenance budget is under significant pressure due to a requirement to undertake essential tree works on a number of road by-passes.
- 4.5.23 Leisure Services is projecting an overall underspend of £143k due to a combination of vacant posts which are MTFP savings in advance, and reduced operating costs. At present Leisure Centre income is projected to be close to budget, however income generation can vary depending on consumer demand and operational closures due to maintenance and refurbishments, so this will be monitored closely.
- 4.5.24 Vehicle Maintenance & Fleet Management is currently projecting a surplus of £19k. The outturn position will be dependent on the value of work through the workshop over the next few months and the ability to finance fixed overheads.

Housing Services

- 4.5.25 There is a projected underspend of £60k on Housing services which consists of the following:-
- General Fund Housing is expected to show a £30k 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 £30k, 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 is now being supplemented by additional fee income expected from the allocation of WHQS works to leasehold properties, which will assist in managing any potential shortfall.

4.6 Corporate Services (Projected Underspend of £1,134k)

- 4.6.1 The Directorate of Corporate Services is currently forecasting an underspend of £1,134k for the 2017/18 financial year.
- 4.6.2 There is a projected underspend of £369k in Corporate Finance which relates in the main to delays in appointing to vacant posts together with vacancies which are being held to support MTFP savings requirements and some one-off additional income.
- 4.6.3 There is an anticipated underspend of £52k in Procurement and Customer Services consisting of the following: -
- A small projected underspend of £2k on Procurement which relates to some in-year staffing vacancies largely offset by one-off costs being incurred to support MTFP savings requirements for 2018/19.

- A £50k projected underspend in Customer First due in the main to vacancies being held to support savings requirements for 2018/19, partially offset by a reduction in income.

4.6.4 Legal & Governance is projecting a net underspend of £67k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £60k. This is due in the main to an underspend on Members Allowances, which is partly off-set by costs on printing/webcasting and new equipment for the new Members.
- Projected overspend of £194k on Electoral Services due to the local elections. The Electoral Service underspends in non-election years are ring-fenced to fund the overspends in election years.

The net underspend of £67k for Legal & Governance is due to vacant posts.

4.6.5 There is an anticipated underspend of £374k in Information Technology/Central Services, consisting of the following:-

- IT Services - £352k underspend which is due in the main to vacancies being held to support savings requirements for 2018/19.
- Central Services - £22k underspend due in the main to some staff not being in the pension scheme.

4.6.6 For Corporate Property there is a net projected underspend of £57k, consisting of the following:-

- Estates - £99k underspend due mainly to vacant posts and a member of staff on maternity leave.
- Corporate Facilities - £34k underspend mainly due to anticipated savings on various corporate properties, partially offset by costs being incurred for Ty Pontllanfraith (£177k) pending demolition of the buildings and disposal of the site.
- Maintenance – Projected £92k overspend mainly due to increased maintenance and rental costs. These are being monitored closely in-year to try to mitigate the anticipated overspend.
- Building Consultancy – Projected £16k underspend due in the main to anticipated increased fee income.

4.6.7 There is a projected underspend of £96k for Human Resources and Communications:-

- Human Resources projected underspend of £105k due in the main to vacancies being held to support savings requirement for 2018/19.
- Communications Unit - £9k overspend due in the main to reduced printing fee income works partially offset by additional income received from a Service Level Agreement (SLA) with schools.

4.6.8 There is a projected underspend of £78k for Health & Safety, due to delays in recruitment and additional SLA income from schools.

4.7 Miscellaneous Finance (Projected Underspend of £1,186k)

4.7.1 There is an overall projected underspend of £1,186k in Miscellaneous Finance.

4.7.2 There is a projected net underspend of £1,078k 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 the Housing Revenue Account (HRA), partly offset by a reduced contribution from HRA for the debt costs due to the deferred borrowing.
- Improved returns on investments.

- 4.7.3 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.
- 4.7.4 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 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 (EqLA) process does not need to be applied.

7. FINANCIAL IMPLICATIONS

- 7.1 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

- 8.1 The personnel implications of agreed savings are carefully managed and staff are fully supported to identify redeployment opportunities wherever possible.

9. CONSULTATIONS

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

10. RECOMMENDATIONS

- 10.1 It is recommended that Members continue to request Directors and Heads of Service to review expenditure and income levels in order to ensure that annual budgets and in-year savings are achieved.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 The Council budget is based upon the achievement of both expenditure targets and income targets. In order to ensure these are met and that the Council's financial integrity is maintained, Members are required to review expenditure and income trends included in budget monitoring reports.

12. STATUTORY POWER

- 12.1 Local Government Act 1972 and 2000.

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Background Papers:
Council (22/02/17) - Budget Proposals 2017/18 and Medium-Term Financial Strategy 2017/2022

Appendices:
Appendix 1 Whole Authority Revenue Budget Monitoring Report 2017/18 – Summary by Directorate/Service Area.

Whole Authority Revenue Budget Monitoring Report 2017/18**Summary by Directorate/Service Division**

Directorate/Service Division	Original Budget 2017/18	Revised Budget 2017/18	Projected Outturn 2017/18	Projected (Overspend)/ Underspend
	£	£	£	£
Education & Lifelong Learning				
- Planning and Strategy	105,508,829	105,508,829	105,524,348	(15,519)
- Learning, Education and Inclusion	15,061,442	14,936,872	14,975,642	(38,770)
- Lifelong Learning	4,422,605	4,422,605	4,223,502	199,103
Sub-Total: -	124,992,876	124,868,306	124,723,492	144,814
Social Services/Public Protection/Policy				
- Children's Services	21,318,016	21,457,151	24,206,564	(2,749,413)
- Adult Services	57,087,075	57,072,510	56,704,300	368,210
- Service Strategy and Business Support	2,593,436	2,593,436	2,451,629	141,807
- Public Protection	7,223,691	7,223,691	6,886,914	336,777
- Corporate Policy	1,389,848	1,389,848	1,267,412	122,436
Sub-Total: -	89,612,066	89,736,636	91,516,819	(1,780,183)
Communities				
- Regeneration and Planning	4,018,522	4,018,522	3,881,072	137,450
- Engineering	19,984,091	19,984,091	19,917,128	66,963
- Community and Leisure Services	18,489,635	18,489,635	18,492,190	(2,555)
- Housing Services	1,354,028	1,354,028	1,294,028	60,000
- Directorate General	164,113	164,113	164,113	0
Sub-Total: -	44,010,389	44,010,389	43,748,531	261,858
Corporate Services				
- Interim Chief Executive/Acting Director	450,128	450,128	409,671	40,457
- Corporate Finance	2,069,794	2,103,458	1,734,320	369,138
- Procurement and Customer Services	1,620,715	1,620,715	1,568,470	52,245
- Legal and Governance	2,996,102	2,996,102	2,929,484	66,618
- Information Technology/Central Services	4,702,981	4,702,981	4,328,835	374,146
- Corporate Property	5,032,172	4,998,508	4,941,905	56,603
- Human Resources and Communications	1,875,823	1,849,701	1,753,202	96,499
- Health and Safety	943,894	943,894	865,618	78,276
Sub-Total: -	19,691,609	19,665,487	18,531,505	1,133,982
Miscellaneous Finance	47,123,947	47,150,069	45,963,652	1,186,417
Grand Total: -	325,430,887	325,430,887	324,483,999	946,888