

# Public Document Pack



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

**1. Discretionary Rate Relief Application**

**2. Treasury Management & Capital Financing Prudential Indicators Outturn Report for 2018/19**



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

**SUBJECT: DISCRETIONARY RATE RELIEF APPLICATION**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND  
CORPORATE SERVICES**

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

- 1.1 This report sets out details of an application for discretionary rate relief and notes the decision proposed by the Interim Head of Business Improvement Services & Acting Section 151 Officer under delegated powers.

### **2. SUMMARY**

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

### **3. RECOMMENDATIONS**

- 3.1 To award 100% discretionary rate relief to Family Life CIC for its premises at Ynys Hywel Countryside Centre, Cwmfelinfach, from 1<sup>st</sup> February 2019.

### **4. REASONS FOR THE RECOMMENDATIONS**

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

### **5. THE REPORT**

- 5.1 An application for discretionary rate relief has been received from Family Life CIC (Community Interest Company) in respect of its premises at Ynys Hywel Countryside Centre, Cwmfelinfach, NP11 7JD, from 1<sup>st</sup> February 2019 onwards.
- 5.2 A CIC is a type of company for people wishing to establish a business that benefits the community (the population as a whole or a specific group), rather than just the

owners, managers or employees. The CIC is a new legal form providing a flexible alternative to charities and industrial and provident societies, particularly suitable for those who wish to work within the relative freedom of a limited company framework without either the profit motive or charity status. To be eligible to be a CIC, an enterprise or business must pass the 'Community Interest Test'. This means that the Office of Regulator of CIC's based in Companies House, Cardiff must receive evidence that the activities of that enterprise or business are carried on for the benefit of the community to such an extent that a reasonable person would agree.

- 5.3 To be eligible for discretionary rate relief, the organisation must satisfy the following conditions:
- a) the organisation or institution occupying the premises must not be established or conducted for profit;
  - b) each of the organisation's main objects must be charitable, or otherwise philanthropic or religious, or concerned with education, social welfare, science, literature, or fine arts;
  - c) the use of the premises must be wholly or mainly charitable;
  - d) where the premises is wholly or mainly used for recreational purposes, all or part of it must be occupied by an organisation not established or conducted for profit.
- 5.4 The main objects and aims of Family Life CIC are:
- to further benefit the residents of Bridgend, South Wales and the neighbourhood, without distinction of sex, sexual orientation, race or of political, religious or other opinions by associating together the said residents and the local authorities, voluntary and other organisations in a common effort to advance education and to provide facilities in the interests of social welfare for recreation and leisure time occupation with the objective of improving the conditions of life for the residents.
- 5.5 The organisation's Articles of Association state that it is not established or conducted for private gain: any profits or assets are used principally for the benefit of the community.
- 5.6 The Articles further state that if the company is wound up due to insolvency and all its liabilities have been satisfied, any residual assets shall be given or transferred to KCM Europe, charity number 326392, which is named in the Articles.
- 5.7 The organisation is a not-for-profit community interest company that aims to improve family life by supporting families experiencing difficult times through engaging in the outdoor activities on offer at Ynys Hywel. The focus is on low-income families and also families where one or more of the members has a physical or mental disability. The company states that it employs experts in out-of-the-classroom learning and provides educationally-rich activity centre breaks for school pupils. The activities, such as caving, abseiling, archery, camp craft and animal interaction, develop self-esteem, peer support and confidence.
- 5.8 The organisation is licensed by the Adventure Activities Licensing Authority (AALA) which is overseen by the Health and Safety Executive.
- 5.9 The company has been set up specifically to carry out the objects stated in point 5.4 above; it is not established or conducted for profit. In addition, the organisation's

main objects are either wholly or mainly charitable, or concerned with philanthropy, social welfare and education, as required under the regulations. It is also clear that the use of the premises is wholly or mainly charitable.

- 5.10 The Authority's policy in relation to Community Interest Companies allows for 100% discretionary rate relief to be awarded for premises with a rateable value up to £75,000 and 50% discretionary rate relief where the rateable value exceeds £75,000. As the rateable value of the property being used in this case is £27,000, 100% discretionary rate relief may be awarded.

#### 5.11 **Conclusion**

Taking the above matters into consideration, it appears that the organisation known as Family Life CIC and its use of the premises with a rateable value of £27,000 satisfies all of the relevant qualifying criteria.

### 6. **ASSUMPTIONS**

- 6.1 It is assumed that the recommendations in the report will assist the not-for-profit organisation, Family Life CIC, in reducing its business rate liability which will allow that money to be used in furthering its objectives and providing a valuable service to families within the Caerphilly County Borough and beyond.

### 7. **LINKS TO RELEVANT COUNCIL POLICIES**

- 7.1 The awarding of discretionary rate relief will support eligible organisations by reducing the amount of business rates payable which in turn may help reduce inequality, building capacity and resilience to create healthier, prosperous, cohesive communities, which is a key theme of 'A Foundation for Success 2018-2023' – Regeneration Strategy.

#### 7.2 **Corporate Plan 2018-2023.**

This section shows how the report content (project, proposal, information or decision) contributes towards or impacts the Corporate Well-being Objectives, which are:

Objective 5 - Creating a county borough that supports a healthy lifestyle in accordance with the Sustainable Development Principle within the Well-being of Future Generations (Wales) Act 2015 – the awarding of discretionary rate relief will reduce the amount of business rates payable by charitable and non-for-profit organisations operating within the County Borough, which in turn should help those organisations to improve the well-being of its residents.

### 8. **WELL-BEING OF FUTURE GENERATIONS**

- 8.1 Effective financial management is a key element in ensuring that the Well-being Goals in the Well-being of Future Generations Act (Wales) 2015 are met.
- A prosperous Wales – Maximising the take-up of business rate relief minimises the amount of rates payable by a wide range of voluntary and sporting organisations which enables them to use those funds directly in respect of their objectives.

- Long-Term – It is hoped that eligible organisations will be able to continue trading which will enable future generations to benefit in the long-term from a diverse number of locally-available charitable and not-for-profit organisations, which should also improve the economic, social, environmental and cultural well-being of residents.

## **9. EQUALITIES IMPLICATIONS**

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

## **10. FINANCIAL IMPLICATIONS**

- 10.1 Members should be aware that currently the Authority would bear 10% of any discretionary rate relief awarded, with the Welsh Government Pool bearing the remaining 90%.
- 10.2 The business rate liability of the organisation's premises in Cwmfelinfach is £2,243.29 for the period 1<sup>st</sup> February 2019 to 31<sup>st</sup> March 2019 inclusive, and £14,202.00 for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 inclusive. If the Authority were to grant 100% discretionary rate relief, the cost to the Authority of awarding the relief at current levels would be £1,644.53, with the Welsh Government pool bearing the remainder of £14,800.76.

## **11. PERSONNEL IMPLICATIONS**

- 11.1 There are none in respect of this report.

## **12. CONSULTATIONS**

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

## **13. STATUTORY POWER**

- 13.1 Local Government Finance Act 1988, Government of Wales Act 2006 and Local Government Act 1972, 2000 and 2003. The Interim Head of Business Improvement Services & Acting Section 151 Officer will use delegated powers to award the relief.

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Cllr John Ridgewell, Ynysddu Ward Member

Background Papers:

Contact Finance Manager (Revenues) (ext. 3421)

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

Rate Relief Application Form



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

**SUBJECT:           TREASURY MANAGEMENT & CAPITAL FINANCING  
PRUDENTIAL INDICATORS OUTTURN REPORT FOR  
2018/19**

**REPORT BY:       CORPORATE DIRECTOR FOR EDUCATION AND  
CORPORATE SERVICES**

### **1.     PURPOSE OF REPORT**

- 1.1    To present Members with details of Treasury Management activities and Capital Financing, together with the related Prudential Indicators for 2018/19.

### **2.     SUMMARY**

- 2.1    The Code of Practice on Treasury Management in the Public Services 2017, which was adopted by the Council on 12th October 2010, sets out a framework of operating procedures, which is encompassed in the Treasury Management Practices (TMPs). TMP6 (Reporting Requirements and Management Information Arrangements) provides for the submission of monitoring reports to the appropriate Committee on a quarterly basis.
- 2.2    Under the provisions of the Local Government Act 2003, The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 [The Capital Regulations], and the CIPFA's "The Prudential Code for Capital Finance in Local Authorities" [the Code], the Authority is obliged to approve and publish a number of indicators relevant to Capital Finance and Treasury Management.
- 2.3    The Authority's Annual Investment Strategy and Capital Financing Prudential Indicators for 2018/19 were approved by Council on 22<sup>nd</sup> February 2018.

### **3.     RECOMMENDATIONS**

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

### **4.     REASONS FOR THE RECOMMENDATIONS**

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

## 5. THE REPORT

### 5.1 Background – Interest Rates

5.1.1 The Bank of England's Monetary Policy Committee (MPC) has continued to maintain the Bank Rate at 0.75% during the reported period. However the MPC is reluctant to push interest rate expectations too strongly to avoid a sharp rise in government bond yields. The MPC see a long-term Base Rate level between 2% and 3%.

### 5.2 Treasury Management Advice

5.2.1 The Authority receives treasury management advice from Arlingclose Limited.

### 5.3 Borrowing Activity

5.3.1 Borrowing rates were volatile throughout 2018/19 with the 25-year maturity loan rate reached a high of 2.91% and a low of 2.23%, and an overall average rate of 2.89%. The average rate for a 25 year annuity loan was 2.61%.

5.3.2 No long-term PWLB loans were raised during 2018/19 other than a £1.9m temporary loan. The temporary loan was raised for the purpose of cashflow requirements as investments were tied in. The Authority entered into a loan agreement with Salix Finance to raise a loan of £4.14m to fund the Authority's street lighting conversion programme. Cabinet agreed the use of Salix funding for the street lighting programme at the meeting held on 28<sup>th</sup> November 2018. As at 31<sup>st</sup> March 2019 £2m of the loan was drawn down to fund in year capital expenditure.

5.3.3 During the period covered by this report, PWLB loans to the value of £2.07m were repaid on maturity. Such loans had an average interest rate of 4.29%. A loan repayment of £30k was also made to the WRU in accordance with the loan agreement as agreed at the Cabinet meeting held on 30<sup>th</sup> October 2013. Furthermore temporary loans of £6.9m were repaid during the year.

5.3.4 As at 31<sup>st</sup> March 2019, the Authority held £30m in LOBO loans and a £10m long-term bank loan. There were no interest rate changes for the LOBO loans during the year in accordance with the loan agreement as the lender did not exercise the interest rate option.

5.3.5 As at 31<sup>st</sup> March 2019 the nominal value of the Council's treasury management debt portfolio was £279.4m and comprised of £30m LOBO loans, £10m long-term bank loan; £237.2m of PWLB loans; £2m Salix Finance loan and a £150k WRU loan in respect of the Ystrad Mynach Centre of Sporting Excellence.

5.3.6 The internal borrowing position as at 31<sup>st</sup> March 2019 was £56m, which has increased by £23m from the previous financial year, reflecting the Authority's decision to defer borrowing into the future. The increase in internal borrowing mainly relates to funding WHQS capital expenditure. The impact of internal borrowing is reducing investment balances; and an increasing dependency on short-term borrowing to aid cashflow as investments are tied up and cannot be recalled prematurely without incurring capital losses.

### 5.4 Rescheduling

5.4.1 No loans were rescheduled during 2018/19.



## 5.5 Investments

- 5.5.1 The return on investments for 2018/19 was 1.08%. Investments ranged from overnight deposits and deposits with an average duration of 2 years. The return on investments is a considerable achievement when compared to the DMO target rate of 0.50%. The improvement in returns continue to reflect the Authority's investment strategy to lend to high creditworthy counterparties that consist of banks; building societies; supranational institutions; local authorities; and Corporates using a range of investment instruments such as corporate bonds; covered bonds; cash deposits; Gilts; treasury bills and moneymarket funds. Whilst the returns have improved, the riskiness of the investment portfolio has been quantified with a weighted average credit score equivalent to an AA rating. As at 31<sup>st</sup> March 2019 the UK government was rated by two credit rating agencies at AA. Therefore the Authority's portfolio is on par with the UK Government rating.
- 5.5.2 The total nominal value of investments as at 31<sup>st</sup> March 2019 (short-term and long-term) was £86.0m. The nominal value of short-term investments as at 31<sup>st</sup> March 2019 (excluding accrued interest and accounting charges) was £51.7m, and comprised of £15.0m deposited with banks; £20.2m invested in bonds; £5.0m deposited with local authorities; and £11.5m deposited in money market funds.
- 5.5.3 Long-term Investments- The value of long-term investments as at 31<sup>st</sup> March 2019 was £34.3m and £17m was invested in AAA rated bonds with an average duration of 2.2 years, with an average rate of return of 1.0%. £7m is deposited with local authorities; £0.3m is invested in corporate bonds and £10m is invested in UK Gilts.

## 5.6 Prudential Indicators

### 5.6.1 Capital Financing Requirement

5.6.1.1 The capital financing requirement measures the Authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Authority does not associate borrowing with particular items or types of expenditure. In practice, the raising and repaying of loans is determined primarily by professional / expert advice, and may not necessarily take place in the relevant year. In order to create an operating environment within which the Treasury Manager can legitimately react to, the various authorised limits, as identified in **Appendix 1**, are set at a level in excess of the capital financing requirement. During the year, the Authority operated within the approved limits.

5.6.1.2 **Appendix 2** shows the value of the Capital Financing Requirement as at 31<sup>st</sup> March 2019 based on the audited Balance Sheet position. This is calculated to be £367.1m.

### 5.6.2 Prudential Indicators – “Prudence”

5.6.2.1 The Prudential Indicators for Treasury Management are shown in **Appendix 1**. Whilst the Authorised Limit has remained unchanged when compared to the original Council approved figure, the Operational Boundary limit has decreased as a result of new planned debt being deferred.

### 5.6.3 Prudential Indicators – “Affordability”

5.6.3.1 There is a requirement to analyse and report the capital financing costs, and express those costs as a percentage of the net revenue streams of the Authority. These are

identified in **Appendix 2**.

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

5.6.3.3 Financing Costs to Net Revenue Stream- General Fund and Housing Revenue Account (HRA) - The ratio is lower due the General Fund and the HRA not borrowing to fund the capital programme.

#### 5.6.4 Capital Expenditure and Funding

5.6.4.1 Capital Expenditure is reported in **Appendix 3**, for information purposes. The table indicates the audited position as at 31<sup>st</sup> March 2019.

### 6. **ASSUMPTIONS**

6.1 The details set out in the report are based on actuals that have occurred between 1<sup>st</sup> April 2018 and 31<sup>st</sup> March 2019.

### 7. **LINKS TO RELEVANT COUNCIL POLICIES**

7.1 Treasury Management Strategy 2018/19 as agreed by Council on 22<sup>nd</sup> February 2018.

7.2 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.

### 8. **WELL-BEING OF FUTURE GENERATIONS**

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

### 9. **EQUALITIES IMPLICATIONS**

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

## **10. FINANCIAL IMPLICATIONS**

10.1 As detailed throughout the report.

## **11. PERSONNEL IMPLICATIONS**

11.1 There are no personnel implications arising from this report.

## **12. CONSULTATIONS**

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

## **13. STATUTORY POWER**

13.1 Local Government Acts 1972 and 2003.

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Appendices:

Appendix 1 – Treasury Management Prudential Indicators – Prudence  
Appendix 2 – Capital Finance Prudential Indicators – Affordability  
Appendix 3 – Capital Expenditure and Funding

Appendix 1 Treasury Management Prudential Indicators- 2018-19 Outturn Report

	<b>Budget 2018-19 £000</b>	<b>Actual 2018-19 £000</b>
<b>Authorised limit for external debt -</b>		
Borrowing	430,277	349,247
Other long term liabilities	32,504	32,500
<b>Total</b>	<b>462,781</b>	<b>381,747</b>
<b>Operational boundary for external debt -</b>		
Borrowing	344,221	279,398
Other long term liabilities	32,504	32,500
<b>Total</b>	<b>376,726</b>	<b>311,898</b>
Capital Financing Requirement	389,132	367,178
<b>Upper limits for interest rate exposure</b>		
Principal outstanding on borrowing	339,259	279,398
Principal outstanding on investments	100,000	90,333
<b>Net principal outstanding</b>	<b>239,259</b>	<b>189,065</b>
<b>Fixed rate limit – 100%</b>	239,259	189,065
<b>Variable rate limit – 30%</b>	71,778	56,719
<b>Upper limit for total invested for over 364 days</b>	<b>50,000</b>	<b>34,344</b>

<b>Maturity structure of fixed rate borrowing</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>ACTUAL 2018/19 £000</b>	
Under 12 months	35%	0%	2,458	1%
Over 12 months and within 24 months	40%	0%	1,796	1%
Over 2 years and within 5 years	50%	0%	6,051	2%
Over 5 years and within 10 years	75%	0%	24,498	9%
Over 10 years	100%	0%	244,595	88%
			<b>279,398</b>	<b>100%</b>

	<b>Budget 2018-19 £000</b>	<b>Actual 2018-19 £000</b>
<b>Gross Debt and Net Debt</b>		
<b>Outstanding Borrowing</b>	344,221	279,398
<b>Other long term liabilities</b>	32,504	32,500
<b>Gross Debt</b>	<b>376,726</b>	<b>311,898</b>
<b>Less investments</b>	100,000	90,333
<b>Net Debt</b>	<b>276,726</b>	<b>221,565</b>

**Appendix 2 Treasury Management Prudential Indicators- 2018-19 Outturn Report**

<b>Ratio of Financing costs to net revenue stream</b>	<b>Budget 2018-19</b>	<b>Actual 2018-19</b>
<b>General Fund</b>	<b>£000</b>	<b>£000</b>
Principal repayments	2,383	2,437
Interest costs	8,977	8,102
Debt Management costs	42	40
Rescheduling discount	-110	-110
Investment income	-600	-924
Interest applied to internal balances	847	854
<b>Total General Fund</b>	<b>11,539</b>	<b>10,399</b>
Net revenue stream	330,643	332,055
<b>Total as percentage of net revenue stream</b>	<b>3.49%</b>	<b>3.13%</b>
<b>Housing Revenue Account</b>		
Principal repayments	2,194	2,194
Interest costs	6,435	4,974
Rescheduling discount	-28	-28
Debt Management costs	50	24
<b>Total HRA</b>	<b>8,651</b>	<b>7,164</b>
Net revenue stream	47,210	47,114
<b>Total as percentage of net revenue stream</b>	<b>18.32%</b>	<b>15.21%</b>

<b>Capital financing requirement [end of year position]</b>	<b>Budget 2018-19</b>	<b>Actual 2018-19</b>
	<b>£000</b>	<b>£000</b>
Council Fund	238,410	262,529
Housing Revenue Account	150,722	104,649
<b>Total Authority</b>	<b>389,132</b>	<b>367,178</b>

**Appendix 3 Treasury Management Prudential Indicators- 2018-19 Outturn Report**

	<b>Budget 2018-19</b>	<b>Actual 2018-19</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>
Council Fund	13,652	26,653
Housing Revenue Account	55,801	51,972
<b>Total</b>	<b>69,453</b>	<b>78,625</b>
<b>Funding</b>		
Surplus/ (Deficit) Balance b/f	158	158
Borrowings - Supported (GF)	4,962	-
General Capital Grant - WG	3,020	1,766
General Fund Working Balances	3,446	-
RCCO Budget	128	128
Capital underspends from previous years	168	-
Property Services Capital Earmarked Reserve	12	12
One off funding- MRP Review	1,758	-
Internal Borrowing	-	7,701
Salix Energy Loan	-	1,000
RCCO (GF)	-	4,090
S106 Funding	-	3,330
Specific Grants & Contributions	-	8,468
RCCO- (HRA)	27,154	21,512
Borrowings - Unsupported (HRA)	21,300	-
Internal Borrowings (HRA)	-	22,985
Major Repairs Allowance (HRA)	7,347	7,351
Capital Receipts (HRA)	-	294
Other HRA Grants	-	-170
<b>Total</b>	<b>69,453</b>	<b>78,625</b>
<b>Surplus C/f</b>	<b>-</b>	