



POLICY AND RESOURCES SCRUTINY COMMITTEE

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

PRESENT:

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

Councillors:

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

Cabinet Members:

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

Together with:

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

Also Present:

M. Swallow (Arlingclose).

1. APOLOGIES FOR ABSENCE

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

2. DECLARATIONS OF INTEREST

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

REPORTS OF OFFICERS

Consideration was given to the following reports.

3. REVIEW OF MINIMUM REVENUE PROVISION POLICY

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

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

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

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

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

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

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

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

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

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

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

RESOLVED that: -

- (i) It be noted that a Member Seminar has been scheduled for the 12th January 2017 to enable all Members to be fully briefed on the proposed changes and to provide a further opportunity for views to be expressed and for questions to be raised.
- (ii) It be noted that a further report on proposed changes to the MRP policy be subsequently presented to Cabinet on the 18th January 2017 and then Council on the 24th January 2017.

4. DRAFT BUDGET PROPOSALS FOR 2017/18

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

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

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

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

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

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

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

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

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

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

The meeting closed at 6:31 p.m.

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

CHAIR