



POLICY AND RESOURCES SCRUTINY COMMITTEE

**MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON
TUESDAY, 16TH JANUARY 2018 AT 5.30 P.M.**

PRESENT:

Councillor J. Pritchard - Chair

Councillors:

M. Adams, Mrs E.M. Aldworth, K. Etheridge, Mrs C. Forehead, Miss E. Forehead, L. Harding, G. Kirby, C.P. Mann, J. Ridgewell, R. Saralis, 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:

S. Couzens (Chief Housing Officer), S. Harris (Interim Head of Corporate Finance), N. Akhtar (Group Accountant), L. Allen (Principal Accountant), S. Isaacs (Rents Manager), E. Sullivan (Senior Committee Services Officer), R. Barrett (Committee Services Officer)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from K. Dawson, Mrs D. Price (Vice-Chair) and Mrs M.E. Sargent.

2. DECLARATIONS OF INTEREST

There were no declarations of interest received at the commencement of the meeting. During the course of the meeting, Councillor J. Pritchard declared an interest in the report from the Cabinet Member for Homes and Places. Details are minuted with the respective item.

3. MINUTES – 14TH NOVEMBER 2017

RESOLVED that the minutes of the Policy and Resources Scrutiny Committee held on 14th November 2017 (minute nos. 1 - 9) be approved as a correct record and signed by the Chair.

4. MINUTES – 4TH DECEMBER 2017

RESOLVED that the minutes of the Special Policy and Resources Scrutiny Committee held on 4th December 2017 (minute nos. 1 - 4) be approved as a correct record and signed by the Chair.

5. CALL-IN PROCEDURE

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

6. REPORT OF THE CABINET MEMBERS

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

Councillor C. Gordon (Cabinet Member for Corporate Services) provided an update on the developments within his portfolio. The Communications Team are analysing the responses to the Council's budget consultation exercise, which will be considered as part of the final budget report in February 2018. The reduction of sickness absence levels continues to be a priority and Human Resources are providing training and support to managers to ensure that the Managing Sickness Absence Procedure is effectively applied in the workplace. It is anticipated that these processes will improve the Council's sickness absence levels, which are currently above the national average and were recently reported in local media.

Members were informed that the Authority are preparing to implement the new Welsh Community Care Information System on 19th February 2018. In addition, the new General Data Protection Regulation comes into effect on 25th May 2018, and training sessions for staff and Elected Members have been arranged in readiness for the new regulations.

The Scrutiny Committee were advised that the Authority's Head of Procurement is currently reviewing the recommendations from two recent Wales Audit Office reviews of public sector procurement, and is drafting a revised Programme for Procurement which will be presented to the Scrutiny Committee for consideration in the near future. The Head of Procurement has also been invited to speak at the National Assembly's Public Accounts Committee on the matter of Public Procurement, which is a considerable honour for the Authority.

In response to Members' queries, the Cabinet Member provided clarification on the Managing Sickness Absence Procedure regarding trigger points and the timescales for involvement by Occupational Health. He also explained that the reported 12.2 average sickness days per employee related specifically to the proportion of staff who were absent from work through illness, and emphasised that 75% of the workforce had taken no sickness absence during 2016-17. A Member queried the Authority's safeguards in relation to the use of the new Welsh Community Care Information System and it was confirmed that Officers would arrange to send further information to Members following the meeting. Reference was also made to the potential Shared Resource Service (SRS) IT collaboration, and it was explained that staff are continuing to be kept updated on developments, and that the Scrutiny Committee will be asked to consider a report on the matter in due course.

Councillor Mrs L. Phipps (Cabinet Member for Homes and Places) updated Members on developments across Property Services, including the demolition works planned for the former Oakdale Comprehensive School building, the sale of the former Bedwellty School site, and the commencement of design work for the proposed £4m Children's Unit to be located on the lower portion of the former Pontllanfraith Comprehensive School site.

The Scrutiny Committee were pleased to hear that the Housing Repair Operations Team were runners-up in the Best Performer category at the recent APSE Performance Network Awards, and that Caerphilly Homes have been successful in their bid for Arbed and Vibrant and Viable Places (VVP) funding to support its work to transform and regenerate Lansbury Park. The total scheme value is in excess of £7m, with WG providing funding of just over £5m and WHQS funding the shortfall of just over £2m for council-owned properties. It is anticipated that the funding will cover energy efficiency works to all the privately-owned properties and contribute towards the cost of the council-owned properties on the estate. However, the funding needs to be fully spent by the end of the financial year, and so Officers are working to maximise the expenditure for the benefit of tenants and residents on the estate.

Members were informed that the WHQS programme remains on track to meet the targets set out as part of the Wales Audit Office Action Plan by March 2018 and for completion of the whole programme by March 2020. The WHQS Cross Party Working Group meetings are currently reviewing progress against the recommendations made following the Wales Audit Office review, and their final meeting on 29th January 2018 will highlight the outcomes and agree the conclusions of the Group.

The Scrutiny Committee were also updated regarding the status of the Abolition of the Right to Buy and Associated Rights (Wales) Bill. Once this becomes an Act, Welsh Government (WG) will supply information for tenants to all landlords, who will have a duty to provide the information to tenants. An information report on the new legislation will be provided to the Scrutiny Committee in the near future.

During the course of the discussion on the Cabinet Member's report, Councillor J. Pritchard declared a personal interest regarding the funding update for Lansbury Park, as he has a family member who resides in this housing estate.

Queries were received regarding the progress of the demolition programme for Pontllanfraith House and the reasons for the delay in selling the former Bedwellty School site. The Cabinet Member confirmed that she would make enquiries and respond to the Members in due course. A Member sought assurances that the best possible tender/value for money had been achieved for the Bedwellty site. The Cabinet Member confirmed that 55 new build homes are planned for the site (to include affordable housing) and that she intended to give a further update at the next meeting of the Scrutiny Committee.

Members congratulated Caerphilly Homes staff on their achievement in securing the substantial funding for Lansbury Park. A Member requested details of a previous scheme at Porset Park which had also benefitted from energy grant funding. Clarification was sought on the rationale for Lansbury Park being selected for VVP funding as opposed to other estates within the county borough and it was explained that Lansbury Park met the funding criteria in relation to the Welsh Index of Multiple Deprivation. Members were advised that other estates had benefitted from similar types of funding in the past and it was noted that this WG funding is geared towards improving houses of non-traditional construction (which is the case in Lansbury Park).

Clarification was sought on how the Authority planned to fully spend the VVP funding within the two-month timeframe. Officers outlined the challenges ahead in respect of the winter period and the impact on external works but explained that they are looking to distribute the workload of improvements in order to maximise the spend. Enquiries are also being made as to whether the spend deadline can be extended (although there is no guarantee of this) and there is some flexibility around spending the Housing Revenue Account funding element.

Councillor Mrs B. Jones (Cabinet Member for Finance, Performance and Governance) provided an update on Corporate Finance, and explained that the final 2018/19 Local Government Financial Settlement is showing an improved position in comparison with the Provisional Settlement. This will now need to be considered in light of the outcome of the

budget consultation and emerging cost pressures before final budget proposals are presented to Cabinet and Council in February 2018. A Members' Seminar has been arranged for 31st January 2018 where a more detailed update will be provided on the 2018/19 Final Local Government Settlement and feedback will be shared on the outcome of the consideration of draft savings proposals by Scrutiny Committees during December 2017.

An update was provided on Electoral Services and Members were informed that the 2018 electoral register for the county borough was published on 1st December 2017. The Cabinet Member referred to the recent Welsh Government consultation on electoral reform in Wales and explained that some proposals could result in major changes to the electoral system if adopted, including electronic voting, lowering the voting age for local elections to 16, and giving councils the option to change from the first past the post method of voting to the single transferable vote. Members were also informed that the Local Government Boundary Commission for Wales are reviewing all 22 authorities in Wales, with a view to implementing any changes ahead of the next scheduled local elections in 2022.

The Scrutiny Committee were also advised that a report is due to be presented to Cabinet shortly which will seek approval for a fixed penalty amount for fly-tipping offences (up to a maximum of £400) following the introduction of new legislation which gives Councils the authority to set their own levels. Members welcomed the news of the proposal.

The Cabinet Members were thanked for their reports.

7. POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

Emma Sullivan (Senior Committee Services 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 14th November 2017 and outlined the reports planned for the period January 2018 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.

The Scrutiny Committee were advised of a Member request for a report on the current stage of the development Homeless Policy. A scoring matrix to evaluate the topic against a range of selection criteria was presented for Members' consideration. It was explained that if the Committee were minded to approve the request, then there was scope to include the report on the agenda for the meeting of 29th May 2018.

Members were also reminded that the workshop to consider and agree the Committee's forward work programme for the year ahead will be arranged in the coming months, and were encouraged to make every effort to attend, so that all Committee Members are involved in the formulation and prioritisation of their work programme for the year ahead.

Having considered the Member's request, it was unanimously agreed that a report on the Homelessness Review and Strategic Response be scheduled for 29th May 2018 and that subject to the foregoing addition, the Policy and Resources Scrutiny Committee Forward Work Programme be published on the Council's website.

8. CABINET REPORTS

None of the Cabinet reports listed on the agenda had been called forward for discussion at the meeting.

REPORTS OF OFFICERS

Consideration was given to the following reports.

9. HOUSING REVENUE ACCOUNT CHARGES – 2018/2019

Lesley Allen (Group Accountant) presented the report, which provided details of the proposed increased charges which are intended to be effective for the Housing Revenue Account (HRA) for the 2018/19 financial year. The report sought the views of Members on the proposed increases contained therein, prior to its presentation to Cabinet.

Officers summarised the process involved in preparing the Housing Revenue Account (HRA) budget. Members were reminded that Welsh Government's (WG) Policy for Social Housing Rents sets a target rent band for each Authority whereby councils have to adjust average rents for their properties in line with this banding. 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 minimum rent uplift for 2018/19 to be 4.5% which is CPI at 3% plus 1.5%. This increase applied to the current average rent means that Caerphilly Council are within the low end of the target rent.

In order to comply with the rent policy, the minimum increase that can be applied in order to remain within the rent envelope is 3.6%, and due to a transitional protection arrangement in place, the maximum rent increase that can be applied by the Authority is 6.5%. However, a minimum increase of 4.5% has been recommended to minimise the additional financial risks within the Council's business plan from 2019/20 onwards. Members were therefore asked to recommend to Cabinet the level of increase per property from April 2018 based on the options in the report (3.6%, 4.5% or 6.5%). All relevant charges were highlighted within the report and detailed the amount of additional income that would be generated (excluding voids) for each of the proposed levels of increase, together with the percentage of service users receiving housing benefit. The increased income is required to offset other inflationary increases within the service area and support the delivery of all housing-related services, including the delivery of the WHQS programme.

The report also provided an update in respect of garage charges and it was noted that it was not proposed to increase the rent on Council-owned garages this year. This is due to the ongoing garage rationalisation and refurbishment programme, which is having a significant impact on void levels as the block of garages must be fully vacated prior to commencement of works on each site.

Discussion took place regarding the proposed levels of rent increase outlined in the report and Members raised concerns that the higher level could have a significant impact on some tenants when taking into account potential increases across other areas (such as council tax). Officers confirmed that those tenants in receipt of housing benefits will have the increase incorporated into their allowance, and that the Council's Housing Team can offer support to those tenants not in receipt of housing benefits who may be experiencing financial difficulties.

Members discussed the potential loss of income arising from the garage rationalisation and refurbishment programme. Officers outlined the specifics of the programme and explained that a new procurement process and demolition programme is currently underway. It was confirmed that former garage tenants and leaseholders will have priority when the tenancies for the newly built and refurbished garages are offered.

Following consideration of the report, it was moved and seconded that the following recommendation be referred to Cabinet for approval. By a show of hands, this was

unanimously agreed.

RECOMMENDED to Cabinet that for the reasons contained therein, the minimum increase of 3.6% to set rents at the absolute bottom of the rent envelope but not future proofing expected rent levels from 2019/20 onwards, be applied from April 2018.

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

Steve Harris (Interim Head of Corporate Finance) and Nadeem Akhtar (Group Accountant) presented the report, which detailed the Council's Annual Strategy for Treasury Management, Capital Finance Prudential Indicators and the Minimum Revenue Provision Policy for 2018/2019. Members were asked to consider and comment on the content of the report ahead of its presentation to the special meeting of Council on 22nd February 2018.

It was noted that in accordance with legislative requirements, Welsh Government guidance and Codes of Practice, the Council is required to approve a Treasury Management Strategy on an annual basis, which sets out its borrowing and investment strategies for the forthcoming year. The Council is also obliged to approve and publish a number of indicators relevant to Capital Finance and Treasury Management, and to prepare an Annual Minimum Revenue Provision Policy Statement. Further details were contained in the report and its appendices. The report also outlined the treasury management training that is provided to Members, which includes an annual seminar facilitated by the Council's Treasury Management Adviser (Arlingclose)

In response to a Member's query, Officers gave examples of the steps that have been taken to improve returns on investments. Discussion took place regarding the recommendation to borrow £17.6m for the General Fund. Officers explained that in the first instance the Authority maximises internal borrowing wherever possible but the revenue implications of borrowing need to be included in the base budget as internal balances will need to be replenished. Members were asked to note that the proposed amount of £17.6m is a provisional figure that may be subject to increase but that the final amount to be borrowed will be confirmed ahead of the report being presented to Council on 22nd February 2018.

Following consideration of the report and subject to noting that the proposed £17.6m to be borrowed against the General Fund (as contained in recommendation 18.7 of the report) could be subject to change, it was moved and seconded that the following recommendations be referred to Council for approval. By a show of hands, this was unanimously agreed.

RECOMMENDED to Council that:-

- (i) the Annual Strategy for Treasury Management 2018/19 be approved;
- (ii) the strategy be reviewed quarterly within the Treasury Management monitoring reports presented to the Policy and 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;
- (iii) the Prudential Indicators for Treasury Management as outlined in Appendix 5 of the report be approved;
- (iv) the Prudential Indicators for Capital Financing as outlined in Appendices 6 and 7 of the report be approved;
- (v) the MRP policy as set out in Appendix 8 of the report be adopted;

- (vi) 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 the report be approved;
- (vii) the Authority borrows £17.6m for the General Fund to support the 2018/19 capital programme and £44.6m for the HRA WHQS programme;
- (viii) 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;
- (ix) the Authority adopts the monetary and investment duration limits as set in out in Appendix 3 of the report.

11. UPDATE ON RESERVES

Steve Harris (Interim Head of Corporate Finance) presented the report, which provided details of the usable reserves held by the Authority and asked the Scrutiny Committee to consider proposals for the use of reserves in some areas, prior to presentation of the report to Cabinet.

The Appendix to the attached report showed an opening balance on usable reserves as at the 1st April 2017 of £120.576m, which is in accordance with the audited Financial Statements for the 2016/17 financial year. Members were advised that the balance on the General Fund is currently projected to be £13.131m as at the 31st March 2018. This is above the minimum prudent level of £10m recommended annually by the Section 151 Officer. The projected balance will be reviewed again when 2018/19 budget proposals are presented to Council in February 2018, and recommendations will be made at that time in relation to the use of any balance above the recommended minimum level of £10m.

With regards to Housing Revenue Account (HRA) reserves, Members were informed that these are ring-fenced and cannot be transferred into General Fund balances. The projected balance on HRA usable reserves was £16.821m as at the 1st April 2017 and much of this funding will be utilised for the Welsh Housing Quality Standard (WHQS) Capital Programme. The balance on General Fund Capital Reserves as at the 1st April 2017 was £37.709m and this is ring-fenced for the Authority's Capital Programme. The Capital Reserves will be subject to a detailed review over the coming months and the outcome will be reported to the Scrutiny Committee in due course.

The report detailed the balances held in usable reserves for each Directorate (£29.633m for Corporate Services, £3.285m for Communities, £8.284m for Education and Lifelong Learning and £7.011m for Social Services, Public Protection and Corporate Policy). Members were reminded of the policy previously agreed by Cabinet, whereby service areas retain 50% of reported underspends at the financial year-end, which has resulted in full ownership and accountability by budget holders in respect of delivering a balanced budget. In 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. Details of the 2017/18 budget for each Directorate, the balance on underspend reserves as at 1st April 2017 and whether the cap has been exceeded were contained in the report.

Members noted the excess accumulated underspend reserves for Corporate Services (£0.769m) and Education and Lifelong Learning (£0.381m) and were asked to consider the proposals contained in the report to utilise or retain these amounts. The report also detailed the projected net overspend for Social Services/Public Protection and Corporate Property arising from increased service demand, and outlined proposals to establish specific reserves funded from the Retained Underspend Reserve and to utilise reserves held in the Social

Services Initiative Reserves to partially offset this overspend.

Discussion took place regarding retention periods for reserves and it was explained that there is a need to retain some reserves (such as those relating to PFI schools) for a significant period to ensure that future liabilities can be met. Clarification was sought on the regulations surrounding the transfer of reserves to other Directorates and it was explained that this is covered by the Reserves Strategy, with the 3% net revenue budget cap in place to ensure that no excessive reserve levels are held by any one Directorate. A Member queried whether it would be possible to transfer partial reserves to the General Fund and it was explained that this could be a feasible option moving forward in that Cabinet has previously given approval for certain reserves to be released into General Fund balances.

Members discussed the potential use of the General Fund balance in excess of the recommended 3% (£10m) minimum level to be proposed in the forthcoming budget report to Council and it was explained that the Council will investigate match-funding options in order to maximise this spend and use it to its full potential. Members queried a number of reserves held against specific service areas and Officers outlined the reason/need for their retention. Arising from discussion on the reserves held against Electoral Services, Officers confirmed that they would circulate further information on election costs to Members following the meeting and also clarify the situation in respect of the reserves held against Operation Jasmine.

Assurances were sought that the Reserves Strategy is being fully utilised and it was queried whether the reserves could be used to offset austerity measures moving forward. Officers reiterated that the majority of reserves are held for a specific purpose within the relevant service area and emphasised that the amounts held in reserve are invested in line with the Treasury Management Strategy which is approved by Council annually. Reference was also made to the recurring cost pressures against the Council's Private Finance Initiative (PFI) contracts for schools, and Members were advised that following the completion of an ongoing PFI review, a detailed report will be brought to the Scrutiny Committee to consider a range of options on the matter.

Following consideration of the report and in noting its contents, it was moved and seconded that the following recommendations be referred to Cabinet for approval. By a show of hands, this was unanimously agreed.

RECOMMENDED to Cabinet that

- (i) the contents of the report be noted;
- (ii) the accumulated underspend reserves above the 3% cap for Corporate Services and Education & Lifelong Learning be utilised as detailed in 4.9.2 of the report;
- (iii) specific reserves totalling £711k be established for Social Services as detailed in paragraph 4.9.3 of the report;
- (iv) funding totalling £508k be 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 the report).

12. WHOLE AUTHORITY REVENUE BUDGET MONITORING REPORT 2017/18

Steve Harris (Interim Head of Corporate Finance) presented the report, which provided information on the position of the whole-authority in respect of revenue budget monitoring for 2017/18. Detailed budget monitoring reports for each Directorate 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. The report also highlighted and commented upon any variations from the budget.

The report summarised 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). 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.

It was explained that the position is now becoming more challenging with a number of cost pressures emerging across some service areas. Members were referred to Section 4.2 of the report which compared the original 2017/18 budget estimate, a revised estimate (where approved changes have been made in year), the projected outturn, and highlighted the projected overspend or underspend for each Directorate. A detailed summary for each Directorate and service division was also appended to the report. Overall, the projected revenue budget underspend for the Authority for 2017/18 is £947k, which has been mainly achieved through the management of vacant posts.

Members' attention was directed to significant overspends across some service areas, particularly across the Children's Services Division within Social Services, which is projected to overspend its budget by £2,749k. The Scrutiny Committee were informed that there continues to be significant budgetary pressures in respect of children's placement costs, arising from an increase in the number of complex cases and out of county placements. The forecasts assume that all current placements will remain in place throughout the financial year. Members also noted the details of an overspend within Waste Management and Cleansing Services for the dry recycling treatment budget, which is partially due to ongoing recycling contamination problems.

During the course of the ensuing debate, concerns were raised regarding the potential impact on staff wellbeing arising from the vacancy management processes across a number of service areas. Officers explained that there is very little scope to make further savings against vacant posts moving forward and that the Council now needs to examine how to make future savings in other ways. It was emphasised to Members that the Council has taken measures to protect front-line services to date but that it will now have to look at delivering services in a different way in view of the continued financial challenges ahead.

A Member referred to the projected overspend against Education Other Than School Provision (EOTAS) and queried the calculation of the budget for this service area. Officers explained that there is increased demand in this area due to an increase in the number of referrals for children with challenging behaviour. It was confirmed that this is an area that continues to be addressed and that further detail in respect of costs could be provided to the Member following the meeting. Comment was made on the reduction to the Music Service budget and it was agreed that Officers would provide further information to the Member following the meeting on how the service can be delivered moving forward.

Discussion took place regarding the continuing challenges being faced across Children's Services, particularly in relation to Looked After Children and the increased pressure on placements. Members were advised that this is due to an increase in the number of children with complex needs and challenging behaviour (which is in line with nationwide trends), and that changes to legislative and judicial requirements and a reduction in court timescales have also increased pressure on the Authority. It was explained that efforts are continuing to identify more cost-effective arrangements wherever possible in relation to external residential care and that consideration is being given to investment in additional residential provision within the county borough.

Following consideration of the report, Members noted its contents and requested that Directors and Heads of Service continue to review expenditure and income trends in order to ensure annual budgets are achieved.

The meeting closed at 7.35 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 27th February 2018, they were signed by the Chair.

CHAIR