



POLICY AND RESOURCES SCRUTINY COMMITTEE

**MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON
TUESDAY, 15TH JANUARY 2019 AT 5.30 P.M.**

PRESENT:

Councillor J. Pritchard - Chair
Councillor G. Kirby - Vice-Chair

Councillors:

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

Cabinet Members:

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

Together with:

R. Edmunds (Corporate Director for Education and Corporate Services), S. Couzens (Chief Housing Officer), N. Scammell (Head of Corporate Finance and Section 151 Officer), L. Allen (Principal Accountant), C. Forbes-Thompson (Interim Head of Democratic Services), R. Barrett (Committee Services Officer)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs E.M. Aldworth, Mrs C. Forehead, G. Johnston, Mrs D. Price, R. Saralis and J. Taylor.

2. DECLARATIONS OF INTEREST

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

3. MINUTES – 13TH NOVEMBER 2018

RESOLVED that the minutes of the Policy and Resources Scrutiny Committee held on 13th November 2018 (minute nos. 1 - 10) 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 noted the contents of the reports from Councillors C. Gordon, Mrs L. Phipps and Mrs B. Jones, which provided an update on their respective portfolios, and had been circulated to Members in advance of the meeting.

Queries were received on the update from Councillor C. Gordon (Cabinet Member for Corporate Services). A Member sought clarification on the situation regarding workforce planning applications, and expressed concerns at the low numbers of staff granted release to date (7 in total) when compared to the 512 expressions of interest. The Cabinet Member explained that this is an ongoing process, which will be subject to continuous review in order to support the Council's Medium Term Financial Plan. It was also emphasised to Members that it is important to manage and stagger any release of employees in order to minimise the impact to service areas and to departmental budgets. Further detailed information regarding this exercise will be provided via a Members Seminar that is currently being arranged.

The Corporate Director added that some of the expressions of interest highlighted a willingness to reduce hours or job share and is something that may be open to exploration moving forward. The Cabinet Member acknowledged that some employees might be disappointed with the outcome of their particular request. However, the Scrutiny Committee were reminded that all staff had been advised prior to the exercise that any expressions of interest would not result in automatic or guaranteed agreement of their request. It was confirmed that all staff who expressed an interest have now received a response from HR.

The Scrutiny Committee also discussed the roll-out of the new CCBC apprenticeship programme and the selection process to fill these vacancies, which have been established across a number of service areas.

A query was received regarding the Right to Buy legislation as referenced in Councillor L. Phipps' report (Cabinet Member for Homes and Places). It was confirmed that all Right to Buy applications received prior to the end date of 24th January 2019 will be processed. The Cabinet Member for Homes and Places also highlighted the work of the Night Shelter Scheme being operated from Bedwas Workmen's Hall through the winter months and asked Members to spread the word to anyone who might be interested in volunteering for the Scheme.

The Cabinet Members were thanked for their reports.

6. POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

Cath Forbes-Thompson (Interim Head of Democratic Services) presented the report, which outlined details of the Policy and Resources Scrutiny Committee Forward Work Programme (FWP) for the period January 2019 to July 2019. Members were asked to consider the FWP alongside the Cabinet Work Programme as appended to the report and to suggest any changes to its content.

With regards to the next meeting on 26th February 2019, it was suggested that this be deferred to 12th March 2019 owing to the half-term break, and this was unanimously agreed by the Committee. It was also agreed that the Local Housing Strategy scheduled for 26th February 2019 be deferred to a date to be confirmed, owing to ongoing work on the Strategy.

Subject to the foregoing amendments, it was unanimously agreed that the Policy and Resources Scrutiny Committee Forward Work Programme be published on the Council's website.

7. CABINET REPORTS

None of the Cabinet reports listed on the agenda had been called forward for discussion at the meeting. Members were asked to note that the Cabinet date listed against Cabinet reports 2, 3 and 4 should read 12th December 2018 (and not 28th November 2018).

REPORTS OF OFFICERS

Consideration was given to the following reports. It was agreed that the report order on the agenda be switched to allow the Update on Reserves report to be presented immediately following the Treasury Management Annual Strategy report.

8. TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE POLICY PROVISION FOR 2019/2020

Nicole Scammell (Head of Corporate Finance and Section 151 Officer) presented the report, which detailed the Council's Annual Strategy for Treasury Management, Capital Finance Prudential Indicators and the Minimum Revenue Provision Policy for 2019/2020. Members were asked to consider and comment on the report contents ahead of its presentation to the special meeting of Council on 21st February 2019.

Members were advised 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, and Members were asked to note a number of changes to the Council's borrowing and investment approach moving forward, including a move away from investment in DMOs due to the low interest rate.

The Scrutiny Committee discussed the proposed level of borrowing set out in the report (comprising £27.4m for the General Fund to support the 2019/20 capital programme and £44.2m for the HRA WHQS programme). Officers outlined how the Authority maximises internal borrowing wherever they can and advised the Committee that £14.29m of borrowing for the General Fund will be deferred into 2020/21 in order to generate a one off MTFP saving of £500k in 2019/20. Discussion also took place regarding the investment risks associated with seeking a higher rate of interest and Officers outlined how these can be mitigated and kept to a minimum.

Following consideration of the report and in noting the contents of the Strategy, 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 2019/20 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 setting of Prudential Indicators for Treasury Management for the financial years 2019/20 to 2021/22 as outlined in Appendix 5 of the report be approved;
- (iv) the setting of Prudential Indicators for Capital Financing for the financial years 2019/20 to 2021/22 as outlined in Appendices 6 and 7 of the report be approved;
- (v) the Minimum Revenue Provision policy be set for 2019/20 as per Appendix 8 of the report;
- (vi) The continuation of the 2018/19 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 £27.4m (albeit defer £14.29m into 2020/21) for the General Fund to support the 2019/20 capital programme and £44.2m 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.

9. UPDATE ON RESERVES

Nicole Scammell (Head of Corporate Finance and Section 151 Officer) presented the report, which provided details of the usable reserves held by the Authority and included proposals for the use of reserves in some areas for consideration by the Scrutiny Committee, ahead of its presentation to Cabinet.

The Appendix to the attached report provided details of the Authority's usable reserves as at 1st April 2018 of £109.796m, which is £10.8m lower than the level held the previous year. The report also included proposals for the use of Service reserves in respect of the Directorate for Education and Corporate Services, along with a proposed release of reserves across a number of areas for one-off spend. Members were reminded that these reserves can only be used once (typically for capital expenditure and contingent sums for potential unforeseen liabilities) and that it is strongly advisable that these are not used to fill

the gaps where savings are required in respect of MTFP proposals.

Members noted the balance position on the General Fund (currently projected to be £10m as at 31st March 2019), details of HRA usable reserves (£5.090m as at 1st April 2018) and Capital Reserves (£39.808m as of 1st April 2018). It was noted that the use of these particular reserves are ring-fenced for specific purposes as set out in the report. The report also detailed the usable reserves for each Directorate (£31.605m for Corporate Services, £4.679m for Communities, £8.419m for Education and Lifelong Learning and £6.995m for Social Services). Work has been carried out to establish Directorate reserves which have the potential for release, and where identified, these were set out in bold throughout Sections 4.5-4.8 of the report for Members' consideration.

Additionally, the report set out details of service underspends for each Directorate, and it was explained that in line with the Reserves Strategy agreed by Cabinet in July 2016, a 3% cap has been placed on the cumulative amount that can be held by Directorates in service underspend reserves. As Corporate Services and Education & Lifelong Learning had exceeded this cap, the report therefore summarised proposals to utilise this excess accumulated underspend (totalling £0.764m). These proposals included support for the Capital Programme 21st Century Band B match funding, Post 16/Single Sec Review Resourcing, Digital Strategy Implementation, and Caerphilly 2022 Leadership Training and Development.

During the course of the ensuing debate, and in response to Members' queries, Officers elaborated on the reasons for the level of reserves held against some service areas, in particular those relating to Insurance and Waste Management. A Member suggested that consideration be given to the use of PFI reserves held long-term in view that they may not need to be utilised for several years. Officers explained the way the PFI Sinking Fund works, and the fact that money would need to be taken from this reserve to top up the shortfall in respect of the funding from WG. It was always anticipated that this would be the case, and the External Auditors would expect to see a PFI Sinking Fund, hence these funds could not be released. A Member queried why a reserve was held for Cwmcarn High School overspend, and Officers confirmed that this reserve would be required and that a report on the overspend would be presented to the Education for Life Scrutiny Committee. Members also queried the level of funds held in the Gwent Frailty Programme (£2.283m) and it was explained that this reserve is held by CCBC on behalf of the partnership which covers the whole Gwent region (with only a proportion of these funds belonging to CCBC).

Members referred to the separate Brexit report being presented to Cabinet on 16th January 2019 (and thereafter Council) which recommended that £1m be set aside in an earmarked contingency reserve (to be funded from the £20.8m unallocated reserves identified in the Update on Reserves report) to meet any financial implications arising from the Brexit process. The Scrutiny Committee expressed concerns that their view had not been sought on the use of this particular reserve, given that the Committee had been referenced in the recommendations for the Brexit report. Officers emphasised that all Members will have an opportunity to consider this particular proposal at full Council on 22nd January 2019.

It was also explained that the Update on Reserves report was seeking the Committee's support to release some reserves for specific uses, whereas the Brexit report would be seeking Council approval for the next step in order to allocate a portion of this released reserve to a specific fund for potential utilisation. In response to Members' queries, Officers also outlined the Council's responsibility to establish this contingency fund given a potential scenario where immediate access may be required and emphasised that should it not be needed, the funds will be transferred back to the pot for unallocated reserves.

Reference was made to the proposal to utilise some reserves to take forward the Council's Leadership Training and Development, and Members queried whether this was the appropriate time to allocate funds for training purposes, given the level of savings required of the Council. Officers explained that this training presents a unique opportunity to invest in leadership skills across the Senior Management network and will allow managers to build on their existing capacity and explore newer and more strategic ways of working. The training represents excellent value for money and will be made available to a wide section of the workforce, including staff in primary and secondary schools. Discussion also took place regarding the distribution of revenue generated from the Community Infrastructure Levy (CIL) and Officers explained that expenditure takes place around the area from where this revenue is generated. Members were also advised that funding for new infrastructure (such as roads and schools) is usually generated from a number of sources and not merely the CIL.

Following consideration of the report and in noting its contents, it was moved and seconded that the following recommendations be referred to Cabinet. 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 relating to the Directorate of Education and Corporate Services totalling £1.5m be released and allocated towards 21st Century Schools Band B match funding;
- (iv) funding totalling £20.08m (Capital reserves £16.227m, Council Tax Reduction Scheme 3m, Trehir reserve £350k, Members reserve £506k) be released from the various reserves as detailed throughout the report and set aside in the balance sheet for one-off expenditure.

10. HOUSING REVENUE ACCOUNT CHARGES - 2019/2020

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 2019/20 financial year. The report sought the views of the Scrutiny Committee 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 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). It also applies a 1.5% real increase to the average local authority rent and an additional £2 per week discretion for social landlords meeting certain criteria. 2018/19 was the final year of the existing five year agreement and following ministerial pressures in comparing Welsh rents to those in England, WG have agreed that the increase should be CPI only for 2019/20. The discretion to apply up to £2

per week has been removed for those social landlords whose average weekly rent is within or above their Target Rent Band. This decision will apply for one year only whilst WG are awaiting the outcome of the Affordable Housing Supply Review.

The previous September CPI inflation figure was 2.4% and the Business Plan assumed a rent increase of 3%. Applying 2.4% to the average rent means that Caerphilly Council are just below the Target Rent Band, and therefore this can be increased up to a maximum of £2 to ensure inclusion within the envelope range. In order to be at the minimum of the Target Band Range, a minimum increase of 2.7% is required, and in order to meet the requirement of the Housings Business Plan, an increase of 3% is necessary. The maximum rent increase that can be applied by the Authority is 4.74%. Members were therefore asked to recommend to Cabinet the level of increase per property from April 2019 based on the options in the report (2.7%, 3% or 4.74%). 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 is 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 how local authorities are responding to the changes in the WG rent policy. A Member queried the implications for Caerphilly Council if the minimum level of increase (2.7%) were to be applied. Officers explained that increased borrowing would have to take place in order to achieve the Welsh Housing Quality Standard and that additional costs arising from extenuating factors might also need to be met. In response to Members' queries, Officers also outlined the different scenarios across each of the proposed levels in regards to the amounts payable by tenants and the percentage of tenants in receipt of housing benefits. Members also expressed concerns as to the impact of the proposed increases on some tenants in view of the changes to Universal Credit.

Having considered the options set out in the report, two levels of increase (3% and 2.7%) were moved and seconded respectively in regards to the level of rent increase to be recommended to Cabinet. The Committee took the motion on the 3% increase first, and by a show of hands and the majority present (and in noting there were 4 against) this was declared carried. As such, the alternative motion in respect of the 2.7% increase was declared lost. It was therefore

RECOMMENDED to Cabinet that the increase of 3% per property to comply with the Housing Business Plan be applied from April 2019.

11. WHQS PROGRESS REPORT – FINAL STAGES

Shaun Couzens (Chief Housing Officer) gave a slideshow presentation to accompany the report, which had been previously considered by the Caerphilly Homes Task Group on 6th December 2018. The report detailed the performance of the Welsh Housing Quality Standard (WHQS) Team to date, and set out the anticipated projected performance up to December 2020. Details of the capital expenditure for 2018/19 for WHQS works were also

included, together with an overview of the many achievements made as part of the wider commitments and benefits delivered by the WHQS programme. The view of the Scrutiny Committee were sought on the contents of the report, prior to its presentation to Cabinet.

By way of an accompanying slideshow presentation, Officers summarised the progress of the WHQS programme to date, with further details set out in the report and its appendices. The Committee noted details of the background to the WHQS, the contracts established across internal and external works and the timeframes for the delivery of works, survey and compliance completion rates, tenant satisfaction levels, details of the Council's promise in respect of attainment levels, and pre-and post-work photographs showing the improvements that had been made to kitchens, bathrooms, and external fascia. Members also noted details of environmental works across housing estates, energy efficiency improvements, community benefits and investment, details of current and future expenditure, and the plans in place to achieve and validate the compliance of the WHQS programme by December 2020.

The current cumulative level of compliance is 80% for internal works and 62% for external works. Tenant satisfaction levels are 88% across internal works and 71% across external works. Total spend projected to March 2019 is £200m and borrowing of £20m will be required for this year. It is anticipated that the £220m estimate to deliver the WHQS programme is likely to be exceeded, although Officers confirmed that at this time no increase in borrowing would be required. Although full compliance is projected for 15th May 2020 for internal works and 10th April 2020 for external works, it is hoped that these can be brought forward to March 2020 to allow for any unforeseen contingencies and for full WHQS compliance to be achieved prior to the December 2020 deadline. A validation process is ongoing to ensure the accuracy of the data received.

The Committee discussed the progress made to date across the WHQS scheme and a Member queried why the external compliance rate (projected to be 73% by the end of the financial year) had not met the target throughout 2018/19. Officers referred to the slippage across external works in the early stages of the programme arising from delays caused by contractor procurement issues, and it was explained that an accelerated rate of completions is now being achieved. A Member sought clarification on the amount of additional funding that would be needed to deliver the WHQS programme and when this would be considered by Cabinet. Officers explained that it is not expected that the amount of borrowing originally approved by Cabinet would be exceeded and hence there will be no need to take a further report to Cabinet to seek approval of additional funding.

In response to Members' queries, Officers provided further information on the remedial work carried out across non-traditional properties, together with details of the assessment processes to carry out environmental improvements. Clarity was sought on the underspend position across the Council's Promise for non-traditional homes and it was explained this is because the allocation had been based on the original Savills survey in 2008 and some works had already been done in this regard but had been incorporated into other spends. It is expected that the spend will rise by the time WHQS is achieved in 2020.

Reference was made to the disparity between satisfaction levels for internal and external works and a Member also highlighted higher levels of dissatisfaction for external works in parts of the county borough and around the Penyrheol area in regards to the timescales for environmental improvements. He also suggested that some of the works set out in the Environmental Programme appended to the report for Penyrheol had not been completed. Officers outlined the consultation process that had been carried out with residents and explained that expectations may have been skewed by two separate consultations being

carried out at that time. A Member subsequently suggested that staff from the Parks and Highways team be available to attend future meetings where environmental improvements are discussed in order for them to respond to such queries. Officers informed the Committee that an update report on environmental works is due to be presented to the Caerphilly Homes Task Group where the suggested Officers would be attending and that the minutes of the CHTG would be submitted to Members of the Policy and Resources Scrutiny Committee so they could consider their comments. A Member queried the reasons for variation in satisfaction levels across areas of the county borough, particularly the north, and it was explained that the survey operates a tick-box structure but does not allow for additional comments to explain why the individual surveyed is not satisfied. The Officer confirmed that for this reason as well as a means of improving response rates, the customer satisfaction process was currently being reviewed, which would likely result in more telephone surveys which would assist in obtaining more details to help improve the service going forward.

Following consideration of the report and in noting its contents, and having taken into account the comments of the Caerphilly Homes Task Group, it was moved and seconded that the following recommendation be referred to Cabinet. By a show of hands, this was unanimously agreed.

RECOMMENDED to Cabinet that the contents of the Welsh Housing Quality Standard Progress Report – Final Stages be noted.

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 12th March 2019, they were signed by the Chair.

CHAIR