



POLICY AND RESOURCES SCRUTINY COMMITTEE

MINUTES OF THE DIGITAL MEETING HELD VIA MICROSOFT TEAMS ON THURSDAY, 20TH JANUARY 2022 AT 5.30 P.M.

PRESENT:

Councillor G. Kirby – Chair
Councillor B. Miles – Vice Chair

Councillors:

M. Adams, Mrs E. M. Aldworth, C. Cuss, L. Harding, C. P. Mann, S. Morgan, R. Saralis, and L. G. Whittle.

Cabinet Members:

Councilor C. Gordon (Corporate Services) and Councilor Mrs. E. Stenner (Performance, Economy and Enterprise).

Together with:

R. Edmunds (Corporate Director Education and Corporate Services), S. Harris (Head of Financial Services & S151 Officer), R. Williams (Group Accountant, Treasury and Capital), M. Jacques (Scrutiny Officer), M. Harris (Committee Services Support Officer), M. Afzal (Committee Services Officer) and R. Barrett (Committee Services Officer).

RECORDING ARRANGEMENTS

The Chair reminded those present that the meeting was being recorded and would be made available to view via the Council's website, except for discussions involving confidential or exempt items. [Click Here to View](#).

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs C. Forehead, Miss E. Forehead, G. Johnston, M. E. Sargent, G. Simmonds and J. Taylor.

2. DECLARATIONS OF INTEREST

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

3. MINUTES – 9TH NOVEMBER 2021

It was moved and seconded that the minutes of the meeting held on 9th November 2021 be approved as a correct record and by way of Microsoft Forms (and in noting there were 8 for, 0 against and 1 abstention) this was agreed by the majority present.

RESOLVED that the minutes of the Policy and Resources Scrutiny Committee held on 9th November 2021 be approved as a correct record and signed by the Chair.

Councillor R. Saralis confirmed that he had abstained from voting on the minutes as he had not been present at the last meeting.

4. CALL-IN PROCEDURE

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

5. POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

The Scrutiny Officer presented the report which outlined the reports planned for the period January 2022 to February 2022 and included all reports that were identified at the Policy and Resources Scrutiny Committee meeting held on Tuesday 9th November 2021. Members were asked to consider the Forward Work Programme, alongside the Cabinet Forward Work Programme, prior to publication on the Council's website.

Following consideration of the report, it was moved and seconded that the recommendations be approved. By way of Microsoft Forms (and in noting there were 9 for, 0 against and 0 abstentions) this was unanimously agreed.

RESOLVED that the Policy and Resources Scrutiny Committee Forward Work Programme be published on the Council's website.

6. CABINET REPORTS

There had been no requests for any of the Cabinet reports to be brought forward for discussion at the meeting.

REPORTS OF OFFICERS

Consideration was given to the following reports.

7. 2021/22 CAPITAL EXPENDITURE MONITORING REPORT (PERIOD 7)

The Cabinet Member for Performance, Economy and Enterprise presented the report, which provided details of the projected capital expenditure for the 2021/22 financial year. The report provided details of actual and projected capital expenditure based on information available as of month 7 of the 2021/22 financial year. The Scrutiny Committee were asked to note the contents of the report.

The Scrutiny Committee discussed the report and queries were received on a number of slippage items. A Member sought clarification on the retention of £769k of funding earmarked for the Ty Dyffryn Waste Transfer Station despite the scheme no longer

proceeding. Clarification was also sought on £833k held against the demolition of Pontllanfraith School and £4.635m earmarked to provide a new respite facility for Social Services. Members asked whether these projects would be delivered in the current financial year and the reason for these being earmarked if there was no realistic prospect of them being delivered at this time.

The Officer confirmed that the funding for the Ty Dyffryn Waste Transfer Station had been set aside a number of years ago and that the reason for it not being released from slippage at this present time is due to the intended development of a new Waste Strategy. It is intended to present this new strategy to Members later in the year with it possible that the new strategy may contain some proposals for new capital investment, so therefore the money will be held and carried forward for the time being.

In terms of the demolition of Pontllanfraith School and the proposed new respite facility to be established at the site, the Officer confirmed that the funding is being held to ensure that the projects can be progressed and delivered in due course once the relevant agreements are in place. Another Member queried whether it was justifiable to retain the £769k of funding for a new Waste Strategy and was of the view that this funding should instead be re-allocated towards the delivery of new projects. The Officer confirmed that regular discussions are held with service areas and if this slippage is not utilised for its intended purpose, then the funding can be clawed back into corporate balances for future use elsewhere.

A Member sought clarification on funding allocated to the Caerphilly Basin Strategic Highway. The Officer confirmed that this balance (£477k) is reserved for Section 106 allocations moving forward. One Member also referred to the funding against Corporate Maintenance for Coal Tips, Mines and Spoils and asked if there were any dangerous tips in the county borough and if a list of urgent and safe tips could be provided to all Members. The Officer confirmed that funding would be prioritised to the areas of greatest need in relation to coal tip safety and that he would arrange for the Head of Infrastructure to circulate the requested information to Members following the meeting.

Reference was made to the funding allocated to the Penallta House car park extension and a Member asked whether this extension was still required, given the decreased demand for staff parking over the past two years. The Officer confirmed that the money had been set aside a number of years ago for improvements which have since been completed, and that £110k of the remaining £130k balance would be redirected to the Lawns Project in Rhymney and the remaining £20k returned to corporate balances.

Reference was made to the substantial levels of slippage across the Housing Revenue Account (£16m) and Placeshaping Agenda (£27m) and a Member asked if consideration had been given towards recruiting more staff to accelerate the projects planned within these areas. The Officer confirmed that following the successful completion of the WHQS scheme, the focus is now on the next phase of the Council's plans to build new houses across the borough, and colleagues in Housing Finance will be working with the new Head of Housing to develop a revised business plan for the HRA which will be brought to the Scrutiny Committee for consideration in due course. In terms of Placeshaping, over £30m has been set aside and £4.7m of this funding has been released to date as part of the 21st Century Schools programme. It was emphasised that the Placeshaping Agenda is a medium to long term plan which will evolve over time and that Members will begin to see various projects come on stream in future years which will release the funding at the appropriate time and reduce the level of balances in future years.

A Member asked the Officer to confirm whether new budgets would see a reduced level of funding as a result of the increased levels of slippage. The Officer explained that there is always some degree of slippage across the capital programme due to the lead-in time and the need to secure funding from external bodies such as Welsh Government. Therefore, it is not helpful to view the slippage for a single financial year in isolation as this gives the impression

that some projects are not being delivered. The Officer explained that he is working with colleagues in Finance to present future Capital Expenditure reports in a different way to provide a three-year comprehensive overview and to reassure Members that projects are going to be delivered over a medium to longer term timescale.

Following consideration of the item, the Policy and Resources Scrutiny Committee noted the contents of the report.

8. TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2022/23

The Cabinet Member for Performance, Economy and Enterprise presented the report, which detailed the Council's Annual Strategy for Treasury Management, Capital Finance Prudential Indicators and the Minimum Revenue Provision Policy for 2022/23. Members were asked to consider and comment upon the content of the report and appendices prior to its submission to the special meeting of Council on 24th February 2022.

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 Scrutiny Committee discussed the report, and in relation to internal and external borrowing, a Member asked whether there had been a fundamental change of policy or if the existing strategy of internal borrowing was a continuation of an old policy. The Officer confirmed that there was no fundamental change of policy and explained that as the cost of borrowing is higher than the returns that the Authority can achieve on its investments, it is more financially beneficial at the present time for the Council to undertake a practice of internal borrowing and to use any cash balances available to fund the capital programme instead of borrowing externally. He confirmed that the Authority will continue with the existing policy as long as it is feasible to do so, but once this is no longer feasible, this practice will end and there will be a need to replenish funds through external borrowing.

Clarification was sought in relation to Section 5.2 of the report (Interest Rate Prospects - Long-term) specifically around the impact of inflation and the costs the Council would have to meet as a result of inflation increasing. The Officer confirmed that although there is expected to be an upward trend in interest rates, this is not anticipated to be a sharp increase, with it instead expected that the increase would be moderate over time. The inflation increase was acknowledged but it is expected that will reduce moving forward, however an allowance of 4% non-pay inflation has been factored into the 2022/23 draft budget proposals. It was also explained that if interest rates increase, then the Authority may well see better returns on its investments, although the cost of borrowing would also be higher, and that all these factors would need to be balanced and taken into consideration during these challenging times arising from the impact of the Covid-19 pandemic and Brexit.

With regards to the increase in interest rates, Members asked if there were any alternative ratings agencies that the Authority could turn to acquire information, given that the year-on-year increase predicted by the Bank of England had not materialised. The Officer confirmed that only a limited field of specialist financial agencies are able to provide these ratings and explained that finance staff also regularly consult our Treasury Advisors (Arlingclose) for advice and guidance on a range of issues.

A question was raised on whether the Authority would be able to achieve its predicted returns on investment for this year. The Officer confirmed that the Authority is beginning to see an improved position in terms of investment returns, and that for the 2020/21 financial year returns of around £786k had been achieved. It was noted that investment returns in 2021/22 have further improved with circa £1.1m expected, which compares favourably with the Welsh average.

Reference was made to Section 3.1.6 of the report around the borrowing of £42.0m for the General Fund to support the 2022/23 capital programme and £17.7m for the HRA WHQS and Affordable Homes programme, and a Member asked if borrowing was needed to this extent, given the level of funds held in reserve by the Authority. The Officer explained that although the Authority is currently utilising internal borrowing, there is a need to seek Members' approval to borrow externally in the future when needed.

Having considered and commented upon the content of the report and appendices, it was moved and seconded that the following recommendations be forwarded to Council for approval. By way of Microsoft Forms and verbal confirmation (and in noting there were 10 for, 0 against and 0 abstentions) this was unanimously agreed.

RECOMMENDED to Council that: -

- (i) 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;
- (ii) the Prudential Indicators for Treasury Management be approved as per Appendix 5 of the report;
- (iii) the Prudential Indicators for Capital Financing be approved as per Appendices 6 and 7 of the report;
- (iv) Members adopt the MRP policy as set out in Appendix 8 of the report;
- (v) the continuation of the 2021/22 investment strategy and the lending to financial institutions and Corporates in accordance with the minimum credit rating criteria disclosed within the report be approved;
- (vi) the Authority borrows £42.0m for the General Fund to support the 2022/23 capital programme and £17.7m for the HRA WHQS and Affordable Homes programme;
- (vii) the Authority continues to adopt the investment grade scale as a minimum credit rating criterion to assess the credit worthiness of suitable counterparties when placing investments;
- (viii) the Authority adopts the monetary and investment duration limits as set in Appendix 3 of the report.

9. CAPITAL STRATEGY REPORT 2022/2023

The Cabinet Member for Performance, Economy and Enterprise presented the report, which detailed the Authority's Capital Strategy report for the 2022/23 financial year in accordance with the Prudential Code that was introduced by the Local Government Act 2003. Members

were asked to consider and comment upon the content of the report prior to its presentation to Special Council on 24th February 2022. The report cross-referenced the report by the Corporate Director of Education and Corporate Services on Revenue and Capital Budgets [“the budget report”]; and the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy Report for 2022/2023.

Members were advised that the Capital Strategy outlines the principles and framework at the very high level that shape the Authority’s capital investment proposals. The principal aim is to deliver an affordable programme of capital consistent with the financial strategy that contributes to the achievement of the Council’s priorities and objectives as set out in the Authority’s Corporate Plan; consider associated risks; recognise financial constraints over the longer-term; and represent value for money.

Members discussed the report, and a query was received regarding the Council’s stance on commercial activities. The Cabinet Member confirmed that the Authority has established a group to examine commercial activities and the Council’s investment in commercial properties to ensure they are ethical in nature. In relation to this, a Member asked whether the Authority could explore the sale of wooden logs to its residents for wood burners as a result of tree clearance works, to provide a responsible/ethical means of recycling this natural waste. The Officer confirmed he would pass this query to the relevant department and raised a wider point in relation to revised codes of practice around treasury management and capital investments and highlighted that the rules had been tightened to address concerns arising from some local authorities investing in major retail parks etc. He also explained that local authorities are no longer able to borrow from the PWLB where the investment is purely for yield.

A Member referred to Section 5.7.3 of the report in relation to sustainability of the Capital Strategy, which stated that the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years. The Member asked the Officer to confirm the number of loans the Council had acquired for that length of time and expressed some concern over the level of interest charges that could be accrued. The Officer confirmed that although in principle the loans would not generally be extended over that period of time, the Authority sets aside revenue to fund the underlying need to borrow over that period, which is the purpose of the Minimum Revenue Provision. Officers confirmed that the Authority has not taken out any significant borrowing in recent years and that the Council’s longest loan is due to expire in 2067. The Officers also offered to send Members a list of maturity loan analysis for their information upon request. It was noted that this information is also available in the Council’s Annual Financial Statements.

Following consideration of the item and having provided comments on its content, the Policy and Resources Scrutiny Committee noted the Annual Capital Strategy Report for 2022/23, prior to its presentation to Special Council for approval.

The meeting closed at 18:19.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 22nd February 2022, they were signed by the Chair.

CHAIR