



CABINET – 15TH FEBRUARY 2017

SUBJECT: BUDGET PROPOSALS 2017/18 AND MEDIUM-TERM FINANCIAL STRATEGY 2017/2022

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet endorsement of the 2017/18 budget proposals contained within this report prior to final determination at Council on the 22nd February 2017.

2. SUMMARY

- 2.1 On the 30th November 2016 Cabinet received a report providing details of draft revenue budget proposals for the 2017/18 financial year based on the Provisional Local Government Financial Settlement announced by the Welsh Government (WG) on the 19th October 2016. Following consideration of the report Cabinet: -
- endorsed the draft 2017/18 budget proposals including proposed savings totalling £8.653m;
 - supported a 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); and
 - agreed that the draft budget proposals should be subject to consultation prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.
- 2.2 This report provides an updated position based on the Final 2017/18 Local Government Financial Settlement announced by WG on the 21st December 2016. The report seeks Cabinet endorsement of the final 2017/18 budget proposals prior to consideration by Council on the 22nd February 2017.
- 2.3 The net 2017/18 revenue budget for the Council, if approved, would be £325.431m (as shown in Appendix 1).

3. LINKS TO STRATEGY

- 3.1 The budget setting process encompasses all the resources used by the Council to deliver services and meet priorities.
- 3.2 Effective financial planning and the setting of a balanced budget support 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.

4. THE REPORT

4.1 **Headline Issues in the 2017/18 Financial Settlement**

4.1.1 Published on the 19th October 2016, the key points of the WG Provisional 2017/18 Local Government Financial Settlement were the following: -

- An overall net increase of 0.1% in the Aggregate External Finance (Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates) on an all-Wales basis. This varied by Authority due to the funding formula and ranged from minus 0.5% to plus 0.9%.
- For Caerphilly CBC there was a reduction of 0.3% in the Aggregate External Finance i.e. a cash decrease of £0.608m.
- There was £0.262m funding in the Provisional Settlement for Caerphilly CBC for new responsibilities in Social Services. This funding was allocated due to WG policy changes that will result in a loss of income from service user financial contributions to the cost of their care.
- There were four transfers into the Provisional Settlement totalling £0.185m and one transfer out of £0.062m.
- Changes to other passported grants in the provisional settlement resulted in a net reduction of £0.283m.
- The capital allocations available to Caerphilly CBC in the Revenue Support Grant (RSG) and from the General Capital Grant increased by £19k from the previous year.

4.1.2 The Final 2017/18 Local Government Financial Settlement announced on the 21st December 2016 showed a confirmed increase in the Aggregate External Finance (AEF) of £0.326m (0.12%) for Caerphilly CBC. In cash terms this represents an increase of £0.934m on the cash reduction of £0.608m included in the Provisional Financial Settlement. The main reasons for the increase from the Provisional Settlement are a change in the Council Tax Base and additional funding of £0.283m in the Final Settlement for new responsibilities in relation to homelessness prevention.

4.1.3 The confirmed 2017/18 Council Tax Base for Caerphilly CBC was reported to Cabinet on the 14th December 2016. This was lower than the projected Council Tax base figure that was used for the Draft 2017/18 Budget Proposals Report presented to Cabinet on the 30th November 2016 (which would have been based on the Council Tax base approved in December 2015). Whilst this has resulted in a cash increase in the Final Settlement, the Council Tax income arising from a proposed increase of 1% for 2017/18 will be £0.172m lower than assumed in the 2017/18 Draft Budget Proposals Report.

4.1.4 Cabinet should note that whilst the Final Settlement results in a cash increase for Caerphilly CBC, after adjusting for new responsibilities and grants transferred into and out of the settlement the net position is an effective cash reduction of £0.342m as shown in Table 1: -

Table 1 – Adjusted Cash Position for Caerphilly CBC

| | |
|--|----------------|
| | £m |
| Cash Increase in Final Settlement | 0.326 |
| Funding in Settlement for New Responsibilities | (0.545) |
| Transfers In/Out of the Settlement | (0.123) |
| EFFECTIVE CASH REDUCTION | (0.342) |

- 4.1.5 The net impact of the changes from the Provisional to Final Settlement is an improvement of £0.479m as summarised in Table 2: -

Table 2 – Net Impact of Changes from Provisional to Final Settlement

| | |
|---|--------------|
| | £m |
| Increase in Aggregate External Finance (AEF) | 0.934 |
| Additional Funding in Settlement for New Responsibilities | (0.283) |
| Reduction in Council Tax Income (Paragraph 4.1.3) | (0.172) |
| NET IMPACT | 0.479 |

- 4.1.6 There are a number of emerging issues that require consideration in determining the Final 2017/18 Budget Proposals. These will need to be funded from the £0.479m headroom in the Final Settlement along with further savings of £0.393m which will be in addition to the savings of £8.653m identified in the 2017/18 Draft Budget Proposals.

4.2 Updated 2017/18 Budget Proposals

- 4.2.1 The proposals contained within this report will deliver a balanced budget for 2017/18 on the basis that Council Tax is increased by 1%. Table 3 provides a summary: -

Table 3 – Summary of 2017/18 Budget Proposals

| Paragraph | Description | £m | £m |
|------------------|--------------------------------|---------------|---------------|
| 4.2.2 | Transfers In/Out of Settlement | 0.123 | |
| 4.2.3 | Other Passported Grants | | 0.283 |
| 4.2.4 | New Responsibilities | 0.545 | |
| 4.2.6 | Whole-Authority Cost Pressures | 3.576 | |
| 4.2.10 | Inescapable Service Pressures | 6.125 | |
| 4.1.2 | Increase in WG Funding | | 0.326 |
| 4.3.1 | Savings Proposals 2017/18 | | 9.046 |
| 4.6.1 | Council Tax Uplift (1%) | | 0.714 |
| | TOTAL | 10.369 | 10.369 |

- 4.2.2 Table 4 provides details of the transfers in and out of the Final Settlement: -

Table 4 – Transfers In/Out 2017/18

| | |
|--------------------------------------|-----------|
| | £m |
| Transfers In: - | |
| Delivering Transformation Grant | 0.171 |
| Deprivation of Liberty Safeguards | 0.010 |
| Blue Badge Scheme Additional Funding | 0.001 |

| | |
|---|--------------|
| Food Hygiene Rating Scheme | 0.003 |
| Transfers Out: - | |
| Education Workforce Council Teacher Registration Fees | (0.062) |
| TOTAL | 0.123 |

4.2.3 Table 5 provides details of changes to other passported grants included in the Final Settlement: -

Table 5 – Other Passported Grants 2017/18

| | |
|-----------------------------------|----------------|
| | £m |
| Integrated Family Support Service | (0.173) |
| Private Finance Initiative (PFI) | (0.201) |
| Council Tax Reduction Scheme | 0.091 |
| TOTAL | (0.283) |

4.2.4 Table 6 provides details of funding in the Final Settlement for new responsibilities: -

Table 6 – New Responsibilities 2017/18

| | |
|--|--------------|
| | £m |
| Increasing Capital Limits for Residential Care | 0.244 |
| War Disablement Pension Disregard | 0.018 |
| Homelessness Prevention | 0.283 |
| TOTAL | 0.545 |

4.2.5 As in previous years, the adjustments in Tables 4, 5 and 6 (both the increases and decreases in funding) will be passed directly to those services that they relate to.

4.2.6 The Whole-Authority cost pressures totalling £3.576m are set out in Table 7 (cost pressures for schools are excluded as these will be funded through a proposed increase of 1.25% in the funding provided to schools): -

Table 7 – Whole-Authority Cost Pressures

| | |
|--|--------------|
| | £m |
| Pay – Weighted average increase of 1.2% | 1.367 |
| Living Wage (assumed increase of 20p per hour) | 0.148 |
| Non-pay inflation at 1.6% | 2.061 |
| TOTAL | 3.576 |

4.2.7 The Draft 2017/18 Budget Proposals presented to Cabinet on the 30th November 2016 assumed a 1% increase in non-pay inflation. However, the Consumer Prices Index (CPI) inflation rate rose to 1.6% in December and this is the rate that is now reflected in the updated 2017/18 Budget Proposals.

4.2.8 The report presented to Cabinet in November also assumed a generic increase of 1% in fees and charges across the Authority. However, budget monitoring reports for the 2016/17 financial year are showing shortfalls against income targets in a number of service areas. To increase charges further at this point would exacerbate these shortfalls so the updated 2017/18 budget proposals do not include any provision for additional income from fees and charges.

4.2.9 Income generation will be subject to review during the 2017/18 financial year and a report will be prepared for Cabinet in due course.

4.2.10 Table 8 provides details of the 2017/18 inescapable service commitments/pressures that have been identified and require consideration in respect of funding: -

Table 8 – Inescapable Service Pressures and Other Service Commitments

| | £m |
|---|--------------|
| Apprenticeship Levy | 0.454 |
| Additional holiday pay (staff working variable hours) | 0.425 |
| Welsh Language Standards | 0.250 |
| Tir-yr-Berth Depot – Running costs | 0.075 |
| Increase in funding for schools (1.25%) | 1.334 |
| Social Services cost pressures | 3.500 |
| City Deal Partnership Revenue Contribution | 0.060 |
| Coroners Service | 0.027 |
| TOTAL | 6.125 |

4.2.11 **Apprenticeship Levy** – Cabinet will be aware that the apprenticeship levy will be introduced by the UK Government from April 2017 and will be applicable in Wales. All employers with a payroll cost of greater than £3m per annum will be subject to a 0.5% levy on total payroll costs. The purpose of the levy is to fund traineeships but it is currently still not clear how this will operate in Wales and how the funding will be allocated. The estimated cost of the levy for Caerphilly CBC is £454k per annum.

4.2.12 **Additional holiday pay for staff working variable hours** – Negotiations are ongoing to ensure that the Council is compliant with recent case law concerning annual leave payments for employees that receive payments in addition to their basic salary. An initial estimate of £425k has been calculated as the annual cost of these potential additional payments. It is proposed that this funding should be held corporately in the first instance until the actual impact on service budgets has been established. In addition to the need to establish a revenue budget to meet future commitments, there will also be a requirement to set aside funding from the General Fund to meet the cost of one-off back-dated payments to staff.

4.2.13 **Welsh Language Standards** – Significant financial pressures are being experienced in this area and to ensure compliance with the Standards it will be necessary to provide additional resources, particularly in relation to translation costs. This budget will be held corporately in the first instance.

4.2.14 **Tir-yr-Berth Depot** – Following the transfer of various teams into and out of the Depot there is a resultant shortfall of £75k in the running costs budget largely due to a loss of income from the Housing Revenue Account (HRA).

4.2.15 **Increase in funding for schools** – An increase of 1.25% is proposed for schools totalling £1.334m. Cabinet is advised that there is no requirement in the Financial Settlement to protect schools in 2017/18.

4.2.16 **Social Services cost pressures** - Cabinet will recall that the 2016/17 budget approved by Council on the 24th February 2016 included a contingency of £2.5m for Social Services cost pressures. This contingency was initially held corporately but the full £2.5m has now been permanently transferred into the Social Services base budget. This has been necessary to fund increases in fees for external care providers due in the main to the introduction of the National Living Wage, and additional costs arising from increasing demand for services in both Adult and Children's Services. It is proposed that a further sum of £3.5m should be allocated in the 2017/18 budget to meet ongoing financial pressures for Social Services. This funding will be held corporately in the first instance.

4.2.17 **City Deal Partnership Revenue Contribution** – At its meeting on the 31st January 2017, Council agreed an annual revenue contribution of £120k towards the support structure for the City Deal Regional Cabinet. For 2017/18 the contribution is only likely to be £60k as underspends from 2016/17 will be carried forward. From 2018/19 onwards there will need to be provision in the base budget to meet the full £120k annual commitment.

4.2.18 **Coroners Service** – Ongoing cost pressures in this service requires an additional contribution from partners for 2017/18.

4.3 2017/18 Savings Proposals

4.3.1 Although the Final 2017/18 Financial Settlement is marginally better than the Provisional Settlement, the additional emerging cost pressures identified in this report result in a net savings requirement of £9.046m. Table 9 provides details of savings proposals that, alongside a proposed increase of 1% in Council Tax, will enable a balanced budget to be achieved.

Table 9 – Savings Proposals 2017/18

| Description | £m | £m |
|---|-------|--------------|
| Draft Savings Proposals Presented to Cabinet (30/11/16): - | | |
| - Savings in advance brought forward from 2016/17 | 1.815 | |
| - Full-Year impact of approved 2016/17 savings | 0.146 | |
| - 'Nil impact' savings | 3.037 | |
| - Bowling Green rationalisation | 0.113 | |
| - Treasury Management – Review of MRP policy | 3.500 | |
| - Pension contributions for former Authorities | 0.042 | 8.653 |
| | | |
| Additional Proposed Savings to Balance Budget: - | | |
| - Fire Service Levy | 0.033 | |
| - Reduction in Council Tax Reduction Scheme Budget | 0.360 | 0.393 |
| | | |
| TOTAL | | 9.046 |

4.3.2 **Savings in advance brought forward from 2016/17** - At its meeting on the 24th February 2016, Council approved a package of savings totalling £11.117m for the 2016/17 financial year. This exceeded the total savings required to balance the 2016/17 budget resulting in savings in advance of £1.815m. Council agreed that for 2016/17 only this excess sum should be set aside in an earmarked reserve to meet cost pressures in dry recyclable waste and to provide one-off match-funding to support carbon management initiatives. The £1.815m savings will now be required to help balance the budget for 2017/18.

4.3.3 **Full-Year impact of approved 2016/17 savings** - Some of the approved savings for 2016/17 only had a part-year impact and the full-year effect of these savings will now provide an additional £146k to support the 2017/18 budget.

4.3.4 **2017/18 'Nil Impact' savings** - As part of the extensive work previously undertaken to prepare for anticipated savings in future years, savings totalling £3.037m were identified for 2017/18 that do not have a direct impact on services users or the public. These proposals consist in the main of vacancy management, budget realignment and minor changes to service provision.

4.3.5 **Bowling Green rationalisation** - At its meeting on the 2nd March 2016, Cabinet agreed proposals on the rationalisation of Bowling Greens which have since been fully implemented and have delivered savings of £113k to support the 2017/18 budget. The approved changes included the following: -

- The closure of Abertridwr Bowling Green and subsequent release of one post.
- Removal of the Park Ranger service.
- The operation of 20 bowling greens at a reduced maintenance specification with the subsequent release of three members of staff.
- Bowling Clubs to undertake non-specialist green maintenance tasks.
- Payment of a grant to Bowling Clubs.
- Clubs to retain income from fees and charges.

4.3.6 **Treasury Management - Review of MRP policy** – At its meeting on the 24th January 2017, Council approved changes to the Council’s Minimum Revenue Provision (MRP) policy. The agreed changes are as follows: -

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

4.3.7 The agreed changes will deliver a revenue budget saving of £3.5m from 2017/18 onwards. Furthermore, Council agreed that the changes should be back-dated to the 1st April 2016 which results in a one-off saving of £5.540m in the 2016/17 financial year. It is proposed that this one-off sum should be transferred to a capital earmarked reserve.

4.3.8 The change in the MRP policy will also result in additional one-off sums being available in future years albeit that the amounts will reduce over time. For 2017/18 a further £1.929m will be available and it is proposed that this should also be transferred into a capital earmarked reserve.

4.3.9 **Pension contribution for former Authorities** – Commitments against this budget are reducing over time and a budget reduction of £42k is achievable for 2017/18.

4.3.10 **Fire Service Levy** – The confirmed increase in the levy for 2017/18 is 1.2% which is lower than the budgeted increase of 1.6%. This results in a saving of £33k.

4.3.11 **Council Tax Reduction Scheme (CTRS)** – Cabinet will recall that Council Tax Benefit was abolished in April 2013 and replaced by the Council Tax Reduction Scheme. Since that time there has been a steady reduction in the number of claimants and this trend has continued during the 2016/17 financial year. There is therefore no requirement to increase the 2017/18 CTRS budget in line with the proposed increase in Council Tax. Furthermore, it is proposed that a budget reduction of £360k is achievable for 2017/18 without having any impact on claimants. The proposed reduction is 2.43% of the total 2016/17 CTRS budget.

4.3.12 Cabinet is asked to endorse the proposed package of savings totalling £9.046m.

4.4 **Capital Programme 2017/18 to 2019/20**

4.4.1 The proposed Capital Programme for the three-year period 2017/18 to 2019/20 is detailed in Appendix 2 of this report and is summarised in Table 10: -

Table 10 – Summary of Capital Programme 2017/18 to 2019/20

| | 2017/18 £m | 2018/19 £m | 2019/20 £m |
|--|----------------|----------------|----------------|
| Capital Programme proposals | 16.456 | 8.500 | 8.500 |
| WG funding available | 8.046 | 8.046 | 8.046 |
| Capital funding gap | (8.410) | (0.454) | (0.454) |
| | | | |
| Funded by: - | | | |
| Surplus/(Deficit) b/fwd | 0.971 | 0.158 | 0.000 |
| 2016/17 One-Off funding from MRP Policy Review | 5.540 | | |
| 2017/18 One-Off funding from MRP Policy Review | 1.929 | | |
| RCCO budget (Miscellaneous Finance) | 0.128 | 0.128 | 0.128 |
| Capital underspends from previous years | | 0.168 | 0.326 |
| Total Additional Funding | 8.568 | 0.454 | 0.454 |
| | | | |
| Surplus/(Deficit) carried forward | 0.158 | 0.000 | 0.000 |

4.4.2 Appendix 2 includes the proposed transfer into a capital earmarked reserve of £7.469m arising from the review of the Minimum Revenue Provision (MRP) policy. This consists of one-off funding of £5.540m for 2016/17 and £1.929m for 2017/18 as referred to in paragraphs 4.3.7 and 4.3.8 of this report. It is proposed that capital bids should be invited from service areas to utilise the available funding of £7.469m. Cabinet will need to be presented with the details of specific projects, along with a business case where appropriate, prior to approving the release of these funds.

4.5 General Fund Balances

4.5.1 Details of the projected movement on General Fund balances are provided in Appendix 3.

4.5.2 As already mentioned in paragraph 4.2.12, there is a need to create a provision in respect of one-off back-dated additional holiday pay requirements. Current estimates indicate that £500k should be sufficient, which will enable Officers to make the appropriate arrangements to settle this matter.

4.5.3 The Authority has determined at Council, in recent years, to keep the General Fund reserves at a level of circa £10m, which is 3% of the net revenue budget. The funding outlook for Local Government remains uncertain for future years for both core funding and specific grants. With this in mind it is recommended that the balance on the General Fund should be held at a higher level than would normally be the case. The proposals in this report, if approved, would result in a projected General Fund balance of £13.910m as at the 31st March 2017.

4.6 Council Tax Implications 2017/18

4.6.1 The budget proposals within this report include a proposed increase of 1% in Council Tax for the 2017/18 financial year. This will increase the Caerphilly CBC Band D precept from £1,001.94 to £1,011.96 i.e. an annual increase of £10.02 or weekly increase of £0.19.

4.7 Medium-Term Financial Strategy 2017/2022

4.7.1 At its meeting on the 24th February 2016 Council was presented with a Medium-Term Financial Plan (MTFP) which showed an indicative savings requirement of £36.252m for the five-year period 2016/17 to 2020/21. This was based on a number of assumptions, the most significant of which are the following: -

- A 0.9% reduction in WG funding for 2016/17.
- An assumed reduction of 1.4% in WG funding for the three-year period 2017/18 to 2019/20.
- A cash flat position for WG funding in 2020/21.
- A Council Tax increase of 1% for 2016/17 and 2017/18 with an indicative increase of 2.35% for the following three years.
- The schools “pledge” to be met throughout the five-year period covered by the Plan (i.e. schools funded at 1% above the UK Government block grant to WG).

4.7.2 An updated MTFP is attached as Appendix 4 of this report covering the five-year period 2017/18 to 2021/22. The update is based on the following assumptions: -

- No indicative Financial Settlement figures have been provided by WG for future years so for the purposes of the MTFP it is assumed that there will be no increase or decrease in WG funding for the four-year period 2018/19 to 2021/22. In reality this is unlikely to be the case but by taking this approach the updated MTFP will demonstrate the extent of financial pressures facing the Council before even considering the impact of any reductions in WG funding.
- Increases in Council Tax for the period 2018/19 to 2021/22 are linked to projected increases in non-pay inflation i.e. 2% for 2018/19, 2.5% for 2019/20, and 3% for 2020/21 and 2021/22.
- A 1.2% weighted average pay award each year.
- An assumed annual increase of 20p per hour for the Living Wage.
- Non-pay inflation and increases in fees and charges at 2% for 2018/19, 2.5% for 2019/20, and 3% for 2020/21 and 2021/22.
- The Council Tax Reduction Scheme budget to be increased each year between 2018/19 to 2021/22 in line with the proposed increase in the Council Tax.
- For planning purposes an annual uplift in funding of 1.25% is assumed for schools but this will be subject to review as savings requirements are firmed up. There is no requirement in the 2017/18 Financial Settlement to protect schools and no indication at this point that this will be a requirement in subsequent years.
- Additional funding of £1.5m per annum is assumed for Social Services cost pressures for the period 2018/19 to 2021/22. Cabinet will recall that additional funding of £2.5m was agreed for Social Services in 2016/17 and further growth of £3.5m is proposed for 2017/18. This additional funding ensures that the Social Services budget is sufficient to meet current commitments but future pressures will need to be managed within the indicative allocation of additional funding of £1.5m per annum.
- The updated MTFP includes debt charges for Caerphilly CBC’s share of the cost of borrowing that will be undertaken for the City Deal between 2018/19 and 2021/22.
- The latest triennial actuarial valuation of the LG Pension Fund has recently been completed and the outcome requires an additional 1% increase per annum in the employer’s contribution for the period 2018/19 to 2020/21. An increase of 1% is also assumed for 2021/22 in the updated MTFP.

4.7.3 Cabinet will note from Appendix 4 that the indicative savings requirement for the five-year period 2017/18 to 2021/22 is £37.835m as summarised in Table 11: -

Table 11 – Updated Cash Savings Targets

| Year | Annual Cash Savings Target £m | Cumulative Cash Savings Target £m |
|-------------|--|--|
| 2017/18 | 9.046 | 9.046 |
| 2018/19 | 6.628 | 15.674 |
| 2019/20 | 7.037 | 22.711 |
| 2020/21 | 7.511 | 30.222 |
| 2021/22 | 7.613 | 37.835 |

4.7.4 It is important to reiterate that in the absence of any indicative WG Financial Settlement figures for future years, the updated MTFP assumes no increase or decrease in WG funding for the period 2018/19 to 2021/22. This is unlikely to be the case and for illustration purposes even an annual reduction of 0.5% in WG funding will add circa £5.3m to the indicative savings requirement of £37.835m.

4.7.5 Detailed work will be undertaken by Officers during the coming months to review savings proposals that have previously been considered but not yet implemented, and to identify new savings proposals for consideration.

4.8 Schools Medium-Term Financial Plan

4.8.1 An updated MTFP for schools is attached as Appendix 5. This update assumes that schools will receive an annual uplift in funding of 1.25% but this position will be subject to review as savings requirements are firmed up. Cabinet will note that there is a shortfall of 0.28% for 2017/18, 0.35% for 2018/19, 0.48% for 2019/20, 0.35% for 2020/21 and 0.47% for 2021/22.

5. WELL-BEING OF FUTURE GENERATIONS

5.1 Effective financial planning is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

6.1 An EIA screening has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential for unlawful discrimination and/or low level or minor negative impact has been identified regarding this report; therefore a full EIA has not been carried out.

7. FINANCIAL IMPLICATIONS

7.1 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

8.1 Where staff reductions are required the Council will firstly try to achieve this through 'natural wastage' and not filling vacancies. However, where this is not possible then every opportunity will be taken to find alternative employment through the Council's redeployment policy. The Council will also utilise other policies as appropriate e.g. voluntary severance.

9. CONSULTATIONS

9.1 The draft 2017/18 savings proposals presented to Cabinet on the 30th November 2016 continue to follow the principles previously agreed by Council which in essence seek to limit the impact of savings on front-line services. The proposed savings for 2017/18 will have limited (if any) impact on the public so the extensive consultation process that has been followed in recent years has not been necessary.

9.2 The Council has consulted and engaged with key stakeholders but this has been a more general approach than last year as we do not have long lists of saving proposals to consult upon. The budget consultation took place over a six week period from the 5th December 2016 until the 14th January 2017. A short questionnaire was developed to seek views on the draft budget proposals and was made available on the Council's website and promoted via social

media. The survey was also distributed to a wide range of key stakeholders and groups via e-mail and in printed format.

- 9.3 In total, 41 completed surveys were returned and whilst this figure may seem low, it was expected given the nature of the proposed savings. A more detailed report on the outcome of the consultation is available on the Council's website through the following link: -

<http://www.caerphilly.gov.uk/involved/Consultations/Budget-consultation-report>

- 9.4 In general, there was a positive response to the proposals set out and an acceptance that the Council is doing the best it can in difficult circumstances. There were a number of general themes in the responses: -

- There was general agreement that self-management of bowling greens was an acceptable solution.
- There were mixed views on the 1% increase in Council Tax.
- Questions were raised over "nil impact" savings. It was noted that cutting back-office staff may not have a direct public impact, but it can ultimately have an impact on the services delivered on the front-line.
- There was disagreement with removal of the park ranger service.
- There were a number of responses received in objection to increasing car parking charges at country parks by a number of residents who are members of a walking group.

- 9.5 A number of suggestions were made to lessen the impact of savings proposals although it was noted that few proposals have a direct impact on residents: -

- The Council should focus on increasing income and reviewing expenditure on non-essential items.
- Working in partnership with others where necessary, the Council should capitalise on the assets available e.g. working with Cadw to increase visitors to Caerphilly Castle and the Town Centre.
- Streamline senior management and decision-making processes.
- Provide a good quality service therefore reducing complaints.

- 9.6 Special Scrutiny Committee meetings were held throughout December 2016 to provide Members with the opportunity to comment upon the draft 2017/18 budget proposals. The minutes of these meetings are attached as Appendices 6 to 9. The minutes of the Special Education for Life Scrutiny Committee are draft and subject to approval at this stage.

10. RECOMMENDATIONS

- 10.1 Prior to consideration and determination at Council on the 22nd February 2017, Cabinet is asked to endorse the following: -

10.1.1 That the grants passported into/out of the Financial Settlement and the funding for new responsibilities are passed directly to those services that they relate to (paragraphs 4.2.2, 4.2.3 and 4.2.4).

10.1.2 The proposed savings for 2017/18 totalling £9.046m as set out in paragraph 4.3.1 of this report.

10.1.3 The Revenue Budget proposals for 2017/18 of £325.431m as set out in this report and summarised in Appendix 1.

10.1.4 The proposed Capital Programme for the period 2017/18 to 2019/20 as set out in Appendix 2.

10.1.5 The proposed use of General Fund balances as detailed in Appendix 3.

10.2 Cabinet is also asked to note the updated MTFP detailed in Appendix 4 of this report and the indicative savings requirement of £37.835m for the five-year period 2017/18 to 2021/22.

11. REASONS FOR THE RECOMMENDATIONS

11.1 Council is required annually to approve proposals to set a balanced budget and agree a Council Tax rate.

11.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

12. STATUTORY POWER

12.1 The Local Government Acts 1998 and 2003.

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Consultees: - Corporate Management Team
Gail Williams, Interim Head of Legal Services & Monitoring Officer
Cllr Keith Reynolds, Leader
Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services
Cllr David Poole, Deputy Leader & Cabinet Member for Housing

Background Papers: -

- Council (24/02/16) - Budget Proposals 2016/17 and Medium-Term Financial Strategy 2016/2021
- Council (19/07/16) – Cardiff Capital Region City Deal
- Provisional 2017/18 Local Government Financial Settlement (19/10/16)
- Council (22/11/16) – Internal Investigation of Senior Officers – Additional Financial Provision for Legal Costs
- Cabinet (30/11/16) – Draft Budget Proposals for 2017/18
- Final 2017/18 Local Government Financial Settlement (21/12/16)
- Council (24/01/17) – Review of Minimum Revenue Provision Policy
- Council (31/01/17) – Cardiff Capital Region – City Deal (CCR City Deal)

Appendices: -

- Appendix 1 Net Revenue Budget 2017/18
- Appendix 2 Capital Programme 2017/18 to 2019/20
- Appendix 3 Movements on General Fund
- Appendix 4 Updated Medium-Term Financial Plan 2017/18 to 2021/22
- Appendix 5 Schools Medium-Term Financial Plan 2017/18 to 2021/22
- Appendix 6 Approved Minutes – Special Policy & Resources Scrutiny Committee (07/12/16)
- Appendix 7 Draft Minutes – Special Education for Life Scrutiny Committee (15/12/16)
- Appendix 8 Approved Minutes – Special Regen & Environment Scrutiny Committee (19/12/16)
- Appendix 9 Approved Minutes – Special HSC&WB Scrutiny Committee (21/12/16)

NET REVENUE BUDGET 2017/18

| | £m | £m |
|---|-----------|------------------|
| Base Budget 2016/17 | | 324.391 |
| 2017/18 Transfers In | | |
| Delivering Transformation Grant | 0.171 | |
| Deprivation of Liberty Safeguards | 0.010 | |
| Blue Badge Scheme Additional Funding | 0.001 | |
| Food Hygiene Rating Scheme | 0.003 | 0.185 |
| 2017/18 Transfers Out | | |
| Education Workforce Council Teacher Registration Fees | | (0.062) |
| Other passported grants | | |
| Integrated Family Support Service | (0.173) | |
| Private Finance Initiative (PFI) | (0.201) | |
| Council Tax Reduction Scheme | 0.091 | (0.283) |
| New Responsibilities | | |
| Increasing Capital Limits for Residential Care | 0.244 | |
| War Disablement Pension Disregard | 0.018 | |
| Homelessness Prevention | 0.283 | 0.545 |
| Whole Authority Cost Pressures | | |
| Pay – Weighted average increase of 1.2% | 1.367 | |
| Living Wage (assumed increase of 20p per hour) | 0.148 | |
| Non-pay inflation at 1.6% | 2.061 | 3.576 |
| Inescapable Service Pressures | | |
| Apprenticeship Levy | 0.454 | |
| Additional holiday pay (staff working variable hours) | 0.425 | |
| Welsh Language Standards | 0.250 | |
| Tir-yr-Berth Depot – Running costs | 0.075 | |
| Increase in funding for schools (1.25%) | 1.334 | |
| Social Services cost pressures | 3.500 | |
| City Deal Partnership Revenue Contribution | 0.060 | |
| Coroners Service | 0.027 | 6.125 |
| Savings Proposals 2017/18 | | (9.046) |
| Proposed Expenditure | | 325.431 |
| Funding | | |
| WG Support | | (263.627) |
| Council Tax (1.0%) | | (60.404) |
| Council Tax Surplus | | (1.400) |
| Total Funding | | (325.431) |

CAPITAL PROGRAMME 2017/18 – 2019/20

| Scheme | Indicative | | |
|---|------------------|------------------|------------------|
| | 2017/18 £000s | 2018/19 £000s | 2019/20 £000s |
| <u>Education & Lifelong Learning</u> | | | |
| Health & Safety Reg Works | 300 | 300 | 300 |
| Basic Needs Accommodation | 225 | 225 | 225 |
| School Security | 100 | 100 | 100 |
| Asset Management | 600 | 600 | 600 |
| School Boiler Replacement Programme | 220 | 220 | 220 |
| Total Education & Lifelong Learning | 1,445 | 1,445 | 1,445 |
| | | | |
| <u>Communities</u> | | | |
| Cemeteries | 409 | 0 | 0 |
| Sports Pitches (Drainage) | 30 | 30 | 30 |
| Total Community & Leisure Services | 439 | 30 | 30 |
| | | | |
| Environmental Schemes | 230 | 232 | 232 |
| Total Countryside | 230 | 232 | 232 |
| | | | |
| Voluntary Sector Capital Grants | 100 | 100 | 100 |
| Total Economic Development | 100 | 100 | 100 |
| | | | |
| Infrastructure Retaining Walls, Culverts etc. | 317 | 317 | 317 |
| Forward Programme Advance Design/Land | 42 | 42 | 42 |
| Major Highway Reconstruction | 750 | 750 | 750 |
| Bridge Strengthening | 447 | 447 | 447 |
| Land Drainage - Corporate | 125 | 125 | 125 |
| Land Drainage – Non-Corporate | 125 | 125 | 125 |
| Vehicle Restraint Systems | 150 | 150 | 150 |
| Corporate Maintenance - Tips/Mines/Spoils | 250 | 250 | 250 |
| Street Lighting | 50 | 50 | 50 |
| Monmouth & Brecon Canal | 212 | 212 | 212 |
| Footway Reconstruction | 150 | 150 | 150 |
| Total Engineers | 2,618 | 2,618 | 2,618 |
| | | | |
| Disabled Facility Grants | 1,150 | 1,150 | 1,150 |
| Home Improvement Grants/Misc | 250 | 250 | 250 |
| Minor Works | 800 | 800 | 800 |
| Total Private Housing | 2,200 | 2,200 | 2,200 |

| Scheme | Indicative | | |
|---|------------------|------------------|------------------|
| | 2017/18 £000s | 2018/19 £000s | 2019/20 £000s |
| Commercial and Industrial Grants | 50 | 50 | 50 |
| Town Centres | 40 | 20 | 20 |
| Navigation Colliery Site Regeneration | 20 | 20 | 20 |
| Total Urban Renewal | 110 | 90 | 90 |
| Total Communities | 5,697 | 5,270 | 5,270 |
| <u>Social Services/Public Protection</u> | | | |
| CCTV Replacement | 75 | 75 | 75 |
| Kitchen Refurbishments | 425 | 425 | 425 |
| Total Public Protection | 500 | 500 | 500 |
| Condition Surveys | 350 | 350 | 350 |
| Total Social Services | 350 | 350 | 350 |
| Total Social Services/Public Protection | 850 | 850 | 850 |
| <u>Corporate Services</u> | | | |
| IT Hardware & Software | 295 | 235 | 235 |
| Total ICT & Customer Services | 295 | 235 | 235 |
| Corporate Asset Management | 700 | 700 | 700 |
| Total Property | 700 | 700 | 700 |
| Total Corporate Services | 995 | 935 | 935 |
| Capital Earmarked Reserve | 7,469 | 0 | 0 |
| Total General Fund Capital Programme: - | 16,456 | 8,500 | 8,500 |

MOVEMENTS ON GENERAL FUND

| | £000's | £000's |
|--|--------------|----------------------|
| Opening Balance 01/04/2016 | | 12,615 |
| 2015/16 Council Tax Surplus to Support 2016/17 Budget | | (1,400) |
| Take from General Fund agreed by Council | | |
| Additional provision for senior pay investigation legal costs | (150) | |
| 2016/17 City Deal Partnership revenue contribution | <u>(60)</u> | (210) |
| Projected Take to General Fund from 2016/17 Underspends: - | | |
| Education and Lifelong Learning | 9 | |
| Environment | 213 | |
| Corporate Services | 635 | |
| Miscellaneous Finance | <u>1,967</u> | 2,824 |
| Estimated 2016/17 Council Tax Surplus | | 1,400 |
| Approved Transfers to General Fund from Earmarked Reserves: - | | |
| Corporate Services - Policy | 32 | |
| Corporate Services - Recruitment Advertising & Legal Costs | 133 | |
| Corporate Services - Housing Benefits | 100 | |
| Corporate Services – Miscellaneous | 288 | |
| Education & Lifelong Learning - Service Initiatives Reserve | <u>28</u> | 581 |
| 2016/17 Council Tax Surplus to Support 2017/18 Budget | | (1,400) |
| Provision for back-dated additional holiday pay | | (500) |
| Projected Balance 31/03/17 | | <u>13,910</u> |

MEDIUM-TERM FINANCIAL PLAN 2017/18 TO 2021/22

| Description | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| WG Funding (+0.12% for 2017/18 then cash flat) | 0.326 | 0.000 | 0.000 | 0.000 | 0.000 |
| Council Tax (1%, 2%, 2.5%, 3%, 3%) | 0.714 | 1.393 | 1.735 | 2.102 | 2.172 |
| Total Funding | 1.040 | 1.393 | 1.735 | 2.102 | 2.172 |
| | | | | | |

| | | | | | |
|---|--------------|---------------|---------------|---------------|---------------|
| Pay (weighted average increase of 1.2% per annum) | 1.367 | 1.383 | 1.400 | 1.417 | 1.434 |
| Living Wage (assumes pledge funds schools) | 0.148 | 0.148 | 0.148 | 0.148 | 0.148 |
| Non-Pay Inflation (1.6%, 2%, 2.5%, 3%, 3%) | 2.061 | 2.628 | 3.367 | 4.161 | 4.286 |
| Fees and Charges (0%, 2%, 2.5%, 3%, 3%) | 0.000 | (0.326) | (0.418) | (0.517) | (0.532) |
| New Responsibilities | 0.545 | 0.000 | 0.000 | 0.000 | 0.000 |
| Transfers In/Out and Other Passported Grants | (0.160) | 0.000 | 0.000 | 0.000 | 0.000 |
| Sub-Total | 3.961 | 3.833 | 4.497 | 5.209 | 5.336 |
| | | | | | |
| Service Pressures/Additional Funding | | | | | |
| CTRS Additional Liability (0%, 2%, 2.5%, 3%, 3%) | 0.000 | 0.299 | 0.381 | 0.468 | 0.482 |
| Apprenticeship Levy | 0.454 | 0.000 | 0.000 | 0.000 | 0.000 |
| Additional holiday pay (staff working variable hours) | 0.425 | 0.000 | 0.000 | 0.000 | 0.000 |
| Welsh Language Standards | 0.250 | 0.000 | 0.000 | 0.000 | 0.000 |
| Tir-yr-Berth Depot – Running costs | 0.075 | 0.000 | 0.000 | 0.000 | 0.000 |
| Increase in funding for schools (1.25% per annum) | 1.334 | 1.351 | 1.367 | 1.385 | 1.402 |
| Social Services cost pressures | 3.500 | 1.500 | 1.500 | 1.500 | 1.500 |
| City Deal Partnership Revenue Contribution | 0.060 | 0.060 | 0.000 | 0.000 | 0.000 |
| City Deal Debt Charges | 0.000 | 0.050 | 0.091 | 0.104 | 0.109 |
| Coroners Service | 0.027 | 0.000 | 0.000 | 0.000 | 0.000 |
| Employer Pension Contributions | 0.000 | 0.928 | 0.937 | 0.947 | 0.956 |
| Sub-Total | 6.125 | 4.188 | 4.275 | 4.404 | 4.449 |
| | | | | | |
| Annual Shortfall | 9.046 | 6.628 | 7.037 | 7.511 | 7.613 |
| | | | | | |
| Cumulative Shortfall | 9.046 | 15.674 | 22.711 | 30.222 | 37.835 |

SCHOOLS MEDIUM-TERM FINANCIAL PLAN 2017/18 TO 2021/22

| | <u>2017/18</u> <u>£m</u> | <u>2018/19</u> <u>£m</u> | <u>2019/20</u> <u>£m</u> | <u>2020/21</u> <u>£m</u> | <u>2021/22</u> <u>£m</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Indicative Increase in funding (1.25%) | 1.334 | 1.351 | 1.367 | 1.385 | 1.402 |
| Inflationary pressures | | | | | |
| Pay award – Teachers (EST 1%, 1%, 1%, 1%, 1%) | 0.683 | 0.690 | 0.697 | 0.704 | 0.711 |
| Pay award - APT&C (Weighted average of 1.2%) | 0.144 | 0.146 | 0.148 | 0.150 | 0.152 |
| Non-pay inflation (1.6%, 2%, 2.5%, 3%, 3%) | 0.297 | 0.374 | 0.474 | 0.582 | 0.599 |
| Apprenticeship Levy (0.5%) | 0.383 | 0.000 | 0.000 | 0.000 | 0.000 |
| Service pressures | | | | | |
| Formula related changes (i.e. floor area, FSM) | 0.150 | 0.150 | 0.150 | 0.150 | 0.150 |
| Projected demographic increase/(decrease) | (0.057) | 0.322 | 0.361 | 0.145 | 0.260 |
| TOTAL PRESSURES | 1.600 | 1.682 | 1.830 | 1.731 | 1.872 |
| Less indicative increase in funding | 1.334 | 1.351 | 1.367 | 1.385 | 1.402 |
| Projected (shortfall)/growth | (0.266) | (0.331) | (0.463) | (0.346) | (0.470) |
| Percentage shortfall | (0.28%) | (0.35%) | (0.48%) | (0.35%) | (0.47%) |

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



SPECIAL EDUCATION FOR LIFE SCRUTINY COMMITTEE

**DRAFT MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH
ON THURSDAY, 15TH DECEMBER 2016 AT 5.30PM.**

PRESENT:

Councillor W. David - Chair
Councillor J. Pritchard - Vice-Chair

Councillors:

P.J. Bevan, H.R. Davies, M.P. James, Mrs. P. Marsden, D.W.R. Preece, D. Rees,
J.E. Roberts, R. Saralis, Mrs M.E. Sargent, J. Simmonds.

Together with:

K. Cole (Chief Education Officer), N. Scammell (Acting Director of Corporate Services and S151 Officer), S. Richards (Principal Finance Officer), S. Ead (Solicitor), A. Dredge (Committee Services Officer).

Also Present:

Co-opted Members: Mr D. Davies (Caerphilly Governors Association), Mr M. Barry and Mr R. Morgan (Parent Governors), Mr. M. Western (Cardiff Archdiocesan Commission for Education Representative).

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J. Bevan, C. Gordon, G. Johnston, Mrs G.D. Oliver and Mrs P.J. Ireland and Mrs J. Havard (NUT).

2. DECLARATIONS OF INTEREST

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

3. DRAFT BUDGET PROPOSALS FOR 2017/18

The Acting Director of Corporate Services and S151 Officer introduced the report that provided Members with the draft budget proposals for the 2017/18 financial year that had been presented to Cabinet on the 30th November 2016. As part of the consultation process on the draft budget proposals the Scrutiny Committee was asked to consider and comment upon the content of the report prior to a final decision being made in February 2017.

Members noted the headline issues in the Welsh Government Provisional 2017/18 Local Government Financial Settlement (that was published on 19th October 2016) and details of the draft budget proposals for 2017/18 were set out. The report detailed Whole Authority Cost Pressures (£2.745m), Inescapable Service Pressures (£6.186m), and the Reduction in Welsh Government Funding (£0.608m). Additionally, the report outlined draft savings proposals for 2017/18 (£8.653m) and a proposed Council Tax Uplift of 1% (£0.886) which will ensure that a balanced budget is deliverable for 2017/18.

The report outlined the pressures placed on service areas, with significant pressure on Social Services for essential payments in relation to the National Living Wage that had an impact on supplier's contract prices to Caerphilly County Borough Council and the ever-increasing demand for services in both Adult and Children's Services. As a result, the report proposed that £3.5m be allocated in the 2017/18 budget to meet ongoing financial pressures within Social Services. It was explained that cost pressures for schools are excluded as these will be funded through a proposed increase of 1.25% that will fund pay and non-pay inflationary increases and will also fund the majority of the cost of the impact of the Apprenticeship Levy in relation to Schools. Members were advised that although the Levy will be introduced by the UK Government from April 2017 and will be applicable in Wales, it is currently unknown how this will operate in Wales and how funding will be made available in Wales.

The Scrutiny Committee were informed that although the provisional 2017/18 financial settlement is much better than originally anticipated, the emerging cost pressures identified have resulted in a net savings requirement of £8.653m. Included in the proposals are £3.037m of savings identified for 2017/18 that do not have a direct impact on service users or the public. A saving of £3.5m has also been proposed through undertaking a review of the Authority's Minimum Revenue Provision Policy, which was recently reported to the Policy and Resources Scrutiny Committee. A Members' Seminar has been scheduled for 12th January 2017, which will allow Members to be fully briefed on the proposed changes, ahead of the proposals being presented to Cabinet and thereafter Council for consideration.

During the course of the ensuing debate, a Member queried the matter of bowling green rationalisation (agreed by Cabinet in March 2016). Officers confirmed that a consultation was undertaken as part of the process and details of the approved changes were set out. Another Member queried the figure set aside for Welsh Language Standards and was advised that significant financial pressures are being experienced in this area due to the new Welsh Language Standards and the Local Authority must comply with the legislation or the Council could receive significant fines from the Welsh Language Commissioner.

Clarification was sought in relation to the 'nil impact' vacancy management savings detailed in the report, with Members expressing concerns in relation to the impact that staffing reductions and subsequent service pressures could have on individuals. Officers outlined the context of these proposals and confirmed they were not aware of any compulsory redundancies as a result of savings and enquiries would be made following the meeting and the information distributed. A Member requested statistics of stress related sickness levels of staff within schools and was assured that the Council is committed to promoting employee wellbeing and reducing work-related stress as much as possible. These figures would also be provided following the meeting. Officers also explained that appropriate consultation with staff and trade unions will be undertaken prior to any restructuring arrangements being implemented.

Following consideration and discussion and subject to there being no compulsory redundancies, it was moved and seconded that the recommendations in paragraph 10 of the report be supported. Paragraph 10.1. and 10.2. was supported by the majority present with 1 abstention and paragraph 10.1.3. was unanimously agreed.

RESOLVED that subject to the foregoing, the Education for Life Scrutiny Committee supported:

- (i) subject to there being no compulsory redundancies, the draft 2017/18 budget proposals including the proposed savings totalling £8.653m be endorsed;
- (ii) subject to there being no compulsory redundancies, 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 supported;
- (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 6.30pm.

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 2017. they were signed by the Chair.

CHAIR

SPECIAL REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE

**MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON
MONDAY 19TH DECEMBER 2016 AT 5.30 P.M.**

PRESENT:

Councillor D.T. Davies - Chair
Councillor Mrs E.M. Aldworth – Vice-Chair

Councillors:

M. Adams, L. Harding, R.W. Gough, S. Kent, P. Marsden, M.J. Prew

Cabinet Member:

T.J. Williams (Highways, Transportation and Engineering)

Together with:

N. Scammell (Acting Director of Corporate Services and Section 151 Officer), S. Harris (Interim Head of Corporate Finance), M. Eedy (Finance Manager - Environment Directorate), L. Dallimore (Medium Term Financial Plan Programme Coordinator), B. Davies (Solicitor) and R. Barrett (Committee Services Officer)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors C.J. Cuss, C. Elsbury, Mrs A. Leonard and Mrs E. Stenner, together with Cabinet Members N. George (Community and Leisure Services) and K. James (Regeneration, Planning and Sustainable Development).

2. DECLARATIONS OF INTEREST

Councillor D.T. Davies declared an interest in Agenda Item 3 (Draft Budget Proposals for 2017/18) in respect of Bowling Green rationalisation. Details are minuted with the respective item.

REPORTS OF OFFICERS

Consideration was given to the following report.

3. DRAFT BUDGET PROPOSALS FOR 2017/18

Councillor D.T. Davies declared an interest in this item as he is a member of Bargoed Bowls Club. In that the interest was deemed to be personal and not prejudicial, he remained in the meeting room during consideration of the item.

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 WG Provisional 2017/18 Local Government Financial Settlement (which was published on 19th October 2016) and the details of the draft budget proposals for 2017/18. The report detailed Whole Authority Cost Pressures (£2.745m), Inescapable Service Pressures (£6.186m), and the Reduction in Welsh Government Funding (£0.608m). Additionally, the report outlined draft savings proposals for 2017/18 (£8.653m) and a proposed Council Tax Uplift of 1% (£0.886m) which will ensure that a balanced budget is deliverable for 2017/18.

The report outlined the financial pressures placed on service areas, with significant pressure on Social Services for essential payments in relation to the National Living Wage that had an impact on suppliers' contract prices to CCBC, and the ever-increasing demand for services in both Adult and Children's Services. As a result, the report proposed that £3.5m be allocated in the 2017/18 budget to meet the ongoing financial pressures within Social Services. It was explained that cost pressures for schools are excluded as these will be funded through a proposed increase of 1.25% in the funding provided to schools.

Members were advised that although the provisional 2017/18 financial settlement is better than originally anticipated, the emerging cost pressures identified have resulted in a net savings requirement of £8.653m. Members were referred to Table 6 of the report, which 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. Included in the proposals are £3.037m of savings identified for 2017/18 that do not have a direct impact on service users or the public. A saving of £3.5m has also been proposed through undertaking a review of the Authority's Minimum Revenue Provision Policy, details of which were reported to the Policy and Resources Scrutiny Committee on the 7th December 2016. A Members' Seminar has been scheduled for the 12th January 2017 which will allow Members to be fully briefed on the proposed changes, ahead of the proposals being presented to Cabinet and thereafter Council for consideration.

During the course of the ensuing debate, reference was made to 'nil impact' savings (such as vacancy management, budget realignment and service provision). Members expressed a need for the Council to be mindful of staff wellbeing when applying these savings, and raised concerns regarding staffing reductions (especially in smaller teams) and the impact that subsequent service pressures could have on individuals. Officers gave examples of how these reductions could be spread out (such as a loss of a 0.5fte post in a team of 30 staff) and agreed to circulate further information to the Scrutiny Committee for sickness data related to work-related stress.

Members were assured that the Council is committed to promoting employee wellbeing and reducing work-related stress for all its employees as much as possible. Officers also explained that appropriate consultation will take place with staff and trade unions before any restructuring arrangements are implemented. Moving forward, Members were reminded of the difficult times faced by the Authority and the continued need to examine potential savings across all service areas. Officers advised that 'nil' impact savings would present a much smaller proportion of savings moving forward.

Discussion took place regarding the details of Bowling Green rationalisation (agreed by Cabinet in March 2016) and Officers confirmed that this process had entailed a number of voluntary redundancy severance arrangements. Members sought further information on the Apprenticeship Levy, and Officers explained that there is currently no clear guidance from Welsh Government on this matter. Reference was also made to a shortfall in income generation for car parking charges at country parks during 2016/17 and Officers confirmed that measures were being looked at to ensure the income target was achieved.

Following consideration and discussion of the report, it was moved and seconded that the following recommendations be supported. By a show of hands (and in noting there was 1 abstention), 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 supported;
- (iii) the consultation process for the draft budget proposals be endorsed, prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.

The meeting closed at 5.56 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 14th February 2017, they were signed by the Chair.

CHAIR

SPECIAL HEALTH, SOCIAL CARE AND WELLBEING SCRUTINY COMMITTEE

**MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON
WEDNESDAY 21ST DECEMBER 2016 AT 5.30 P.M.**

PRESENT:

Councillor L. Ackerman - Chair

Councillors:

Mrs E.M. Aldworth, Mrs A. Blackman, M. Evans, Ms J. Gale, D.C. Harse, A. Lewis,
J.A. Pritchard

Together with:

D. Street (Corporate Director - Social Services), S. Harris (Interim Head of Corporate Finance), L. Dallimore (Medium Term Financial Plan Programme Coordinator), E. Sullivan (Scrutiny Officer) and R. Barrett (Committee Services Officer)

1. MISS LOUISE PRICE

The Chair announced that Miss Louise Price had recently resigned as a co-opted member of the Scrutiny Committee. Members placed on record their appreciation to Miss Price for her valued contribution to the work of the Committee and wished her well in her future endeavours. It was agreed that a letter be sent to Miss Price on behalf of the Committee to thank her for her diligence in carrying out her role as an advocate for other service users across the county borough.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors L. Gardiner, G.J. Hughes, Miss L. Jones and Mrs A. Leonard, together with Cabinet Members N. George (Community and Leisure Services) and R. Woodyatt (Social Services).

3. 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 report.
- ### **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 WG Provisional 2017/18 Local Government Financial Settlement (which was published on 19th October 2016) and the details of the draft budget proposals for 2017/18. The report detailed Whole Authority Cost Pressures (£2.745m), Inescapable Service Pressures (£6.186m), and the Reduction in Welsh Government Funding (£0.608m). Additionally, the report outlined draft savings proposals for 2017/18 (£8.653m) and a proposed Council Tax Uplift of 1% (£0.886m) which will ensure that a balanced budget is deliverable for 2017/18.

The report outlined the financial pressures placed on service areas, with significant pressure on Social Services for essential payments in relation to the National Living Wage that had an impact on suppliers' contract prices to CCBC, and the ever-increasing demand for services in both Adult and Children's Services. Members were reminded that the 2016/17 revenue budget approved by Council in February 2016 included a contingency of £2.5m which has now been permanently transferred into the Social Services base budget to meet these cost pressures. The report proposed that a further sum of £3.5m be allocated in the 2017/18 budget to meet the ongoing financial pressures within Social Services. It was explained that cost pressures for schools are excluded as these will be funded through a proposed increase of 1.25% in the funding provided to schools.

Members were advised that although the provisional 2017/18 financial settlement is better than originally anticipated, the emerging cost pressures identified have resulted in a net savings requirement of £8.653m. Members were referred to Table 6 of the report, which 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. Included in the proposals are £3.037m of savings identified for 2017/18 that do not have a direct impact on service users or the public. A saving of £3.5m has also been proposed through undertaking a review of the Authority's Minimum Revenue Provision (MRP) policy, details of which were reported to the Policy and Resources Scrutiny Committee on the 7th December 2016. A Members' Seminar has been scheduled for the 12th January 2017 which will allow Members to be fully briefed on the proposed changes to the MRP policy, ahead of the proposals being presented to Cabinet and thereafter Council for consideration.

During the course of the ensuing debate, a Member queried whether the non-pay inflation at 1% (£1.128m) contained within Whole Authority Cost Pressures was a realistic calculation, given the uncertainty of the current economic climate. Officers explained that appropriate consideration had been given to the Consumer Price Index (CPI) in making this calculation and that inflation over the longer term would be considered as part of the Medium Term Financial Plan going forward over the next 4 years.

A query was received as to why the potential saving of £3.5m proposed through a review of the Council's MRP policy had not been examined in previous years. Officers explained that although legislation surrounding the calculation of MRP changed in 2007/08 to allow local authorities to set their own policy, authorities have only examined this in recent years in response to ongoing austerity measures. Furthermore, audit guidance on this matter was only issued by the Wales Audit Office in January 2016.

Concerns were raised that a change to the MRP policy could lead to an extended period of repayments by the Council, and of the implications of allocating funds to revenue rather than capital accounts. Officers clarified the processes relating to the MRP policy and explained that at a special meeting on 7th December 2016, the Policy and Resources Scrutiny Committee were in favour of annuity being applied to both supported and unsupported borrowing. Members were advised that further details on these matters would be provided at the Members' Seminar arranged for 12th January 2017.

Further information was sought regarding the ongoing cost pressures faced by Social Services and the need for further funding in this regard. Officers explained that although the £2.5m transferred into the base budget has helped to meet cost pressures within Social Services for 2016/17, there is a need for additional funding moving forward to meet further cost pressures in relation to incremental increases in the National Living Wage and additional demand for services.

Officers outlined the need to appropriately balance staffing levels with service requirements during a period of reduced funding. Members were advised that there is increased demand within Children's Services arising from more complex behaviours being experienced, and that longer life expectancies have resulted in increased demands on Adult Services. It was explained that the proposed £3.5m additional funding will allow services to be maintained at their current level for 2017/18, but that in future years, if such funds cannot be secured, there may be a need to deliver resources in an alternative way or to those in the greatest need.

A Member enquired as to whether consideration had been given to increasing Council Tax over the proposed level of 1%. Officers explained that the Scrutiny Committee is able to put forward a view on this proposal if it wishes to do so. Members were also informed of the disparity between social care funding and healthcare funding and of the challenges this presents to local authorities across Wales.

Clarification was sought on the 'nil impact' vacancy management savings detailed in the report, with Members expressing concerns in relation to the impact that staffing reductions and subsequent service pressures could have on individuals. Officers outlined the context of these proposals, explaining that of the 11 posts identified for vacancy management across the service, 10 of these are currently vacant. It was explained that changing legislation has placed additional demands on Social Services and limited the resources available, and Members were also reminded of the difficult times faced by the Authority and the continued need to examine potential savings across all service areas.

A Member raised a query regarding contrasting information as to the total number of staff employed by the Authority. It was confirmed that arrangements would be made to circulate accurate figures to the Scrutiny Committee. In response to a query regarding running costs at Tiryberth Depot (as part of Inescapable Service Pressures and Other Service Commitments) it was explained that the shortfall of £75k is due to a loss of income from the Housing Revenue Account (as staff from that service area have moved to other locations).

Following consideration and discussion, it was unanimously agreed that the contents of the report be noted and that the recommendations contained therein be supported.

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 supported;
- (iii) the consultation process for the draft budget proposals be endorsed, prior to final 2017/18 budget proposals being presented to Cabinet and Council in February 2017.

The meeting closed at 6.07 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 7th February 2017, they were signed by the Chair.

CHAIR

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