SCRUTINY COMMITTEE (CORPORATE RESOURCES)

Minutes of a meeting held on 9th December, 2014.

Present: Councillor M.R. Wilson (Chairman): Councillor Mrs. P. Drake (Vice-Chairman); Councillors K.J. Geary, K. Hatton, H.J.W. James, P. King, R.A. Penrose and G. Roberts.

Also present: Councillor N. Moore.

674 APOLOGIES FOR ABSENCE –

These were received from Councillors H.C. Hamilton and A.C. Williams.

675 MINUTES –

RECOMMENDED – T H A T the minutes of the meeting held on 11th November 2014 be approved as a correct record.

676 DECLARATIONS OF INTEREST –

There were no declarations received.

677 IMPROVEMENT PLAN PART 2: ANNUAL REVIEW OF PERFORMANCE 2013/14 (REF) –

The Scrutiny Committee (Social Care and Health) at its meeting on 6th October 2014, had considered the above matter and at that time had subsequently recommended "that the issues and challenges affecting the performance in respect of Children's and Adult services be noted". The matter had been referred to the Scrutiny Committee (Corporate Resources) for completeness and to indicate to the Scrutiny Committee (Corporate Resources) that the Scrutiny Committee (Social Care and Health) was "**closely assessing the performance of key strategic Performance indicators**".

Having regard to the above, it was

RECOMMENDED – T H A T the position in respect of the above be noted.

Reason for recommendation

In acknowledgement of the Scrutiny Committee (Social Care and Health)'s responsibility for monitoring performance in respect of Children's and Adult Services.

678 IMPROVEMENT PLAN PART 2: ANNUAL REVIEW OF PERFORMANCE 2013/14 (REF) –

The Scrutiny Committee (Lifelong Learning) at its meeting on 13th October 2014, had considered the above matter and at that time had subsequently recommended

“(1) T H A T the issues affecting performance in relation to NEETS be noted.

(2) T H A T Cabinet and Scrutiny Committee (Corporate Resources) be informed that the Scrutiny Committee would, as identified in its work programme, continue to monitor the provision of NEETS but would request that Cabinet give consideration to further resources being provided to support work in schools as outlined above”.

The matter had been referred to the Scrutiny Committee (Corporate Resources) for completeness and to indicate to the Scrutiny Committee (Corporate Resources) that the Scrutiny Committee (Lifelong Learning) would “**continue to monitor the provision of NEETS and to request Cabinet consideration regarding future resources**”.

Having regard to the above, it was

RECOMMENDED – T H A T the Scrutiny Committee (Corporate Resources) notes that the Scrutiny Committee (Lifelong Learning) would continue to monitor the provision of NEETS and further notes the request to Cabinet regarding consideration of future resources for the service.

Reason for recommendation

In acknowledgement of the Scrutiny Committee (Lifelong Learning)’s responsibility for monitoring key Performance Indicators which fell within the Scrutiny Committee’s remit.

679 SICKNESS ABSENCE REPORT – APRIL 2014 TO SEPTEMBER 2014 (REF) –

The above matter was considered by the Cabinet at its meeting held on 28th November 2014 and subsequently referred the matter to the scrutiny Committee for information.

The Head of Human Resources referred to the report which set out the half-yearly sickness absence information for the period 1st April, 2014 to 30th September, 2014 and covered both corporate employees and those employed directly by schools. The outturn figures had been measured against the agreed targets for the financial year.

The report also included details of comparative sickness absence figures for the same period in the previous year, 1st April 2013 to 30th September 2013, to assist performance monitoring of sickness absence over the two years and to draw meaningful comparisons.

The sickness absence for employees who were in Corporate and Customer Services for Quarter 1 had been included in the relevant Directorate to which they transferred as part of the recent Directorate review (denoted with an asterisk). This allowed for meaningful comparisons across the whole of the financial year 2014-15 and onwards. Further information could be found in Appendix A attached to the report. It was noted that Corporate and Customer Services' original annual target had been 8.48.

A summary of sickness absence within each Directorate was set out below and a further breakdown of absence within each Service area was included at Appendix B attached to the report.

	April to Sept 2013	April to Sept 2014		
Directorate	Average days / shifts lost per FTE	Average days / shifts lost per FTE	Half-year target	Revised annual target
Social Services	5.42	6.31	5.46	10.92
Development Services	3.07	2.96	2.66	5.31
Visible and Housing Services	6.93	6.42	5.87*	11.74*
Resources	3.21	4.00	4.29*	8.57*
Learning and Skills	3.41	4.04	3.39*	6.77*
Totals - excluding Schools	4.79	5.19	4.45	8.90
Schools	3.27	3.53		
Totals - including Schools	4.05	4.35	4.45	8.90

A representation of the top three reasons for absence by Directorate was set out in Appendix C attached to the report.

He also referred to and drew the Committee's attention to the improving picture with the reduction of absence levels in the two Directorates of Development Services and Visible and Housing Services when compared to the same period in 2013/14 and also to the absence outturn figures for Resources which were lower than the half year target. He also made reference to the favourable comparisons with other Welsh Local Authorities. However, despite these improvements there was no reason to be complacent. His attention then turned to the top 50 ongoing absence management cases and associated monthly review arrangements which were aimed at reducing long term absences. He also made reference to dialogue with the Council trade unions relating to shifting the focus from short term to long term absenteeism. Finally, he referred to the recent appointment of a new Occupational Health Manager who would bring a different emphasis in approach to tackling absenteeism within the Council.

A Member of the Committee referred to the stress figures contained within the report which made up a significant proportion of absences and enquired if a co-operative approach could be taken in terms of identifying best practice with other Authorities and other bodies in an effort to reduce such absences. The Member also queried if further work was required to review the scope of Occupational Therapist assessments with a view to assisting further the reduction in periods of absenteeism. The Chairman echoed these comments and referred to the data contained in Appendix C to the report and requested that future reports should contain further information relating to the top three reasons for absences by occupational groups. In response the Head of Human Resources acknowledged the concerns raised by Members but reminded the Members that such absenteeism was risk assessed and involved the Council's Occupational Health Service. He referred to the increased investment into counselling support and feedback on this provision had been good. He touched upon the recent appointment of the Occupational Health Manager who, as part of the role, would be looking at the issues that created stress and what additional support could be provided by the Council. In terms of additional information included in future reports regarding occupational groups, he indicated that the inclusion of such information would be possible.

RECOMMENDED – T H A T the report and the sickness absence outturn set out in Appendix A to the report be noted.

Reason for recommendation

In acknowledgement of action being taken to maintain a continued focus on the management of sickness absence throughout all services of the Council.

680 INITIAL HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2015-2016 AND REVISED BUDGET 2014/2015 (DVSH) –

The report had been previously considered by the Scrutiny Committee (Housing and Public Protection) at its meeting held on 3rd December 2014. Following consideration at that time, the Committee recommended:

"**(1) T H A T the revised budget estimate for 2014/15 be noted.**

(2) T H A T the initial Housing Revenue Account budget proposals for 2015/16 be noted."

The Scrutiny Committee (Corporate Resources) was now considering this matter as the lead Scrutiny Committee overseeing the budget process. As reported in previous years, year local housing authority was required under Section 74 of the 1989 Local Government and Housing Act to keep a Housing Revenue Account. Section 76 of the above Act required local authorities to set a budget for their Housing Revenue Account (HRA) on an annual basis. The budget must be such that the HRA was not in deficit at the year end. In addition, local authorities were also required during the course of the year to review their HRA expenditure and income and if, on the basis of the information available, the account was heading for a deficit, they must take steps as were reasonably practicable to prevent such a deficit. Any deficit would be carried forward and must be made good the following financial year. Each local authority should endeavour to have a working balance on the HRA, for any exceptional circumstances that may arise.

The level of rent increase was based on determination by the Welsh Government (WG) however, this would not be known until December 2014. An average rent increase of 3.5% had been provisionally included in the 2015/16 initial budget proposals. Set out below was a summary table comparing the original budget with the proposed revised estimate

	2014/15 Original Budget	**2014/15 Proposed Amended Budget**	**Variance Favourable (-) Adverse (+)**
	£'000	**£'000**	**£'000**
Housing Revenue Account	3,514	3,514	0

The net anticipated deficit would remain unchanged and a review of the current budget had found a potential saving for the current year of £680,000, the main reasons for this were £200,000 allocated to the restructure, which was not likely to be fully staffed until the next financial year and that the staff vacancies within the existing structure of £160,000. In addition, the current Ty Iolo budget was higher than required and consistently underspent, particularly in terms of premises and supplies and service costs and accordingly this had been reduced by £135,000. The level of interest repayments expected in the year on existing and any new borrowing was lower than originally budgeted by £86,000 and other running costs relating to estate management and sheltered properties of £99,000. These savings had been offset by an increase in planned fire risk assessments within the Council's blocks of flats of £300,000 and resurfacing of highways on Housing land £251,000. There had also been an increase in Central Recharges of £129,000.

In terms of the base budget for 2015/16 the Strategy outlined that, in order to establish a base line, services should prepare revenue budgets for next year based on the cost of providing the current level of service and approved policy decisions. This meant that the cost of price increases and pay awards should be included.

Due to the nature of the HRA, in that it was ringfenced and any growth had to be funded from the balance, no cost pressures had been formally identified.

A separate report on this matter was subject of a Chairman's Urgent Item and would be considered later in the meeting.

The Housing (Wales) Act 2014 which had been passed in September 2014 would replace the existing housing subsidy system with self-financing. Stock retaining Authorities in Wales would be able to buy themselves out of the current subsidy system. A planned settlement was set for April 2015. An initial report submitted to Cabinet on 16th June 2014 (Minute No. C2356) and a further report on the implications of the exit from the Housing Business Plan would be brought when normal notification of the Council's share of the settlement figure was received. Therefore, for the purpose of the report, it had been assumed that the subsidy would remain in place and the initial budget proposals for 2015/16 reflected the latest approved Housing Business Plan.

The proposed 2015/16 budget was set out in Appendix A and included the following matters:

- HRA (General) - This budget head relates to net income from rents and service charges as well as general expenditure such as insurance, audit and legal fees.
- Housing Repairs - This budget relates to the repairs and maintenance service undertaken on the Council housing stock.
- HRA Subsidy Payable - This budget relates to the estimated proportion of rent payable to the WG.
- General Management - This budget head relates to the general management of the Council's housing stock, for work carried out within the Housing service and for various issues relating to the Council tenancies excluding the repairs and maintenance function.
- Special Services - This budget relates to the running expenses and the cost of staff employed directly within the Housing Service, in relation to functions such as sheltered housing schemes, running the hostel and temporary accommodation.
- Capital Expenditure from Revenue Account (CERA) - This budget relates to a contribution from the Housing Revenue Account to fund capital expenditure (Housing Improvement Programme).
- Central Support and Operational Building Charges - This budget relates to the services provided by other departments within the Council and the cost of office accommodation occupied by the Housing Services staff.
- Capital Financing - Cost associated with financing debt.

The charges for rent and other services provided by the Housing Service were reviewed annually. These would be subject to a future report when the information had been received from WG. Detailed below was a summary of the original budget for 2014/15 with the proposed budget for 2015/16:

2014/15 Original Budget	**Inflation / Pay Award**	**Committed Growth / (Savings)**	**Estimated Rent Increase**	**2015/16 Proposed Budget**
£000	**£000**	**£000**	**£000**	**£000**
3,514	112	(2,724)	(583)	319

A provision for general inflation included an allowance of 1% for pay awards in 2015/16. A 1% increase in pay amounted to approximately £15,000.

The net saving of £2,724,000 was due to a number of factors viz:

- A decrease in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £3,846,000. The amount of revenue contribution required was dictated by available revenue balances and the value of the Housing Improvement Programme.
- A decrease in insurance charges of £4,000.
- A decrease in interest earned on Revenue Balances of £14,000.

- A decrease in costs at Ty Iolo Hostel of £113,000, due to the factors outlined above.
- Other savings of £21,000.
- These savings have been offset by:-
- An increase in the Housing Repairs budget to include voids repairs of £633,000.
- An increase in the provision of HRA Subsidy payable to WG based on the current Housing Business Plan of £197,000.
- An increase in Capital Financing charges of £332,000 in relation to unsupported borrowing being taken out in 2015/16 to fund the Housing Improvement Programme.
- Future planned highways repairs on Council Estates of £112,000.

The HRA working balance at 1st April 2015 would be £5.441m.

In accordance with the Medium Term Financial Plan budget strategy, Scrutiny Committees were being consulted on the budget process with the Scrutiny Committee (Corporate Resources) being the lead Scrutiny Committee who would be required to respond to the Cabinet on the budget by no later than 16th December 2014. The Cabinet's final proposals on the budget would be considered by the Council on 4th March 2015.

RECOMMENDED –

(1) T H A T the revised budget estimate for 2015/16 be noted.

(2) T H A T the Initial Housing Revenue Account budget proposals for 2014/15 be noted.

(3) T H A T the Initial Housing Revenue Account budget proposals for 2015/16 be noted.

<u>Reasons for recommendations</u>

(1) In acknowledgement of monitoring the budget for 2014/15.

(2&3) To inform Cabinet of the outcome of the scrutiny process on this matter.

681 INITIAL REVENUE BUDGET PROPOSALS 2015/16 (MD) –

The Council's Scrutiny Committees had previously considered the Initial Revenue Budget proposals on the following dates:

Scrutiny Committee (Social Care and Health): 1st December 2014
Scrutiny Committee (Economy and Environment): 2nd December 2014
Scrutiny Committee (Housing and Public Protection): 3rd December 2014
Scrutiny Committee (Lifelong Learning): 8th December 2014.

The Scrutiny Committees (Social Care and Health) and (Economy and Environment) subsequently recommended the following:

Scrutiny Committee (Social Care and Health) –

"**(1) T H A T the amended budget for 2014/15 as set out in Appendix 1 be noted.**

(2) T H A T the initial revenue budget proposals for 2015/16 be noted.

(3) T H A T Scrutiny Committee (Corporate Resources) be advised that Social Services is facing significant cost pressures and increased demand for services from all areas of its work.

(4) T H A T Scrutiny Committee (Corporate Resources) be advised that it was the unanimous view of the Scrutiny Committee (Social Care and Health) that the cost pressures detailed at Appendix 2 be fully funded."

Scrutiny Committee (Economy and Environment) –-

"**(1) T H A T the comments as outlined above be referred to the Scrutiny Committee (Corporate Resources) with the request that they also be forwarded to Cabinet and that further detail on the impact of the suggested savings be provided to the Scrutiny Committee Economy and Environment when available.**

(2) T H A T the amended budget for 2014/15 as set out in Appendix 1 to the report be noted."

The Council was required under statute, to fix the level of Council Tax for 2015/16 by 11th March 2015 and in order to do so, would have to agree a balanced Revenue Budget by the same date. To be in a position to meet the statutory deadlines and the requirements for consultation set out in the Council's Constitution, much of the work on quantifying the resource requirements of individual services needed to be carried out before the final Revenue Support Grant (RSG) settlement was notified to the Council. The Council's provisional settlement was announced on 8th October 2014. The final settlement was likely to be received in December 2014. The WG had advised the Council that its provisional Standard Spending Assessment (SSA) for 2015/16 was £212.270m. The Council would receive from WG Revenue Support Grant of £115.982m and a share of the Non-Domestic Rates of £36.525m. Together these figures constituted the Council's provisional Aggregate External Finance (AEF) of £152.507m. This represented a cash reduction of 3.4% (£5.4m) for 2015/16 however, when taking into account an additional burden of the Local Government Borrowing Initiative for 21st Century Schools, this actually represented a cash reduction of 3.5%. This was a smaller reduction than the 4.5% projected in the Medium Term Financial Plan and had been taken into account as part of the initial budget proposals for 2015/16. The Council would also receive a sum referred to as the Successor Outcome Agreement Grant of 2015/16 no amount had been advised for 2015/16, but for 2014/15 it was in the sum of £1.236m. This grant was an unhypothecated grant (i.e. not earmarked for particular services). It was noted that the Council was not guaranteed to receive the full amount of the grant as it depended on the extent to which the Council met its obligations under the above agreement.

In addition, there were transfers to the RSG settlement for 2015/16 as follows:

- Local Government Borrowing Initiative (LGBI) for 21st Century Schools - £54,000
- Integrated Family Support Service - £280,000
- Autistic Spectrum Disorder – £40,000.

In addition to the above matters, transfers out of the settlement were as follows:

- Student Finance Wales - £97,000
- Feed Safety Controls - £18,000
- National Adoption Service - £10,000.

With regard to the revised budget for 2014/15, Appendix 1 to the report set out the revised budget for 2014/15 together with the necessary adjustments to the original budget. These adjustments would have no overall effect on the budget and were as follows:

- Asset rent, International Accounting Standard (IAS) 19, transfers and recharges – these related to accounting items and expenditure outside the control of services. They reflected charges to Services for the use of capital assets, changes to the inter-service recharges, transfers and adjustments in respect of pensions to comply with accounting standards. Also included, were transfers of functions and responsibilities between Directorates as detailed below:

  Education
  - £336,000 from Children and Young People in respect of the transfer of responsibility for the Children and Young People's Partnership.
  - £19,000 to Children and Young People as an additional contribution towards the jointly funded Residential Placements budget for looked after children.
  - £36,000 to Property in respect of school planning and buildings officers.

  Environment and Visible Services
  - £52,000 from Public Protection in respect of Emergency Planning.

  General Fund Housing
  - £341,000 from Corporate and Customer Services in respect of Community Safety.

  Planning and Transportation
  - £20,000 from Corporate and Customer Services in respect of the Authority's Publications & Media Officer.

Leisure
- £24,000 from Corporate and Customer Services in respect of the Arts Development section.

The following table compared the amended budget with the projected outturn for 2014/15:

Directorate/Service	2014/15 Amended Original Budget £'000	2014/15 Projected Outturn £'000	Variance (+)Favourable (-) Adverse £'000
Learning and Skills			
Education and Schools	93,691	93,691	0
Libraries	2,550	2,550	0
Adult Community Learning	247	247	0
Youth Service	1,069	1,069	0
Catering	1,775	1,775	0
Social Services			
Children and Young People	14,240	13,940	+300
Adult Services	36,512	37,312	-800
Business Management and Innovation	301	301	0
Youth Offending Service	653	653	0
Visible Services and Housing			
Environment and Visible Services	18,183	18,183	0
Parks and Grounds Maintenance	3,564	3,564	0
Building Services	0	0	0
General Fund Housing	1,438	1,438	0
Development			
Public Protection	2,489	2,489	0
Private Housing	11,091	11,091	0
Planning and Transportation	5,158	5,158	0
Leisure	3,526	3,526	0
Economic Development	833	833	0

Managing Director			
Resources	(21)	(21)	0
Corporate and Customer Services	49	49	0
General Policy	19,483	18,668	+815
Total	**216,831**	**216,516**	**+315**
Met from General Reserve	(2,500)	(2,500)	0
Grand Total	**214,331**	**214,016**	**+315**

Budgets in respect of each service area set out the budget position below and in a more detailed account of budgetary movements and variations were detailed in paragraphs 8 to 47 of the report:

- Central Education – budget anticipated to underspend by £181,000 due to a favourable variance within Strategy and Resources.
- Repayments on the schools Early Retirement and Voluntary Redundancy Scheme - £145,000 to be transferred into the Schools Early Retirement / Voluntary Redundancy Invest To Save reserve.
- School Improvement and Inclusion – this budget would outturn on target.
- The Hospital and Home Tuition budget – anticipated to overspend by £20,000.
- Strategy and Resources – this budget would underspend by £181,000.
- Schools – this delegated budget was expected to balance as any variance would be carried forward through school reserves.
- Libraries – it was anticipated that this budget would underspend by £80,000.
- Adult Community Learning – this budget had been increased by £42,000 as a result of the transfer of the ACL ICT admin support budget from Central Education. This service accordingly would outturn with the revised budget after transferring £63,000 from reserves to assist with funding reductions from WG and Cardiff and Vale College.
- Adult Community Learning Cost Recovery – this was showing an adverse variance of £28,000.
- Youth Service – this budget was projected to outturn with a revised budget after transferring an estimated £128,000 from reserves.
- Catering – this budget was anticipated to outturn on target.

The projected outturn for the Social Services Directorate was for an overspend of £500,000 when compared to the amended original budget:

- Children and Young People's Services – this was anticipated to outturn £300,000 under budget at the year end.
- Adult Services – this budget was currently anticipated to outturn £800,000 over budget at the year end.
- Highways and Engineers – it was projected that this budget would be balanced at the year end.
- Highways and Street Lighting – both budgets had estimated overspends of £327,000 (potholes) and £100,000 (lighting energy costs).

- Vehicle costs – this budget was projected to overspend by £84,000.
- Visible and Housing Services had also to meet additional insurance costs of £120,000 and as previously reported the Highways division had not made the required savings from car parking income with a shortfall of £378,000. However, anticipated income received by the Highways division would be £165,000 higher than budgeted. To assist with these budget pressures, cabinet had previously approved a one off budget transfer of £350,000 from Policy to Highways, it was further anticipated that a central recharge budget for energy of £460,000 would not be utilised this financial year so would assist these pressures.
- Waste Management – this budget was projected to balance by the year end. However, employee costs were projected to be over budget by £86,000 a proportion of which was due to staffing of Lifeguards on beaches for which there was no budget e.g. Rhoose Point.
- Waste Management vehicle costs were projected to be over budget by £130,000.

  Also previously reported there was an increase in treatment costs for co-mingled waste of approximately £80,000 over the current budget. The department had also projected to spend £36,000 on procurement costs relating to Prosiect Gwyrdd for which there was no budget. The department had also budgeted a spend of £50,000 on the Joint Organics Procurement with Cardiff Council, however this could be met from £50,000 grant funding.

  To offset overspends indicated above, Waste Management was likely able to make significant savings of circa £500,000 this financial year from the interim contract for waste disposal with Viridor. This had been offset slightly by an increase in costs for Household Waste Recycling Centre due to all residual waste that passed through the site now being sorted to take out recycling, prior to being sent to landfill. The additional cost over the available budget was approximately £168,000.

- Grounds Maintenance – it was anticipated that this budget would achieve a break even position at year end.
- It was estimated that there would be a £30,000 saving on waste disposal due to change of contractor. However there were additional costs for insurance - £35,000 and higher repair costs at Jenner Park which was projected to overspend by £20,000.
- Building Services – the Building Maintenance and Building Cleaning and Security Services were expected to outturn on target.
- General Fund Housing – this budget was likely to outturn at £390,000 underspend based on current trends.
- Public Protection – this service was projecting a nil variance against the revised budget.
- Private Housing – this budget was projecting an outturn of a favourable variance of £400,000.
- Planning and Transportation – this service was projecting a nil variance against the revised budget.

- Leisure, including Countryside – this service was projecting an outturn of a nil variance against the revised budget.
- Economic Development – this budget was projected to outturn within target.
- Resources – Finance and ICT – this budget was anticipated to outturn within budget.
- Corporate Customer Services – this budget was expected to outturn within target at year end.
- General Policy – this was projected to outturn with a favourable variance of £815,000.
- Council Tax – there was projected to be an anticipated Council Tax surplus of £2.1m for financial year 2014/15. It was proposed that this surplus would be used to fund additional capital projects covering the Council's priorities of highways, regeneration and schools.

The Cabinet approved the Budget Strategy for 2015/16 on 30th June 2014 and, as in previous years, required all Directors to make the following provisions:

- Supplementary estimates would only increase the base budget if Council had given specific approval to this effect. Increases met by virement within a year would not be treated as committed growth.
- Directors should find the cost of increments and staff changes from their base budget unless the relevant specific approval had been given for additional funding.
- The effect of replacing grant from outside bodies that had discontinued would not be treated as committed growth. In addition, before any project or initiative that was to be met either wholly or partly by way of grant may proceed, the exit strategy must be approved.
- Certain items of unavoidable committed growth would continue and these included the effect of interest changes and the financing cost of the Capital Programme, increases in taxes, increases in levies and precepts charged by outside bodies and changes to housing benefits net expenditure.
- Services would be expected to achieve savings already approved by Cabinet as part of the 2014/15 final budget proposals and Directors were asked to consider bringing forward the implementation of these savings ahead of the scheduled date and also to consider areas for further savings.
- It was envisaged that the costs of service development would need to be met from within the respective Directorates.

Having regard to the above, it was, therefore, proposed in respect of the 2015/16 Budget Strategy that Directors be instructed to prepare initial revenue budgets for 2015/16, in accordance with a timetable agreed by the Managing Director with collaboration on the following basis:

- Capital charges, central accommodation costs and central support costs to be estimated centrally.
- Services to prepare baseline budgets on current service levels as set out in the 2014/15 final revenue budget report including detailed Cost Centre Analyses.
- Budgets to be broken down subjectively and objectively in as much detail as deemed appropriate by the Managing Director.

- Budget reports to include revised estimates for 2014/15.
- Full account to be taken of the revenue costs, other than debt charges, of new capital schemes coming into use.
- Minimum savings targets to be met initially as detailed in the 2014/15 Final Revenue Budget report. Any savings made directly by services over and above individual service targets to count towards future saving targets.
- Directors will continue to draw up Service Plans that set out the aims and objectives for the service and any possible future developments and efficiencies.
- As stated previously, it is expected that the revenue costs of service development will need to be met from within the respective services (in particular, from the savings made). As such, no revenue bids are initially to be made. However, services may still be asked to identify and prioritise any burgeoning revenue cost pressures for consideration.

Matters relating to the Council's Medium Term Financial Plan for 2015/16 and budget consultation with stakeholders was set out in paragraphs 53 to 59 of the report.

As a result of the anticipated reduction in future year's settlements, the Medium Term Financial Plan identified additional savings to those originally approved for 2015/16 as part of the 2014/15 budget setting process. It had also been necessary to revisit the cost pressures facing services in order to build up a complete and up to date picture of the financial position of the Council. An updated list of cost pressures for this Committee was detailed in Appendix 2 to the report and was not shown in any order of priority.

On approving the budget strategy for 2015/16, Directors were asked to review savings already approved with a view to implementing these ahead of the target date and to consider areas for further savings. Details of the proposed areas for savings for 2015/16 to 2017/18 were detailed in Appendix 3 to the report and the savings did not include the cost of any potential redundancies.

A summary of the overall base budget for 2015/16 was set out at Appendix 4 to the report. This had been arrived at by adjusting the 2014/15 budget for items such as inflation and unavoidable growth, but did not include identified cost pressures or savings. These were shown as a note to the table and were further detailed in Appendices 2 and 3 respectively. The total cost pressures for 2015/16 for the Council was £5.677m.

Matters relating to Asset Rents, IAS 19 and recharges were set out in paragraph 69 of the report. Transfers related to the transfer of function / responsibilities between Directorates in respect of the following matters:

Education
- £336,000 from Children and Young People in respect of the transfer of responsibility for the Children and Young People's Partnership.
- £19,000 to Children and Young People as an additional contribution towards the jointly funded Residential Placements budget for looked after children.
- £86,000 to Property in respect of school planning and buildings officers.

Environment and Visible Services
- £124,000 from Public Protection in respect of Emergency Planning.

General Fund Housing
- £341,000 from Corporate and Customer Services in respect of Community Safety.

Planning and Transportation
- £36,000 from Corporate and Customer Services in respect of the Authority's Publications and Media Officer

Leisure
- £52,000 from Corporate and Customer Services in respect of the Arts Development section.

In regard to budget adjustments – there was a net total of £410,000 and related to £433,000 for the reversal of one off funding previously provided to services, £101,000 relating to the reduction in the Fire Authority Levy less the £124,000 reduction in the use of the Social Services Fund in 2015/16.

In respect of inflation – a total figure for inflation of £2.276m related to general price increases (£1.721m) and a 1% allowance for pay awards (£555,000). These figures did not include schools' inflation which amounted to £2.010m for pay and £269,000 for prices.

Committed growth totalled £761,000 and £263,000 reflected the Minimum Funding Commitment for Schools, £69,000 related to the cost of borrowing for the LGBI 21st Century Schools initiative and £180,000 had been allocated for capital charges. This also included the net transfer into the RSG of £249,000.

Once the base budget for 2015/16 for the Council as a whole had been established, it must then be compared to the funding available to identify any shortfall. With a provisional AEF of £152.507m and Council Tax at the current level of £56.690m, total available funding would be £209.190m. When compared to a base budget of £216.958m, this would result in a funding deficit for 2015/16 of £7.761m. This shortfall was mainly attributable to the reduction in funding from WG, an increase in pay and price inflation and the requirement to fund committed growth.

If all identified cost pressures were funded, this would increase the shortfall of £13.438m. If all proposed savings were achieved, the shortfall would be reduced to £4.581m as set out in the table below:

Projected Budget Shortfall 2015/16	
	£000
Funding Available	
Provisional AEF	152,507
Council Tax	56,690
Provisional Funding Available	209,197
Base Budget	216,958
Provisional Shortfall Against Base Budget	**7,761**
Assume all Cost Pressures Funded	5,677
Provisional Shortfall with Cost Pressures funded	**13,438**
Assume all Savings Achieved	(8,857)
Provisional Projected Shortfall for 2015/16	**(4,581)**

This shortfall was already based on the requirement to achieve a high level of savings in 2015/16 and despite the continuation of the MFC for schools, there was still uncertainty about the level of a number of WG grants and the impact of 11 grants relating to Education amalgamating into a single Education Improvement Grant for Schools. The above projections also included an assumed pay award of 1% for 2015/16 and the implications of the award had not yet been assessed and would be included in the Final Budget Proposals report.

The Chairman thanked the Head of Finance for his appraisal of the budget situation.

A Member, in referring to the report and in particular to the collection rates in respect of the Council Tax Base, enquired as to why the collection figure was not higher than that proposed in the report. In response, the Head of Finance considered that the percentage collection target rate of 97% as indicated in the report was considered to be a prudent level and if set too high, could have the potential to cause problems for the Council in the future. Another Member of the Committee referred to paragraph 21 of the report alluding to Adult Services and sought clarification in regard to the percentage of the overspend relating to Community Care Packages. In response the Head of Finance indicated that he would provide the answer to Members of the Committee via e-mail.

Further work would be undertaken by the Budget Working Group (BWG) when formulating the final budget proposals for 2015/16 which would include a review of the use of Reserves, a possible increase in Council Tax, a review of all cost pressures, possible savings and the current financial strategies. The BWG would also consider the result of the budget engagement process in determining priorities for future savings and service delivery.

It was noted that the Council had already commenced a programme for reshaping and transforming services and previously approved by the Cabinet at its meeting held on 11th August 2014.

In terms of the role of the Cabinet BWG, the Group would be holding a series of meetings with the relevant Cabinet Members and Officers to consider the budget proposals. Any recommendations from this Group would be submitted so that the Cabinet could make its final budget proposals by no later than 23rd February 2015. Before making its recommendations, the BWG would consider the comments made by Scrutiny, together with the results of the budget engagement process.

The Cabinet's final budget proposals would be considered by Council on 4th March 2015.

Having regard to the above and related issues, it was

RECOMMENDED –

(1) T H A T the amended revenue budget for 2014/15 as set out in Appendix 1 to the report be noted.

(2) T H A T the initial Revenue Budget proposals for 2015/16 be noted and that the Cabinet be informed of the outcome of the Scrutiny process on the matter subject to the references which include the comments from the Scrutiny Committee (Social Care and Health) and (Economy and Environment) being forwarded on to the Cabinet and the Budget Working Group for further consideration.

(3) T H A T the transfer of £3.5m from specific reserves to the School Investment Strategy Reserve to fund future development in schools be noted.

(4) T H A T the additional revenue contribution of £2.1m to be used to fund capital schemes in 2014/15, as detailed in the Initial Capital Programme Proposals 2015/16 report be noted.

Reasons for recommendations

(1) In acknowledgement of the Scrutiny Committee's responsibility for monitoring the budget.

(2) To inform Cabinet of the outcome of the scrutiny process.

(3) To note the funding set aside for the School Investment Programme.

(4) To note the use of revenue funding to carry out additional capital schemes.

682 INITIAL CAPITAL PROGRAMME PROPOSALS FOR 2015/16 (MD) –

Set out at Appendix A to the report were full details of the progress on the Capital Programme as at 30th September 2014.

The following adjustments had been requested to the Capital Programme 2014/15 in respect of the following matters:

Director of Learning and Skills

Fire Precaution Works - Additional works on Bryn Hafren acoustic ceilings have been required urgently for Health and Safety reasons and caused this budget to be approximately £6,000 overspent. It had been requested that a virement of £6,000 was made from the Fairfield Replacement Flat Roof budget, which had a budget of £260,000 and was expected to outturn at £254,000.

Bryn Hafren Replacement Boiler - Projected outturn on this budget was £46,000 against a budget of £27,000, it had been requested that a virement of £12,000 was made from the Barry Comprehensive Replacement Boiler scheme and a further virement of £7,000 is made from the Ysgol St Curig Re-roofing and replacing defective timbers scheme.

21st Century Schools Investment Strategy - Amendments had been requested for the following schemes:

Ysgol Nant Talwg - It had been requested to bring forward £7,000 from 2015/16 to 2014/15 and to increase the overall scheme budget by £2,000 in 2014/15, to be funded by an additional contribution from the School Investment Strategy Reserve. The amended budget was set out in the table below:

	2013/14 £000's	**2014/15 £000's**	**2015/16 £000's**	**Total £000's**
Vale of Glamorgan Council	0	1,338	32	1,370
WG Funding	1,131	238	0	1,369
Vale of Glamorgan Council Slippage	0	27	0	27
Total Ysgol Nant Talwg	1,131	1,603	32	2,766

Ysgol Dewi Sant - The spend profile had been reviewed for this scheme and it had been requested that £700,000 was carried from 2014/15 to 2015/16 and £35,000 is brought forward from 2016/17 to 2015/16. The amended budget was set out in the table below:

	2014/15 £000's	**2015/16 £000's**	**2016/17 £000's**	**Total £000's**
Vale of Glamorgan Council	134	929	35	1,098
WG Funding	989	652	0	1,641
Vale of Glamorgan Council Slippage	22	0	0	22
Total Ysgol Dewi Sant	1,145	1,581	35	2,761

Barry Cluster - Ysgol Gwaun Y Nant and Oakfield - The spend profile against this scheme had been reviewed and it had been requested that there is a reduction in the 2014/15 budget of £1.412m and to carry forward this sum to 2015/16. It had also been requested that £398,000 is brought forward from 2016/17 to 2015/16. An adjustment to reduce the remaining budget in 2016/17 by £55,000 to £47,000 and was required to correct the overall budget figure. The amended budget was set out below:

	2014/15 £000's	**2015/16 £000's**	**2016/17 £000's**	**Total £000's**
Vale of Glamorgan Council	443	1,430	47	1,920
WG Funding	745	980	0	1,725
Vale of Glamorgan Council Slippage	147	0	0	147
Total Ysgol Gwaun Y Nant and Oakfield	1,335	2,410	47	3,792

Llantwit Learning Community (LLC) - It had been requested that the overall budget for this scheme is reduced to £19.750m following Welsh Government approval of the amended Strategic Outline Case (SOC). The scheme had been reprofiled and had also been requested to bring forward £474,000 into 2014/15, in line with the financial profile to be submitted to Welsh Government as part of the Full Business Case (FBC). The amended budget was set out below:

	2014/15 £000's	**2015/16 £000's**	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**	**Total £000's**
Vale of Glamorgan Council	474	2,931	7,439	115	29	10,988
WG Funding	0	2,674	4,963	1,125	0	8,762
Total LLC	474	5,605	12,402	1,240	29	19,750

Additional Capital Schemes - It had been requested that the following schemes totalling £800,000 were included in the 2014/15 Capital Programme to be funded from an additional revenue contribution.

- Llandough Playground £20,000
- Bro Morgannwg Flat Roof £80,000
- Llangan Demountable £350,000
- Llanfair Demountable £350,000.

Director of Social Services

Client Record System -It had been requested that £400,000 funding is carried forward to 2015/16 for a new Social Services Client Record System. A national exercise was underway to identify one supplier of a social care and community health service record system. The Council was an interested party in this exercise and would not be looking to change the current supplier until this exercise was completed. The awarding of the national contract was now delayed until the end of 2014 therefore, this funding was unlikely to be utilised in the current financial year.

Director of Visible Services and Housing

Vehicle Replacement Programme - It had been requested to carry forward £952,000 to 2015/16 and £738,000 to 2016/17, reducing the total budget in the 2014/15 programme to £1.082m. The Vehicle Replacement programme would be reviewed as a result of the outcome of the Transport Review prior to the Final Budget Proposals being submitted in February 2015.

It had been requested that the following schemes totalling £1m be included in the 2014/15 Capital Programme to be funded from an additional revenue contribution

- Public Conveniences Refurbishment - £100,000
- Penarth Esplanade/Cliff Road Improvements £450,000
- Highways Improvements £250,000
- Parks Refurbishment £200,000.

Director of Development Services

Penarth Esplanade Feasibility - It had been requested that there is a carry forward of budget for the Penarth Esplanade Feasibility scheme of £50,000 to 2015/16 and £50,000 to 2016/17. Progress on this scheme had not been feasible in 2014/15 due to other priorities and commitments.

Ashpath Footpath Improvements - It had been requested to carry forward funding of £72,000 to the 2015/16 Capital Programme as the implementation of the full programme had been delayed due to land issues. The remaining £28,000 would be retained in 2014/15 to enable a scheme to resolve the flooding issue to be implemented. A bid for improvements to the footpath had been resubmitted as part of the Initial Capital Programme proposals to request that £100,000 for the footpath widening, for improved security and to improve the cycle path is available in 2015/16.

Rural Integrated Transport Initiative - Cabinet on 12th May 2014 (Minute C2330), agreed to accept £100,000 of grant funding for a WG Pilot Transport Project for Rural Integrated Transport. It had been requested to increase the 2014/15 Capital Programme by £100,000.

S106 Funded Schemes - An increase of £346,000 in 2014/15 and £350,000 in 2015/16 has been requested to be funded by S106 contributions as outlined below:

- Cogan Hall Farm - Dinas Powys to Cosmeston Cycleway Link £150,000 in total, with £15,000 in 2014/15 and £135,000 in 2015/16.
- Plassey Street / Glebe Street Zebra Crossing £30,000 in 2014/15.
- Plassey Street / High Street Zebra Crossing £20,000 in 2014/15.
- Windsor Road / Plassey Street Roundabout Junction Enhancements £100,000 in 2014/15.
- Windsor Street / Pill Street Dedicated Right Hand Turn £110,000 in 2014/15
- Lighting Scheme for Zig Zag Path £100,000 in total, £25,000 in 2014/15 and £75,000 in 2015/16.

- Pedestrian Crossing across Ffordd Y Millennium and Improved Bus Access £69,000 in total, with £17,000 in 2014/15 and £52,000 in 2015/16.
- Pedestrian Crossing across Thompson Street/Holton Road £24,000 in total, with £6,000 in 2014/15 and £18,000 in 2015/16.
- Pedestrian Access Buttrills Road / Holton Road £93,000 in total, with £23,000 in 2014/15 and £70,000 in 2015/16.

Renewal Area - A carry forward of £496,000 from the 2014/15 Capital Programme to 2015/16 has been requested for the following schemes; £70,000 Holton Road Phase 1, Holton Road Phase 2 £155,000, Holton Road Phase 3 £105,000 and Holton Road Phase 4 £125,000. Holton Road Phase 1 has now been tendered, Phase 2 of the scheme is currently out to tender and phases 3 and 4 will be tendered by January. The following amounts will be carried forward to 2015/16 to allow 12 month retentions to be paid against the schemes Castleland Renewal £9,000 Area Phase 3E, Castleland Renewal Area 4A £20,000 and Castleland Renewal Area Phase 4B £12,000.

It had been requested that a scheme for Barry Island Enhancements Phase 2 Works totalling £300,000 is included in the 2014/15 Capital Programme to be funded from an additional revenue contribution.

Director of Resources

Space Project - A carry forward of £1.178m to the 2015/16 Capital Programme had been requested for the Space Project to align the programme more closely with the expiry of leases on Council buildings.

Cabinet had previously agreed that further information would be provided where schemes had a value of over £500,000 and showed a variance of 20% or more between actual spend and the profile. The following schemes met this criteria:

- Ysgol Dewi Sant - Budget amendment has been requested, reducing planned expenditure in 2014/15 by £700,000.
- Ysgol Barry Cluster- Gwaun Y Nant and Oakfield - A budget amendment has been requested, reducing planned expenditure in 2014/15 by £1.412m.
- WHQS Works- As noted in the previous monitoring report there was likely to be a variance in the WHQS expenditure as the extent of the works required in a property is not known until the works commence. Less has been spent than was projected for Rewire schemes, Kitchen Replacements, Bathroom works and schemes in Non Traditional Properties. More had been spent than was projected for Central Heating works and General Improvement schemes, the total budget was unaffected. The allocation of the WHQS budget would be reviewed as part of the forthcoming Housing Business Plan.
- Local Road Network Improvements - As noted in the previous monitoring this scheme had been subject to delay this financial year however a further £791,000 had been spent in October 2014 which will bring expenditure in line with budget profile.
- Disabled Facilities Grants - As detailed in previous monitoring there was a variance between profiled budget and actual because the profiled budget has been based on historical patterns of spend. Changes made to processes

within the service for 2014/15 had led to a more consistent pattern of approvals and spend throughout the financial year. This budget will be monitored closely to ensure that overall expenditure remains within the available funding.

The Welsh Government (WG) had announced the provisional 2015/16 General Capital Funding, on 8th October 2014. The 2015/16 capital settlement represented a £62,000 decrease on 2014/15 Final Settlement which equated to a 1% cut. There was no indication of the level of funding likely beyond 2015/16 therefore, in line with the approach set out in the Medium Term Financial Plan, the proposals assumed a reduction of 10% each year of the programme from 2016/17. This had been reflected in the proposed Capital Programme between 2015/16 to 2019/20 which was set out in Appendix B to the report. In line with the financial strategy, the Council would mitigate the deteriorating situation by looking to progress only those schemes which were deemed to be a key corporate priority, whilst also seeking to gain assurance that such schemes were delivered on time and within budget.

In regard to the Major Repairs Allowance (MRA), which was a grant that provided capital funding to the HRA 2015/16, this had not been announced by the WG. Cabinet would be advised once the announcement had been made, however, an assumption had been made which was set out in Appendix B to the report that the grant would continue at the current allocation of £2.8m in 2015/16 and throughout the period of the Capital Programme. The actual MRA in 2014/15 was £2.76m and this revised figure would be reflected in the Final Capital Programme in February 2015.

In addition to external funding, the Council would finance part of the Capital Programme from its own resources e.g. capital receipts and reserves. Set out in the table below were details of the General Capital Funding and internal resources required to fund the proposed schemes:

Analysis of Net Funding Required for the Indicative 2015/16 Capital Programme

GENERAL FUND	**£'000**	**£'000**
Welsh Government Resources		
Supported Borrowing	3,398	
General Capital Grant	2,068	
		5,466
Council Resources		
Capital Receipts	2,260	
Reserves/Leasing	9,920	
Unsupported Borrowing	2,074	
		14,254
Net Capital Resources		**19,720**

HOUSING REVENUE ACCOUNT	£'000	£'000
Housing Reserves	4,141	
Housing Capital Receipts	0	
Housing Unsupported Borrowing	11,292	
Net Capital Resources		**15,433**

The indicative 2015/16 Capital Programme set out in Appendix D included allocations already approved by Council and also reflected the amendments requested within the report under consideration.

Capital bids were invited for return by 30th September 2014 and the number of bids received was low (1 from Social Services, 11 from Visible Services and 6 from Development Services). Departments were requested to rank their own bids in order or importance before submission and bids from each department were forwarded to the Corporate Asset Management Group (CAMG).

The Cabinet Budget Working Group had prioritised bids based upon the recommendations of the CAMG that used the criteria set out by the Budget Strategy and met the Corporate Risk Assessment. Only those schemes assessed as a corporate priority 1 or higher and medium risk or higher where included in the proposals. The bids that did not meet these criteria or were excluded from consideration because funding had already been allocated as part of the current Capital Programme were set out in Appendix C to the report with the reason for their exclusion.

Submitted as part of the capital bids were the following two bids. These bids had been resubmitted to request that funding be made available in future years because the existing budget would not be contractually committed at the end of 2014/15 viz:

- Ashpath Footpath Improvements - There have been delays on implementation of the full scheme due to land issues. In 2014/15, it was proposed that a scheme intended to resolve the flooding issues that will cost £28,000 be implemented. The bid for improvement to the footpath has been resubmitted as part of the Initial Capital Programme for 2015/16 and in addition to the £72,000 carried forward it was requested that an additional £28,000 be made available for footpath widening, improved security and improvements to the cycle path. This increased cost would be funded by an additional contribution from Capital Receipts.
- Penarth Esplanade Feasibility - The purpose of this scheme was to consider options for physical improvements to the Esplanade, given the progress made to date on key developments such as Penarth Pavilion, Beachcliff and the Town Plan. Due to other priorities and commitments progress on the scheme had not been feasible in 2014/15. It was requested that £50,000 funding be carried forward from 2014/15 to 2015/16 and a further £50,000 be carried forward from 2015/16 to 2016/17.

Within the Resources Capital Programme was £300,000 each year to be used to fund ICT Capital Projects. In 2015/16 it was proposed that £250,000 of this sum would be allocated as follows:

- Unix Infrastructure Infrastructure Refresh £250,000 - The current Solaris estate is 7 years old and is end-of-life. The Council currently had in the region of 40 Unix servers. This scheme would include the procurement and replacement of servers, to consolidate where appropriate and to reduce ongoing cooling, power and maintenance costs.

As part of the Transport Review, the use of vehicles by the Council had been extensively reviewed, this had meant that the purchase of new vehicles under the scheme had been delayed. In addition to the level of expenditure for the scheme has been amended in the Capital Programme to amend the continuing need to replace vehicles across the Council, the proposed revised expenditure was set out in the below table:

	2014/15 £000's	**2015/16 £000's**	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**
Original Expenditure	2,772	1,189	509	128	0	0
Revised Expenditure	1,082	2,141	1,596	694	1,818	962

The level of funding of this expenditure would be reviewed as a result of the outcome of the Transport Review and the amended proposals would be brought as part of the final budget proposals in February 2015. In addition to bids meeting the criteria for inclusion in the Capital Programme, there had been a number of changes approved by Cabinet since the final budget proposals 2014/15 to 2018/19 in February 2014 that had an impact on the Capital Programme. These changes included capital sums carried forward; changes to the School Investment Programme and Housing Improvement Plan which were set out in paragraphs 34 to 47 of the report.

The level of and financing of this expenditure would be reviewed as a result of the outcome of the Transport review and the amended proposals would be brought as part of the Final Budget Proposals in February 2015.

Cabinet on 28th July 2014 (Minute C2419) agreed the inclusion of £418,000 in 2015/16 and £249,000 in 2016/17 for the Tackling Poverty Grant. It had also been approved that in 2015/16 £116,000 and 2016/17 £40,000 of Barry Regeneration Project Development Fund would be utilised as match funding for the Grant. In addition S106 contributions of £60,000 in 2015/16 and £86,000 in 2016/17 would also be utilised for the project. These contributions were reflected in Appendix B to the report.

In addition to bids meeting the criteria for inclusion in the Capital Programme, there had been a number of changes approved by Cabinet since the final budget proposals 2014/15 to 2018/19 in February, 2014 that had an impact on the Capital Programme. These changes included capital sums carried forward; changes to the

School Investment Programme and Housing Improvement Plan and related to the undermentioned matters.

The 21st Century Schools Programme first tranche of schemes under Band A of the funding were submitted prior to November 2011. Band A schemes ran between 2013/14 and 2018/19. Band B schemes were expected to commence in 2019/20.

The schemes included under Band A submission for construction between 2013/14 and 2018/19 were: Ysgol Nant Talwg, Ysgol Dewi Sant, Ysgol Gwaun Y Nant and Oakfield, Colcot and Llantwit Learning Community.

In April 2014, WG notified the Council that some of the funding for Band A of the 21st Century Schools Programme would be in the form of unsupported borrowing instead of a revenue grant. The Council would be expected to borrow; however, WG would provide revenue funding to cover the cost of the loan. In 2014/15 this would be via a specific grant and from 2015/16 the funding would be distributed through the Revenue Support Grant. This had no impact on the value of the Capital Programme, only the way in which it was funded. The table below shows the sums to be borrowed between 2014/15 and 2016/17 and the corresponding borrowing costs provided by WG.

Period	**Loan Value/Sum Invested £**	**Loan Charges Funded by WG £**
2014/15	923,252	53,651
2015/16	1,187,038	68,980
2016/17	527,573	30,658
TOTAL	2,637,863	153,289

In September 2014 the Vale of Glamorgan Council received notification from WG that the funding envelope for 21st Century Schools was increased from £20.960m to £29.8985m. The increase approved represented an increased contribution of £3.017m to £13.4965m from the WG. This increase represented additional funding required to allow the proposed Llantwit Learning Community project to proceed.

Following discussion with WG, it was proposed that the funding split for the Colcot scheme and Llantwit Learning Community be amended, increasing the Vale of Glamorgan Council's contribution by £250,000 and reducing the WG contribution to £0,000 for the Colcot scheme. A corresponding adjustment against the Llantwit Learning Community was proposed to increase the WG contribution by £250,000 and reduce the contribution made by the Vale of Glamorgan Council by £250,000. This amendment was being made because the 21st Century Schools Grant required the schemes to meet BREEAM (British Research Establishment Environmental Assessment Method) standards and this was not considered to be cost effective for the size of the Colcot scheme.

The following table showed the planned spend on the Education Capital Programme from 2014/15 to 2019/20, incorporating expenditure under Band A schemes funded under 21st Century Schools Programme. Gross Expenditure totalled £63.522m.

	14/15 £000's	15/16 £000's	16/17 £000's	17/18 £000's	18/19 £000's	19/20 £000's	Total £000's
Penarth Learning Community	12,397	4,680	0	0	0	0	17,077
Demolition of Ysgol Maes Dyfan	200	0	0	0	0	0	200
Ysgol Nant Talwg (£1131k 13/14)	1,576	32	0	0	0	0	1,608
Ysgol Nant Talwg Slippage	27	0	0	0	0	0	27
Ysgol Dewi Sant	1,123	1,582	35	0	0	0	2,740
Slippage Ysgol Dewi Sant	22	0	0	0	0	0	22
Llantwit Learning Community	474	5,605	12,402	1,240	29	0	19,750
Gwaun Y Nant & Oakfield	1,188	2,410	47	0	0	0	3,645
Gwaun Y Nant & Oakfield	147	0	0	0	0	0	147
Colcot	0	0	250	250	0	0	500
Barry Comp. Art Block	315	10	0	0	0	0	325
School Investment Programme	0	500	0	0	0	0	500
Modular Building Resiting	0	500	0	0	0	0	500
Asset Renewal	900	900	1,000	1,000	1,000	1,000	5,800
Asset Renewal Contingency	65	50	50	50	50	50	315
Llanfair S106	81	0	0	0	0	0	81
Rhoose S106	0	1,000	1,762	0	0	0	2,762
Llangan Classroom Base	0	117	0	0	0	0	117
Victorian Schools	600	1,200	1,200	800	0	0	3,800
Schools ICT Loans	200	200	200	200	200	200	1,200
Property Condition Surveys	40	40	0	0	0	0	80
Schools Capital Loan Schemes	300	300	300	300	300	300	1,800
Other	526	0	0	0	0	0	526
Total	20,181	19,126	17,246	3,840	1,579	1,550	63,522

The above information included an additional £3.2m between 2015/16 and 2017/18 over and above the £600,000 already allocated in 2014/15 Capital Programme to support works across 22 Victorian Schools to address the existing issues with lath and plaster and masonry deterioration. Work was currently being carried out by Property Section to assess the situation and a full report would be brought to Cabinet with a strategy to address these problems.

In addition, following an analysis of asset renewal spend on schools in recent years it had been noted that actual required funding was around £1m each year rather than the £600,000 budgeted. The annual allocation had therefore been increased to £1m per annum from 2016/17. This additional contribution would be funded from the School Investment Strategy reserve. A further £500,000 had also been included in the 2015/16 Capital Programme to be used to resite and renew the modular building used for the current Ysgol Dewi Sant. This additional contribution would be funded from the School Investment Strategy reserve.

The Education Capital Programme was funded as follows:

By Funding Source	14/15	15/16	16/17	17/18	18/19	19/20	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Capital Funding	2,972	2,512	4,593	890	679	650	12,296
Capital Receipts	3,661	600	4,526	800	0	0	9,587
Other Reserves and Revenue Contribution	1,025	0	0	0	0	0	1,025
School Investment Reserve	1,472	3,411	1,302	525	400	400	7,511
School Rationalisation and Improvements Reserve	300	300	300	300	300	300	1,800
IT Fund	200	200	200	200	200	200	1,200
Prudential Borrowing	3,370	2,074	0	0	0	0	5,444
Prudential Borrowing Pending Receipts	2,000	0	0	0	0	0	2,000
Total Internal Funding	15,000	9,097	10,921	2,715	1,579	1,550	40,863
Other Councils Contributions	0	1,330	0	0	0	0	1,330
S106 Agreements	829	1,117	1,362	0	0	0	3,308
Welsh Government Grant	4,352	7,582	4,963	1,125	0	0	18,022
Total Funding	20,181	19,126	17,246	3,840	1,579	1,550	63,522

Band B Funding under the 21st Century Schools Programme was due to start in 2019/20. This analysis assumed the Council schemes would not commence until 2020/21 as the schemes were not yet approved. The Council would need to consider what schemes were likely to be included in the Band B School Investment Programme to address growing pressures within Vale of Glamorgan schools. These pressures included but were not limited to the following:

- Consideration of a possible Co-education school at Secondary level in Barry.
- Increase in demand for Welsh Medium places at Primary and Secondary level across Penarth, Barry and Rural Vale Clusters.
- Increase in demand for English Medium places in the Penarth area.
- Increase in demand for English and Welsh Medium places as a result of existing development schemes and new schemes proposed in the Local Development Plan.
- The need to amalgamate and federate schools to strengthen performance, foster cohesion and support among schools and release efficiencies.

The projected cost of schemes under Band B was £38m, which it was assumed would be funded as follows: £19m WG Grant contribution at 50%, £4.9m General Capital Funding, £6.7m Capital Receipts, £0.7m School Investment Strategy reserve, £6.7m S106 Contributions.

In order to fund the additional contributions for Asset Renewal, Band B schemes and Victorian Schools strategy, it was proposed that the School Investment Strategy

Reserve be increased by £3.5m identified from unearmarking other specific reserves.

In terms of the new Housing Improvement Plan, this was due to be submitted to Cabinet for approval in December 2014. The recommendations of the amended Plan would be reflected in the Final Capital Proposals when they are brought to Cabinet in February 2015.

The capital funded from revenue (CERA) for the current Housing Improvement Plan was £4.141m, an increase of £933,000 on the £3.208m currently reflected in the Capital Programme. The 2015/16 Capital Programme had been amended to reflect an increased revenue contribution of £4.141m in 2015/16 and reduced Prudential Borrowing of £11.293m, pending the amended Programme in December 2014.

As in the case of the consideration of the Initial Revenue Budget Proposals, similar arrangements were in place for the Scrutiny Committees to pass their comments to the Scrutiny Committee (Corporate Resources) who would, on behalf of the Council's Scrutiny Committees, formally respond to the Cabinet by no later than 16th December 2014. However, Scrutiny Committees were being asked to first consider the indicative Capital Proposals as set out in Appendix B to the report. If a change to the initial proposals was desired, the Scrutiny Committee was required to provide a reason for this need in order to assist the Cabinet and the CBWG in their deliberations when drawing up the final proposals. The total net capital expenditure of the proposed programme for the whole of the Council over the five years was approximately £96.144m.

Managers would be asked to revisit the schemes listed in Appendix B and confirm the final cost and spend profiles prior to the final proposals being considered by the Cabinet by no later than 23rd February 2015. Cabinet's final Capital Programme proposals would be considered by Council no later than 4th March 2015.

If the schemes proposed for the whole of Council were approved, the effect on the General Fund usable receipts was as follows:

Capital Receipts	**General**	**Ringfenced Social Services**	**Ringfenced Education**
	£000's	**£000's**	**£000's**
Anticipated Balance as at 1st April 2015	8,233	1,225	0
Anticipated Requirements – 2015/16	(1,660)	0	(600)
Anticipated Receipts – 2015/16	0	0	1,285
Balance as at 31st March 2016	6,573	1,225	685
Anticipated Requirements – 2016/17	(5,525)	0	(1,684)
Anticipated Receipts – 2016/17	0	0	2,500

Balance as at 31st March 2017	1,048	1,225	1,501
Anticipated Requirements – 2017/18	0	(1,225)	(800)
Anticipated Receipts – 2017/18	0	0	2,500
Balance as at 31st March 2018	1,048	0	3,201
Anticipated Requirements – 2018/19	0	0	0
Anticipated Receipts – 2018/19	0	0	0
Balance as at 31st March 2019	1,048	0	3,201
Anticipated Requirements – 2019/20	0	0	0
Anticipated Receipts – 2019/20	0	0	2,800
Balance as at 31st March 2020	1,048	0	6,001
Anticipated Requirements between 2020/21 and 2025/26	0	0	(6,001)
Anticipated Receipts between 2020/21 and 2025/26	0	0	0
Balance as at 31st March 2026	1,048	0	0

The Education Capital Programme utilised General Receipts in addition to Capital Receipts ringfenced for Education. The Capital Receipts in 2014/15 from the sale of Gardenhurst had been ringfenced for Social Services capital expenditure. Options were being explored by the Council, however, it was expected that the full capital receipt of £1.225m would be utilised for Older Persons' accommodation in 2017/18.

In line with the overall strategy and specific suggestions proposed by the BWG, in order to resource the Capital Programme, reserves would be utilised over the period of the Capital Programme 2015/16 to 2019/20.

The Project Fund would be used to fund schemes assessed on an Invest to Save basis, and in certain circumstances, business critical schemes may also be funded from this reserve with the prior approval of the Director of Resources, a balance of £2m would be retained as a balance on this fund. The projected usage of this reserve over the period of the Capital Programme was detailed below:

Project Fund	**£'000**
Anticipated Balance as at 1st April 2015	4,244
Anticipated Requirements – 2015/16	(1,684)
Anticipated Receipts – 2015/16	100
Balance as at 31st March 2016	2,660
Anticipated Requirements – 2016/17	(400)

Anticipated Receipts – 2016/17	60
Balance as at 31st March 2017	2,320
Anticipated Requirements – 2017/18	(100)
Anticipated Receipts – 2017/18	60
Balance as at 31st March 2018	2,280
Anticipated Requirements – 2018/19	0
Anticipated Receipts – 2018/19	0
Balance as at 31st March 2019	2,280
Anticipated Requirements – 2019/20	0
Anticipated Receipts – 2019/20	0
Balance as at 31st March 2020	2,280

The above forecast balances needed to be seen in the context of significant pressures for spending which were not yet included in the Capital Programme, these pressures included the backlog of school, highways and building improvements.

Having regard to the above and related issues, it was

RECOMMENDED –

(1) T H A T the Initial Capital Budget Proposals for 2015/16 be endorsed and that Cabinet be informed of the Scrutiny Committee's deliberations on the matter.

(2) T H A T the following changes to the 2014/15 Capital Programme be noted:

- Fire Precaution Works - A virement of funding to the scheme of £6,000 from the budget for Fairfield Replacement Flat Roof.
- Bryn Hafren Replacement Boiler - A virement of £12,000 from Barry Comprehensive Replacement Boiler and a further virement of £7,000 from Ysgol St Curig Re-roofing and replacing defective timbers.
- Rural Integrated Transport Initiative - Increase the 2014/15 Capital Programme by £100,000 for the WG Pilot Transport Project Rural Integrated Transport Initiative.

(3) T H A T the inclusion of the following capital schemes in 2014/15 Capital Programme, to be funded from an increased revenue contribution, be noted in respect of the following:

- Llandough Playground - £20,000
- Bro Morgannwg Flat Roof - £80,000
- Public Conveniences Refurbishment - £100,000.

(4) T H A T the use of Article 13.09 of the Council's Constitution (Urgent Decision Procedure) to increase the 2014/15 Capital Programme for the following capital

schemes to be funded from an increased revenue contribution in 2014/15 and therefore enable officers to carry out the works within the current financial year, be noted:

- Llangan Demountable - £350,000
- Llanfair Demountable - £350,000
- Penarth Esplanade / Cliff Road Improvements - £450,000
- Highways Improvements - £250,000
- Parks Refurbishment - £200,000
- Barry Island Enhancements Phase 2 - £300,000.

(5) T H A T the following changes to the 2014/15 and 2015/16 Capital Programmes that required Council approval be noted:

- Ysgol Nant Talwg - Increase the 2014/15 budget by £9,000 to £1.603m. Bring forward £7,000 from 2015/16 to 2014/15 and increase the overall scheme budget by £2,000 in 2014/15, to be funded by an additional contribution from the School Investment Strategy reserve.
- Ysgol Dewi Sant - Reduce the 2014/15 budget by £700,000 to £1.145m and carry forward this sum to 2015/16.
- Barry Cluster - Ysgol Gwaun Y Nant and Oakfield - Reduce planned spend in 2014/15 by £1.412m and carry forward this sum to 2015/16.
- Llantwit Learning Community (LLC) - Reduce the overall budget figure to £19.750m and bring forward £474,000 to 2014/15, in line with the financial profile to be submitted to Welsh Government as part of the Full Business Case (FBC).
- Client Record System - Carry forward £400,000 for a new Social Services Client Record System to 2015/16 due to the delay in awarding the national contract.
- Vehicle Replacement Programme - Carry forward £952,000 to 2015/16 and £738,000 to 2016/17, reducing the budget in the 2014/15 Programme to £1.082m.
- Penarth Esplanade - Carry forward funding for Penarth Esplanade scheme to 2015/16 £50,000 and £50,000 to 2016/17.
- Ashpath Footpath Improvements - Carry forward funding £72,000 to the 2015/16 Capital Programme.
- S106 Funded Schemes - Increase the Capital Programme for 2014/15 by £346,000 and £350,000 in 2015/16 for the following schemes to be funded by S106 contributions:
    - Cogan Hall Farm - Dinas Powys to Cosmeston Cycleway Link £150,000 in total, with £15,000 in 2014/15 and £135,000 in 2015/16.
    - Plassey Street / Glebe Street Zebra Crossing £30,000 in 2014/15.
    - Plassey Street / High Street Zebra Crossing £20,000 in 2014/15.
    - Windsor Road / Plassey Street Roundabout Junction Enhancements £100,000 in 2014/15.
    - Windsor Street / Pill Street Dedicated Right Hand Turn £110,000 in 2014/15
    - Lighting Scheme for Zig Zag Path £100,000 in total, with £25,000 in 2014/15 and £75,000 in 2015/16.

- Pedestrian Crossing across Ffordd Y Millennium and Improved Bus Access £69,000 in total, with £17,000 in 2014/15 and £52,000 in 2015/16.
- Pedestrian Crossing across Thompson Street / Holton Road £24,000 in total, with £6,000 in 2014/15 and £18,000 in 2015/16.
- Pedestrian Access Buttrills Road / Holton Road £93,000 in total, with £23,000 in 2014/15 and £70,000 in 2015/16.

- Renewal Area - Carry forward £496,000 from 2014/15 Capital Programme to 2015/16 as follows; £70,000 Holton Road Phase 1, Holton Road Phase 2 £155,000, Holton Road Phase 3 £105,000 and Holton Road Phase 4 £125,000, Castleland Renewal Area Phase 3E £9,000, Castleland Renewal Area 4A £20,000 , and Castleland Renewal Area Phase 4B £12,000.
- Space Project - Carry forward £1.178m funding for the Space Project to 2015/16 Capital Programme.

(6) T H A T the increased requirement of £2.638m for unsupported borrowing required between 2014/15 and 2016/17, as a result of the Local Government Borrowing Initiative for 21st Century Schools, be noted.

<u>Reasons for recommendations</u>

(1) To inform Cabinet of the outcome of the scrutiny process on the matter.

(2&3) To advise the Scrutiny Committee of the position with regards to the 2014/15 Capital Programme.

(4) To make the Committee aware of the position with regard to the 2014/15 Capital Programme and the use of relevant provisions of the Council's Constitution.

(5) To advise the Scrutiny Committee of the position with regards to the 2014/15 Capital Programme.

(6) To ensure the Committee was aware of increased unsupported borrowing in the Capital Programme.

683 QUARTERLY PERFORMANCE MONITORING AND ACTION MONITORING REPORTS: QUARTER 2 2014-15 – CORPORATE AND CUSTOMER SERVICES (DR) –

RECOMMENDED –

(1) T H A T the performance results and the remedial actions to be taken to address service underperformance be noted.

(2) T H A T progress made to date in achieving key outcomes as outlined in the Corporate Plan 2013-17, the Outcome Agreement 2013-16 and the Improvement Plan Part 1 2014-15 be noted.

Reasons for recommendations

(1) To ensure the Council was effectively assessing its performance in line with the requirement to secure continuous improvement outlined in the Local Government Measure (Wales) 2009.

(2) To note progress in respect of Quarter 2 Corporate and Customer Services performance results as at 30th September 2014.

684 QUARTERLY PERFORMANCE MONITORING AND ACTION MONITORING REPORTS: QUARTER 2 2014-15 – RESOURCES (DR) –

The Head of Democratic Service referred to one slipped action, RS/A090 "Draw up for consideration by the Democratic Services Committee, a Member Development Programme for 2014/15 (NA23)" and referred to having commenced Personal Development Reviews (PDRs) with Members who were in receipt of a Senior Salary. It was his intention to roll out to all Members the opportunity to receive a PDR when the exercise had been completed; the results would inform the wider Member Development Strategy. He also referred to action RS/A038 "Development and introduce protocols to increase public engagement and participation in the Council's meetings (CP/CL6)" and reported that a public speaking protocol in relation to the Council's Planning Committee would be subject of a report to the Council at its meeting on 17th December 2014.

The Head of Legal Services referred to those matters under her stewardship and indicated that all but one of the actions contained within the report were on target. She referred specifically to the slipped action RS/M003 "The percentage of legal files that following a legal review are assessed as being of a satisfactory standard or above" and indicated that of the 30 files reviewed within Quarter 2, only one file was deemed as unsatisfactory when assessed under the Departmental LEXCEL procedure which had been found not to be followed and indicated that corrective action had been undertaken within seven working days of the review.

The Head of Finance referred to matters within his remit contained in the report and referred specifically to RS/A056 "Implement Welfare Reform and transfer Housing Benefit to Universal Credit in line with DWP timetable (NA30)" and indicated that this matter would be the subject of a further report to the next meeting as part of the Welfare Reform update.

RECOMMENDED –

(1) T H A T the service performance results and remedial action to be taken to address service underperformance be noted.

(2) T H A T progress to date in achieving key outcomes as outlined in the Corporate Plan 2013-17, the Outcome Agreement 2013-16 and the Improvement Plan Part 1 2014-15 be noted.

<u>Reasons for recommendations</u>

(1) To ensure the Council was effectively assessing its performance in line with the requirement to secure continuous improvement outlined in the Local Government Measure (Wales) 2009.

(2) To note progress in respect of Quarter 2 Resources performance results as at 30th September 2014.

685 HALF YEAR TURNOVER REPORT – APRIL 2014 TO SEPTEMBER 2014 (MD) –

The half year figures for the period April to September 2014 indicated a slight increase in the rate of turnover from 5.29% to 5.42%, in comparison to the figures for the same period in the previous year. Corporate turnover had increased from 4.79% of the Corporate headcount from April to September 2013 to 5.10% in the same period for 2014. Turnover in schools had decreased however from 5.78% of the schools headcount to 5.71% in April to September 2014, even though the number of leavers had increased slightly.

The number of dismissals, retirements and end of temporary contracts had all decreased over the comparative reporting period. In regard to resignations from the Council, these had increased marginally from 159 between April and September 2013 to 170 during the same period in 2014. Exit questionnaires continued to play a part in identifying the reasons why people chose to leave the employment of the Council. During the period April to September 2014, 10 individuals had taken the opportunity to complete and return exit questionnaires. Of these, the main reasons cited for looking for alternative employment was “personal, family or social reasons”.

The number of redundancies had increased slightly from 10 to 28 in the reporting period. Given the projected reductions in public service finances and the associated adverse service implications, the Head of Human Resources indicated that it was inevitable that there would be a consequential increase in the number of early retirement / redundancies in the short term.

He indicated that the figures as set out in the report took account of the transfer in August 2014 of the Housing and Visible Services cleaning team located at Llantwit Major Comprehensive School to an external contract.

A more detailed breakdown of reasons for leavers was set out in paragraph 14 of the report.

As for turnover by occupational groups, the Head of Service indicated that the number of Chief Officers and those from the “Professional” occupational group leaving the Council had remained consistent in both reporting periods. The number of Senior Managers leaving the Council had increased from 7 in April to September 2013 to 11 leaving in the same period in 2014. The number of Technicians leaving the Council had increased from 33 to 54 in contract to the number of Support Staff that had left which had decreased from 68 to 46 employees over the comparative period in 2013. In regard to turnover in Schools, the number of Headteachers leaving the Council had increased from 4.50% to 10.93% (of all Headteachers). The number of Teachers leaving had decreased from 7.47% to 5.96% (overall Teachers). Overall, the number of leavers from Schools had reduced slightly from 5.78% to 5.71% of all school employees.

A breakdown of the number of employees leaving and their occupational profile was set out in paragraph 19 of the report.

Turnover by Directorate indicated that overall levels of turnover had increased in both the Directorates of Resources and Visible Services and Housing over April to September 2014. In all other Directorates, including Schools, the percentage of leavers had decreased in comparison with the same period in 2013. The highest rate of turnover continued to be in the Development Services Directorate, followed by the turnover rate for Resources.

Paragraph 22 of the report set out a table showing the turnover rate of each Directorate and set on in Appendix 2 to the report was a further breakdown of each Directorate into services.

In terms of turnover in “hot spot” areas, one of the main areas identified in Theme V of the Workforce Plan 2013-2017 was the recruitment and retention of employees in key occupational groups. Overall, the turnover in areas that had been identified as “hot spots” had been relatively low, with Trading Standards Officers, Planning Officers and Engineering showing the highest levels of turnover over the period.

Set out in paragraph 25 to the report was a table of information detailing the specific areas identified for consideration and their turnover rate between April and September 2014. The Head of Human Resources referred to the turnover rates for ICT Professionals which had increased beyond the number of leavers (3) reported in the table of information.

In referring to the Council’s turnover rates, these needed to be viewed in a wider context and he alluded to the CIPD Resourcing and Talent Planning Survey (2013). This survey reported that the overall turnover rate across all sectors in the UK was 11.9%, whilst the turnover rate for the public sector was 9.4%. In addition, he also referred to information published by the Workforce Benchmarking (by the Local Government Data Unit and Welsh Local Government Association), the average turnover rate in Local Authorities in Wales was 9.5% in 2013/14. In comparison, the turnover rate for the Vale of Glamorgan Council for the same period was below these comparisons with an overall turnover rate of 8.64%.

In referring to the report, Members requested that future reports should be focused on an analysis of voluntary resignations as this would be more meaningful.

In response the Head of Human Resources intimated that the additional information requested would be included in future reports where feasible and acknowledged that the process and information obtained from exit interviews could be improved.

RECOMMENDED –

(1) T H A T the position in relation to employee turnover be noted.

(2) T H A T the Head of Human Resources be requested to ensure that future reports be focused on an analysis of voluntary resignations.

Reasons for recommendations

(1) To monitor employee turnover.

(2) To understand further reasons relating to employee turnover and any resulting recruitment issues.

686 MATTER WHICH THE CHAIRMAN HAD DECIDED WAS URGENT -

RESOLVED - T H A T the following matter which the Chairman had decided was urgent for the reason given beneath the minute heading be considered.

687 VOLUNTARY AGREEMENT FOR THE EXIT OF THE HOUSING REVENUE ACCOUNT SUBSIDY SYSTEM AND THE ASSOCIATED HOUSING BUSINESS PLAN 2014 (MD AND DVSH) –
Urgent by reason of the need for Council to respond to Welsh Government by 7th January 2015 and for the reasons as detailed in paragraph 5 below

The Head of Finance informed the Scrutiny Committee that the Welsh Government (WG) had been in discussions with HM Treasury since 2010 with a view to agreeing a financial settlement that would enable the 11 stock retaining Local Housing Authorities (LHAs) to exit from the Housing Revenue Account Subsidy (HRAS) system.

The principle for Local Authorities buying themselves out of the system was that "every stock retaining authority should be better off than the current position". This included not only the financial benefits from exiting HRAS but also the benefits of becoming self-financing.

WG announced in June 2013 that an agreement had been reached with HM Treasury, which together with the introduction of new self-financing arrangements was expected to generate revenue savings for the 11 LHAs each year. This would allow LHAs to increase their investment in their existing stock and where possible, support the delivery of additional housing supply.

There had been delays in WG providing the draft voluntary agreement and clarity on the assumptions associated with the Business Plan. Due to the need for both the Business Plan and the Voluntary Agreement to be submitted to WG during January 2015, it would be necessary for Council to make a determination at the meeting on 17th December 2014.

The key elements of the agreement between WG and HM Treasury were as follows.

- LHAs were required to buy themselves out of the HRAS.
- The £73m of annual negative subsidy payments across Wales would be replaced by interest payments of approximately £40m. This would satisfy HM Treasury's requirement that the agreement was fiscally neutral over the longer term.
- The £40m annual interest payments would be converted to a lump sum settlement value a short period before the agreed implementation date. This would enable LHAs to consider their borrowing requirements in accordance with their local Treasury Management Strategy, to meet current business plan commitments and provide flexibility for LHAs to determine the type and period of loan. The Vale of Glamorgan's Treasury Management Strategy would require amendment to reflect the settlement figure.
- In order to fund the buy-out, Treasury required LHAs to borrow from the Public Works Loans Board (PWLB).
- HM Treasury required a housing related borrowing cap to be imposed on each LHA in order to control public sector borrowing. This would be known as 'the limit on indebtedness'. Failure to comply with this would result in sanctions by Treasury. This would mean the Welsh Budget will be reduced and the reduction passed on to each LHA as appropriate.
- HM Treasury agreed that the 11 Welsh LHAs could exit the HRAS system in March 2015, subject to the WG securing and managing a borrowing cap through a voluntary agreement between each of the 11 LHAs and Welsh Ministers.
- The powers for Welsh Ministers and local authorities to enter into a voluntary agreement were provided in section 80B of the Local Government and Housing Act 1989.
- It was essential that all 11 LHAs agreed and signed the voluntary agreement. Failure to do so would result in the HRAS remaining in place in Wales until appropriate UK legislation was passed. This means that at least £73m would continue to be paid back to HM Treasury each year.

The voluntary agreement would act as an interim arrangement until the Wales Bill came into force and as a fall-back position should the Wales Bill fall for whatever reason. Once the Wales Bill received Royal Assent and the appropriate provisions were commenced, Treasury would need to issue a determination to the Welsh Ministers which would set the macro borrowing cap for Wales. This would enable the Welsh Ministers, subject to consultation, to issue a determination to LHAs which would set the limit of indebtedness for each LA. There was the potential for the legislative process to replace the need for a voluntary agreement. Attached at Appendix 1 to the report were the current draft heads of terms of the Voluntary Agreement (the final draft was anticipated on 19th December 2014).

In June 2014 Council agreed to the terms by which it would engage with the exit process. Appendix 2 to the report set out the agreed options for the distribution method for the settlement amount as provided by WG and Appendix 3 set out the latest draft calculation of the limit of indebtedness associated with the buyout provided by WG.

Appendix 2 showed how the £40m of interest payments would be shared between all stock owning Welsh Councils and was distributed according to the payment made by each Council as negative subsidy under the HRAS. Under this arrangement, each LA would pay 45.12% less than they currently paid in negative subsidy payments.

Set out in Appendix 3 to the report was the limit on indebtedness which was estimated to be £1.85bn based on the following:

- Total Wales borrowing to fund the estimated settlement figure £919.5m
- Existing borrowing by Welsh LHAs which was estimated to be £450.7m
- Borrowing required to meet Welsh Housing Quality Standard (WHQS) which was estimated at £358.1m.

The remaining £121.7m 'headroom' below the limit of indebtedness had been allocated to the LHAs based on the compromise option 3, following the consultation paper in May 2014. The Vale of Glamorgan's headroom figure was likely to be £5.2m. Taking into account the indicative borrowing required for WHQS delivery of £33.9m, and existing debt of £2.1m this would give the Vale scope for new borrowing totalling at £41.2m at any point in time.

The final settlement figure would be converted based on PWLB interest rates on a 30 year maturity loan on 31st March 2015.

The HRA Business Plan 2014 demonstrated that this level of borrowing was affordable over the longer term, and headroom would continue to be available as repayment of debt was made. This available headroom below the cap along with the savings generated from exiting the HRAS would lead to significant sums being available for future spending and allow the Council to consider building new housing and wider regeneration projects. WG required all local authorities who retained their housing stock to submit annually an acceptable Housing Business Plan that indicated a detailed financial forecast in the form of a 30 year financial model.

The Business Plan was the primary tool for a local authority's housing landlord service and included all assets within the Council's Housing Revenue Account (HRA). The submission deadline for the plan was 7th January 2015. Formal notification of the settlement amount and Business Planning Guidance, which formed part of the application for Major Repairs Allowance (MRA) had not been received at the time of writing, therefore this plan was based on indicative figures. The MRA grant application, a pivotal financing component for the Housing Improvement Programme, would be submitted at the same time as the Business Plan.

The Housing Business Plan 2014 was attached at Appendix 4 to the report. The Plan assumed that HRAS would proceed on the planned date of 2nd April 2015. Any associated borrowing to facilitate the buy-out had been based on the amounts provided by WG (Appendix 3). The main assumptions in the plan were as follows:

- Gross average rents were £83.13 in 2014/15 calculated on a 52 week basis. In December 2013, the WG agreed to fix the level of rent increases for a period of five years from 2014/15 to 2018/19. During this period rents were assumed to increase by CPI plus 1.5% each year. After 2018/19 rents have been assumed to increase by CPI plus 1%.

- The Major Repairs Allowance of £2.76m per year is assumed to continue. No inflation had been allowed for this grant.
- The latest survey information from Keystone Asset Management Software has been used to profile the stock investment needs over the next 30 years.
- Settlement debt of £63.2m charged to the HRA at a projected interest rate of 4.35%, with annual principal repayments of 2%. In later years any revenue surpluses had been offset against debt as voluntary repayments, resulting in full debt repayment by year 25.
- Total borrowing of £33.9m in the years up to and including 2016/17 to fund the achievement of WHQS, this amount included any borrowing undertaken in 2014/15.
- Use of forecasted borrowing headroom totalling £9.8m in the years to 2019/20 to enable new build schemes and regeneration, at any one time however the peak debt would be within the limit of indebtedness by approximately £3.2m.
- Expenditure on Responsive and Cyclical repairs was assumed to increase by 2% inflation as per WG guidance. There had also been additions totalling £3m over the first 10 years to facilitate an external painting programme.
- Additional Staffing costs of £317k per annum to both support any new estate redevelopment and tenant management, two anti-social behaviour co-ordinators and two estate 'Handy men'.
- To deal with the specific impacts of Welfare Reform an additional staffing budget of £100k had been included within the plan. This budget would be used to fund staff to work with tenants providing them options to prevent them falling into arrears and / or becoming homeless as a direct result of the Welfare Reform.
- The Provision for doubtful debts had been increased to allow for the negative impact of Welfare Reform and in particular, Universal Credit on rent collection. The Provision had been increased from 0.95% to 6% in Year 1 (2015/16), reducing to 3% in following years. The effect of the Universal Credit roll out, when it occurs was difficult to estimate, it was felt however that these levels were prudent.
- All other Revenue income and expenditure was based on the 2014/15 revised budget plus inflation.

The headroom available below the limit of indebtedness along with the savings generated from the HRAS subsidy buyout and other changes to the base model, would allow further investment in new build and regeneration schemes. For this plan, investment in new build properties and further regeneration had been set aside in the first five years totalling £20.1m. Preliminary work had begun on a feasibility study for small new build sites in the short-term and further studies would be commissioned to identify any continuing programme of new build and regeneration.

The latest projections were attached at Appendix G(i) and G(ii) to the Business Plan. The total amount of debt outstanding at any one point would be £101.2m, based on a settlement buyout amount of £63.231m the corresponding Limit on Indebtedness would be £104.385m.

A summary of the movement in the financial position was included below:

	December 2013	**December 2014**	**Difference**
WHQS Target	2016/17	2016/17	No Change
Revenue Surplus at year 30	£103.5m	£142.2m	+£38.7m
Repayment of Debt	Year 18	Year 25	+ 7 years
Increased Capital Investment as a result of exit:-			
New Build & Regeneration Yrs 1-5		£20.1m	+£20.1m
New Build & Regeneration Yrs 6-30 estimated		£144.0m	+£144.0m
Total New Build & Regeneration		£164.1m	+£164.1m
Borrowing Requirements			
O/s Debt	£2.1m	£5.9m	+ £3.8m estimated borrowing for 2014/15
WHQS borrowing requirement (including 2014/2015)	£33.9m	£30.1m	- £3.8m estimated borrowing for 2014/15
New Investment & Regeneration		£9.8m	+£9.8m
Borrowing required to exit HRAS		£63.2m	+£63.2m
Total Borrowing	£36.0m	£109.0m	+£73.0m
Peak Debt	£31.5m	£101.2m	+£69.7m

The Peak debt of £101.2m would leave available borrowing of £3.2m.

In terms of Sensitivity Analysis and Risk Analysis, the Base Plan assumed that all debt could be repaid within the 30 year period (at year 25). However, as the Plan could not afford to begin voluntary repayments until later years, it could well be the case that as those repayments become due, current pressures may dictate that any revenue surpluses be used for reinvestment instead. With this in mind, the sensitivity analysis had been based on a plan where only minimum repayments of debt are made (at 2% of outstanding debt per annum).

There were a number of risks associated with the assumptions used in the financial projections for the Business Plan. Some of the potential risks had been modelled to assess their impact on the viability of the business case. The results and relative risk assessments were shown in Appendices H and I to the Plan.

The Business Plan would be most sensitive to the cessation or reduction of the Major Repairs Allowance. Sensitivity 5 explored this risk and whilst the Business Plan was still viable, the limit on indebtedness would be breached. In addition, the HRA Revenue surplus at year 30 was considerably reduced.

The Scrutiny Committee thanked the Head of Finance for his comprehensive presentation on the subject.

A short question and answer session followed with Members of the Scrutiny Committee querying whether the Council would ultimately be in a better financial position as a consequence of the exit from the HRA with the Head of Service responding that in real terms the Council would pay back £3.5m annually as opposed to £5m under the current system. In addition, the revised Housing Business Plan allowed for greater flexibility in the future and this in part would allow the Council to further invest in its housing stock and afforded new build opportunities. There were risks which were set out in the report and reiterated his comments regarding sensitivity issues relating to the MRA.

Another Member referred to a Member Briefing event previously provided by the Head of Housing and Building Services and enquired if anything since that time had changed in relation to the proposals set out in the report. In response, the Head of Finance indicated that in principle the proposals were broadly the same. The Operational Manager (Public Housing) indicated that in terms of the opportunities going forward for the Council it would allow capital investment in terms of new build and regeneration in years 1 to 5 circa £20.1m and further investments from years 6 to 30 of circa £140m. In addition to these investment opportunities, there was an overall opportunity for the Council to offer improved services to its tenants. Another Member of the Committee referred to the “sensitivity” issues and the likely implications for the 11 Local Authorities in the event of Local Government merger arrangements. In response the Head of Finance indicated that the Council’s position was for a preferred merger with Bridgend Council but acknowledged that they no longer had responsibility for the management of housing stock following transfer. He also reminded the Scrutiny Committee that the HRA was also ringfenced. At this juncture the Chairman referred to Appendix G(ii) and to matters relating to gross rental income and enquired of the possible implications of an increase in the sale of Council houses under the Right to Buy Scheme and asked officers what assumptions had been made within the revised Business Plan regarding this issue. In response the Operational Manager (Public Housing) indicated that the revised Business Plan had indeed factored in potential sales of Council houses under the above scheme. He also indicated that the current level of Right to Buys was low, however, there had been an increase in enquiries from tenants requesting valuations. He also indicated that in the event of an increase in sales under the Right to Buy Scheme, there was an option for the Council to approach WG seeking a suspension of the Right to Buy Scheme.

Having regard to the above and related issues

RECOMMENDED –

(1) T H A T the position in regard to the Housing Business Plan 2014 and the Heads of Terms of the Voluntary Agreement be noted.

(2) T H A T it be recommended to Cabinet to recommend to Council that delegated authority be given to the Director of Visible Services and Housing in consultation with the Head of Finance, the Head of Legal Services, the Leader and the Cabinet Member for Housing, Building Maintenance and Community Safety, to agree to the exit of the HRAS system once formal notification is received.

(3) T H A T it be recommended to Cabinet to recommend to Council that delegated authority be granted to the Head of Finance in consultation with the Director of Visible Services and Housing, the Head of Legal Services, the Leader and the Cabinet Member for Housing, Building Maintenance and Community Safety, to agree to the final settlement amount.

(4) T H A T it be recommended to Cabinet to recommend to Council that delegated authority be given to the Head of Finance in consultation with the Director of Visible Services and Housing, the Head of Legal Services, the Leader and the Cabinet Member for Housing, Building Maintenance and Community Safety, to agree a change in the Treasury Management Strategy, in order to borrow the required settlement amount from Public Works Loans Board (PWLB).

(5) T H A T it be recommended to Cabinet to recommend to Council that delegated authority be given to the Director of Visible Services and Housing in consultation with the Head of Finance, the Head of Legal Services, the Leader, and the Cabinet Member for Housing, Building Maintenance and Community Safety, to agree any changes to the Business Plan if necessary before submission on 7th January 2015 and thereafter.

(6) T H A T it be recommended to Cabinet to recommend to Council that delegated authority be given to the Head of Legal Services in consultation with Director of Visible Services and Housing, the Leader and Cabinet Member for Housing, Building Maintenance and Community Safety, to finalise the terms of the Voluntary Agreement and execute the same.

Reasons for the Recommendations

(1) In acknowledgement that pre Cabinet scrutiny on the matter had been undertaken.

(2) To accommodate exit of the HRAS system, and ensure that all key decisions and actions have been made to implement the changes.

(3) To accommodate exit of the HRAS system.

(4) To enable the Council to borrow the agreed settlement figure from PWLB, as per the terms of the Voluntary Agreement.

(5) To enable submission of a 30 year Business Plan accompanied by application for MRA (Major Repairs Allowance) by 7th January 2015 as per the conditions of the grant.

(6) To ensure that the Council meets the required deadlines for the exit of the HRAS System.