CORPORATE PERFORMANCE AND RESOURCES SCRUTINY COMMITTEE

Minutes of a meeting held on 14th December, 2017.

Present: Councillor G.D.D. Carroll (Chairman); Councillor V.P. Driscoll (Vice-Chairman); Councillors R. Crowley, O. Griffiths, S.J. Griffiths, Dr. I.J. Johnson, P.G. King, N. Moore, L.O. Rowlands and E. Williams.

553 MINUTES –

RECOMMENDED – T H A T the minutes of the meeting held on 16th November, 2017 be approved as a correct record.

554 DECLARATIONS OF INTEREST –

Councillor Dr. I.J. Johnson declared an interest in Agenda Item No. 10 as he was a Governor at Barry Comprehensive School and Gladstone Primary School and a Member of Barry Town Council.

555 TREASURY MANAGEMENT (REF) –

The Cabinet, at its meeting held on 20th November, 2017, had considered a mid-year report in regard to the above and related management operations for the period 1st April, 2017 to 30th September, 2017. It had subsequently referred the matter to the Scrutiny Committee for consideration alongside relevant reports relating to Initial Revenue and Capital Budgets for 2018/19.

At that time, the Head of Finance (Section 151 Officer) had been pleased to report that all Treasury Management activity undertaken during the above period complied with the approved Strategy, the CIPFA Code of Practice and the relevant legislative provisions.

Insofar as the Council's Treasury Management operations entered into for the above period were concerned, these were detailed in paragraphs 27 to 37 of the report and included the following tables which summarised the treasury management transactions undertaken during this period and in accordance with the Council's approved Strategy.

Loan Type	**Opening Balance 01/04/2017**	**Received**	**Repaid**	**Closing Balance 30/09/2017**
	£'000	**£'000**	**£'000**	**£'000**
PWLB	148,999	0	(1,138)	147,861
Other Long Term Loans	6,000	0	0	6,000
Temporary Loans	100	0	0	100

WG Loans	2,100	0	0	2,100
Totals	**157,199**	**0**	**(1,138)**	**156,061**

- Loans borrowed from the PWLB were intended to assist Local Authorities in meeting their longer term borrowing requirements. The above loans were all at fixed rates of interest. The rate paid on each loan was largely dependent upon the original duration of the loan and date taken out. The loans taken out for the HRAS buyout were at a predetermined range of rates specified by HM Treasury.
- Other long term loans represent those non-PWLB loans that were repayable at least one year or more from the date they were advanced. The bulk of this debt was represented by two market loans of £2,000,000 and £4,000,000.
- Temporary Loans represented those loans that were borrowed for a period of less than one year. They were borrowed on seven day notice.
- WG Loan was an interest free loan provided by WG to progress the Barry Island Link Road Scheme.

The Council reviewed opportunities for refinancing and rescheduling debt in consultation with Arlingclose Ltd. each year as part of the Annual Treasury Management Strategy Review.

External interest at an average rate of 4.72% and amounting to £3,705,836 had been paid on these loans during the first six months of 2017/2018.

As at 30th September, 2017 it was estimated that the Council had internally borrowed in excess of £39m to finance the Capital Programme. Interest had been charged at the average three month LIBID rate which for 2017-18 to date equated to 0.38%. This was a far cheaper alternative to borrowing externally and was affordable given the projected level of reserves. The estimated total interest to be charged to revenue for internal borrowing for 2017-2018 was £150,030.

Pooling the interest charges for external and internal borrowing, the average rate charged to the Council to deliver the Capital Programme was estimated to be 3.99%.

The Authority had made the following investments for the period 1st April, 2017 to 30th September, 2017 as set out below:

Borrowing Institution	**Opening Balance 01/04/2017 £'000**	**Invested £'000**	**Returned £'000**	**Closing Balance 30/09/2017 £'000**
UK Local Authorities	65,500	69,000	(87,500)	47,000
Debt Management Office	4,250	904,300	(888,150)	20,400
Totals	**69,750**	**973,300**	**(975,650)**	**67,400**

Interest, at an average rate of 0.30% and amounting to £62,176 had been received from these investments for the first six months of 2017/2018.

The Council had invested only with UK Local Authorities and the Debt Management Office. This Investment Strategy was considered prudent considering the continuing pressures in the financial markets and the pending re-organisation of the larger UK banks.

The Council would continue working with the Investment Adviser to consider other Investment tools such as Treasury Bills to increase return without otherwise compromising security. In light of the very low level of short term investment interest rates, internal funds had continued to be used to finance capital expenditure to date in line with the Council's Debt Management Strategy. Given the level of borrowing in the Capital Programme and planned use of the Council's reserves, borrowing arrangements would need to be kept under review.

The Council measured its exposure to treasury management risks using the following Treasury Management Indicators as at 30th September, 2017:

The Interest Rate Exposure indicator was set to control the Council's exposure to interest rate risk. The exposures to fixed and variable rate interest rates, expressed as an amount of net principal borrowed were:

	Limit	Actual	Met
Upper limit on fixed rate exposures	190.400M	157.199	✓
Upper limit on variable rate exposures	0m	0m	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that either mature during the financial year or have a floating interest rate are classed as variable rate.

The Maturity Structure of Borrowing indicator was set to control the Council's exposure to refinancing risk. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The maturity structure of fixed rate borrowing as at 30th September, 2017 was:

	Upper Limit	Lower Limit	Actual	Met
Under 12 months	20%	0%	0.10%	✓
12 months and within 24 months	20%	0%	0.47%	✓
24 months and within five years	30%	0%	7.76%	✓
Five years and within 10 years	40%	0%	27.07%	✓
10 years and above	100%	0%	64.60%	✓

The Principal Sums Invested for Periods Longer than 364 Days indicator was to control the Council's exposure to the risk of incurring losses by seeking early repayment of its long term investments. The total principal sums invested to final maturities beyond the period end were:

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£10M	£5M	£5M
Actual principal invested beyond year end	0	0	0
Within limit?	✓	✓	✓

In addition to the above matters, the Council's Treasury Advisors had provided an overview of prevailing issues relating to UK interest rates / economic review and touched upon the undermentioned matters:

- UK Consumer Price Inflation;
- Unemployment rates including economic activity and consumer spending;
- Bank of England Monetary Policy and outlook;
- Global growth prospects;
- Geopolitical tensions between the USA and North Korea;
- Brexit negotiations.

The report also touched upon activity in regard to financial markets with comments relating to the performance of Gilt Yields, the FTSE 100, the requirements of larger UK banks to separate their core retail banking activity from the rest of their business and new EU regulations for Money Market Funds which had recently been published and compliance required by 21st January, 2019.

The report also provided an overview of regulatory updates which set out the requirements of the second Markets in Financial Instruments Directive which would take effect from 3rd January, 2018, which would change the status of Local Authorities i.e. to be treated as retail clients who could "opt up" to be professional clients provided that they met certain criteria. As the Council met the conditions to opt up to professional status, it would do so, in order to maintain its current MiFID status.

The report further set out proposed changes to Prudential and Treasury Management Codes and related to the following areas:

- the production of a new high level Strategy which would be required to be reported to Full Council;
- Prudential indicators for capital expenditure and the authorised borrowing limit to be included in future Treasury Management reports but, other indicators may be allowed to be delegated to another Committee;
- plans to drop certain Prudential indicators with the exception of local indicators recommended for ring fenced funds (including the HRA) and for group accounts;
- the application of the principles of the Code to subsidiaries;
- the Treasury Management Code included the potential for non-treasury investments such as commercial investments in properties in the definition of "investments" as well as loans made or shares brought for service purposes;

- the inclusion of financial guarantees as instruments requiring risk management and addressed within the Treasury Management Strategy;
- approval of the technical detail of the Treasury Management Strategy to be delegated to a committee rather than needing approval of Full Council;
- plans to drop or alter some of the current treasury management indicators.

It was noted that CIPFA intended to publish the two revised Codes towards the end of 2017 for implementation in 2018/19, although CIPFA planned to put transitional arrangements in place for reports that were required to be approved before the start of the 2018/19 financial year. Whilst the Department of Communities and Local Government (DCLG) in England and CIPFA sought a more rigorous framework to be in place for the treatment of commercial investments as soon as practical including, revision of Investment Guidance (and its MRP guidance). To do so currently, there had been no discussions with the devolved Administrations yet.

A number of questions were raised by Members relating to the following matters:

- when would the Council be concluding its opt up to professional status;
- clarification concerning the HRA buy out;
- internally borrowed funding.

The Head of Finance indicated that the Council did qualify for Professional status having met the criteria which would provide the Council with access to greater financial detail / advice than the retail option otherwise available. As for the HRA buy out, this had been undertaken some time ago which in effect allowed the Council to fund the stock buy out from Central Government using a loan from the Public Works Loan Board. Internally borrowed funding was the use of reserves for supporting the Capital Programme.

Having considered the above, it was

RECOMMENDED –

(1) T H A T the contents of the Treasury Management mid-year report for the period 1st April, 2017 to 31st September, 2017 be noted.

(2) T H A T the latest Treasury Management indicators be noted.

<u>Reasons for recommendations</u>

(1) In acknowledgement of the requirements of the CIPFA Treasury Management in the Public Services Code of Practice.

(2) In acknowledgement of reporting requirements in regard to the Council's Treasury Management Strategy.

556 INITIAL REVENUE BUDGET PROPOSALS 2018/19 (REFS) –

RECOMMENDED – THAT the references in respect of the above proposals received from the Scrutiny Committees Environment and Regeneration 30th November, 2017, Healthy Living and Social Care 4th December, 2017 and Learning and Culture 11th December, 2017 be noted and considered in conjunction with Agenda Item No. 9 of the Agenda.

557 INITIAL CAPITAL BUDGET PROPOSALS 2018/19 (REFS) –

RECOMMENDED – THAT the references in respect of the above proposals received from the Scrutiny Committees Environment and Regeneration, 30th November, 2017 and Healthy Living and Social Care, 4th December, 2017 be noted and considered in conjunction with Agenda Item No. 10 of the Agenda.

558 INITIAL REVENUE BUDGET PROPOSALS 2018/19 (MD) –

The Council's Scrutiny Committees had previously considered the above proposals at its meetings held on the following dates:

- Environment and Regeneration Scrutiny Committee – 30th November, 2017
- Healthy Living and Social Care Scrutiny Committee – 4th December, 2017
- Homes and Safe Communities Scrutiny Committee – 6th December, 2017
- Learning and Culture Scrutiny Committee – 11th December, 2017.

Details of each of the Scrutiny Committees' recommendations if made on the Initial Revenue Budget Proposals were included in the agenda with the exception of the recommendation(s) of the Learning and Culture Scrutiny Committee which were tabled at the meeting. No recommendations were made by the Homes and Safe Communities Scrutiny Committee on the above budget proposals.

The following references were considered as part of the Committee's wider consideration of the Initial Revenue Budget proposals:

Environment and Regeneration Scrutiny Committee recommended –

"….. With regard to the adverse variance on the Waste Management budget and the pressures within that service area, a Member raised concern in relation to the number of new developments that were being established in and around the Vale and that Section 106 funding should be made available for services such as Waste Management due to the number of new houses that were coming into the area and the requirement for them to be serviced by the department.

With reference to the Reshaping Services savings target and the need to work with Town and Community Councils, a Member raised the issue of the possibility of public conveniences being transferred to or working in conjunction with Town and Community Councils, with the suggestion that a further report in relation to the *provision for the Vale of Glamorgan be presented to a future meeting of the Committee.*

Following Members concerns in respect of the cost pressures for the service area, reference was made to a recent report which had been presented to the Corporate Performance and Resources Scrutiny Committee in relation to income generation. Although it was accepted that some of the issues contained within that report were not with in the remit of this Committee, it was subsequently

RECOMMENDED –

(1) T H A T ……….

(2) T H A T ……….

(3) T H A T Corporate Performance and Resources be apprised of the comments made at the meeting, as outlined above, together with the Committee's recommendations.

Reason for decisions

(1-3) To apprise Members and to consider options."

Healthy Living and Social Care Scrutiny Committee recommended –

"…… Members raised concern regarding the level of cost pressures with some noting that a significant increase in Council Tax may be required to deal with the pressures. Although there appeared to be significant reserves listed, the Operational Manager advised that if they were used, they could only be used for one off situations and could not be used year on year.

In recognising that it was difficult to streamline further, Members asked whether further pressure should be placed on WG in view of the requirements under the Wellbeing Act. The Cabinet Member, with permission to speak, advised that representations had already been made to WG and all Councils were facing similar pressures. He stated that he had also been disappointed that there had been no further funding in the UK budget to help Welsh Councils. Following a query as to whether the Health Board could be encouraged to assist the process, the Cabinet Member referred to the difficulties also being faced by the Health Board.

In recognising that a significant part of the overspend was around commissioning care it was noted that it was difficult for the department as it had statutory responsibilities to assess and meet people's needs, as not meeting their needs could have significant dire consequences. The Director also advised that although savings were increasingly difficult to find, the department was committed to try to find as many savings as possible and would also look to considering new models of care where it would be safe and prudent to do so. Good practice was also taken into account and the Association of Directors of Social Services Cymru offered support where possible. Officers regularly engaged with other Local Authorities and *providers and also utilised their own personal networks, in order to be innovative with their approaches. The Vale had also been recognised for its innovative approach in a number of areas such as outcome based commissioning.*

A Member queried whether there would be an opportunity for a number of organisations and professionals to have a wide debate on the subject in order to put forward suggestions, recognising there were considerable complex care cases involved.

Following the response to the Chairman's question as to whether the savings identified were achievable, the Director advised that in his view they were achievable but it would be difficult, with Members accepting that there was a £1m overspend for Adult Services and the budget was extremely volatile. The budget was also under pressure from significant demographic growth and an increase in the complexity of cases as well as pressure from care providers to increase fees as a result of the National Living Wage. Although understanding that the department was considering every aspect and that it had the Committee's support, the Chairman felt that the significant complex cases and the issues facing the department needed to be raised throughout the Council in order that all Council Members could recognise the issues the department was facing, following which it was subsequently

RECOMMENDED –

(1) T H A T ……….

(2) T H A T the comments of the Scrutiny Committee be referred to the Corporate Performance and Resources Scrutiny Committee highlighting the issues facing the Department in reference to the £1m overspend for Adult Services with the request that the Corporate Performance and Resources Scrutiny Committee consider the matter with a degree of urgency.

<u>Reasons for recommendations</u>

(1) ……….

(2) To advise Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee of the issues facing the Social Services Directorate in particular with regard to the £1m overspend on Adult Services forecast."

Learning and Culture Scrutiny Committee recommended -

"…… *The Committee then discussed and agreed a proposal for Cabinet to consider funding all cost pressures, as outlined within Appendix 3 to the report. For 2018/19, the identified cost pressures being:*

- *£1.362m - for Teaching/Non-Teaching Pay Award.*
- *£29k - for non-pay inflation.*
- *£868k - for demographic growth, based on 181 additional nursery/primary pupils and 62 additional secondary pupils.*

- *£701k - for Additional Learning Need inter Authority recoupment – due to a reduction in income as other Local Authorities now have their own provision and because there was a reduced number of places available as a result of increased demand for Vale pupils.*
- *£159k - for Additional Learning Need complex needs placements – due to a requirement to purchase places for an increasing number of children presenting with complex needs.*

The total projected cost of these pressures, for 2018/19, was in the region of £3.119m. This was however offset by less pressures to be funded by schools to the tune of £824k. This left the total remaining cost pressure for next year to be £2.295m.

There being no further discussion, it was subsequently

RECOMMENDED –

(1) T H A T ……….

(2) T H A T Cabinet, via a reference to the Corporate Performance and Resources Scrutiny Committee, be requested to give serious consideration to funding all the cost pressures identified for the Learning & Skills Directorate, as detailed in Appendix 3 to the report.

Reasons for recommendations

(1) ……….

(2) In order to advise Cabinet of the importance and necessity to fund cost pressures, which were already and would continue to have an adverse impact on the budget of the Learning and Skills Directorate."

Corporate Performance and Resources Scrutiny Committee was informed by the Head of Finance that the Council was required under statute to fix the level of Council Tax for 2018/19 by 11th March, 2018 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 RSG settlement was notified to the Council.

Appendix 1 to the report set out the amended budget for 2017/18, together with the necessary adjustments to be made to the original budget.

Asset Rents, International Accounting Standard (IAS) 19, Transfers and Recharges – These adjustments had no overall effect on the net budget of the Council. These were accounting adjustments largely outside the control of services. They reflected charges for the use of capital assets, changes to inter-service recharges and transfers and pensions adjustments to comply with accounting standards.

The following table compared the amended budget with the projected outturn for 2017/18. Services were anticipating drawing down from reserves this year with the main areas outlined in the table below:

Directorate / Service	2017/18 Amended Budget £'000	2017/18 Projected Outturn £'000	Variance (+)Favourable (-) Adverse £'000
Learning and Skills			
Schools	82,957	82,957	0
Strategy, Culture, Community Learning & Resources	11,014	11,004	+10
Strategy and Regulation	235	201	+34
Achievement for All	3,840	4,187	-347
School Improvement	1,102	1,054	+48
Additional Saving to be Found	0	(255)	+255
Social Services			
Children and Young People	15,168	15,168	0
Adult Services	41,838	42,838	-1,000
Resource Management & Safeguarding	270	270	0
Youth Offending Service	697	697	0
Transfer from Reserves	0	(1,000)	+1,000
Environment and Housing			
Visible Services	20,211	20,711	-500
Transfer from Reserves	0	(500)	+500
Transportation	4,841	4,841	0
Building Services	0	0	0
Regulatory Services	2,169	2,169	0
Council Fund Housing	1,257	1,257	0
Managing Director & Resources			
Resources	1,199	1,199	0
Regeneration	2,059	2,059	0
Development Management	1,012	1,012	0
Private Housing	11,038	10,468	+570
General Policy	15,513	12,083	+3,430
Transfer to Reserves	0	4,000	-4,000
Total	216,420	216,420	0
Met from General Reserve	(700)	(700)	0
Grand Total	**215,720**	**215,720**	**0**

The headline budget forecast for each service area was set out below:

- Learning and Skills
  - The forecast position for the Learning and Skills non-school budget was for an overspend of £879,000 which would be partially met by drawing down £624,000 from the Directorate's reserves.
- Social Services
  - The forecast for Social Services at year end was for a potential overspend of circa £1m due to pressures on the Community Care budget
- Environment and Housing
  - The forecast for the service was projecting within target at year end with an anticipated use of reserves which would be met by drawing down £200,000 from the Visible Services Reserve from the underspend in 2016/17 to offset any pressures in 2017/18 within Waste Management.
- Managing Director and Resources
  - The projected outturn for the above service was for a favourable variance of £570,000.
- General Policy
  - The projected outturn for General Policy was for a favourable variance of £3.43m when compared to the amended budget.

In terms of budget savings for 2017/18, it was noted that as part of the Final Revenue Budget proposals for 2017/18, a savings target of £4.017m had been set for the Council. Set out at Appendix 2 was a statement detailing each saving target with an update of progress. It was currently projected that there would be shortfall of £784,000 in the achievement of this year's target. The exact position in regard to savings targets in relation to Social Services, Environment and Housing and the Managing Director and Resources was set out in paragraph 36 to 38 of the report.

Having regard to the above, the Budget Strategy for 2018/19 outlined that in order to establish a baseline, services should prepare Initial Revenue Budgets based on the cost of providing the current level of service and approved policy decisions, including the existing savings target. This would mean the cost of price increases and any allowable pay awards should be included as advised by the Head of Finance.

Increases to budgets approved during the course of a financial year could restrict the freedom the Council had to allocate its resources to priorities during the following budget cycle when it was aware of all the competing demands. Consequently:

- 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 2017/18 final budget proposals and Directors were asked to continue work on achieving their Reshaping Services savings targets;
- 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 that in respect of the 2018/19 Budget Process that Directors be instructed to prepare initial revenue budgets in accordance with a timetable agreed by the Head of Finance. Preparation should be 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 2017/18 Final Revenue Budget report;
- Budgets to be broken down subjectively and objectively in as much detail as deemed appropriate by the Head of Finance;
- Budget reports to include revised estimates for 2017/18;
- 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 2017/18 Final Revenue Budget report. Any savings made directly by services over and above individual service targets to count towards future saving targets or to meet unavoidable service cost pressures;
- Directors would 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 was expected that the revenue costs of service development would need to be met from within the respective services (in particular, from the savings made). As such, no revenue bids were initially to be made. However, services may still be asked to identify and prioritise any burgeoning revenue cost pressures for consideration.

The Council's Medium Term Financial Plan (MTFP) 2017/18 to 2020/21 had been previously approved by Cabinet on 18th September, 2017 and at that time it assumed a reduction in WG funding of 3% for the years 2018/19, 2019/20 and 2020/21. This would result in the requirement to find savings of £20.941m over this period, with £9.326m currently having been identified. There were therefore further savings to be identified of £11.615m over the three year period. The latest Plan factored in a managed level of cost pressures, a notional increase in Council Tax of 2.6% each year, price inflation of 0.5% and annual pay awards of 1.6% each year from 2018/19.

To ensure that the budget set for 2018/19 continued to address the priorities of Vale residents and the Council's service users, the budget setting process would take into account the results of the consultation on the Well Being Plan which was currently being undertaken. In addition, consultation with Town and Community Councils, the Voluntary Sector and the Council's Public Service Board partners would also take place, in order to inform the final budget proposals.

The Council's provisional settlement was announced by WG on 10th October, 2017.

WG advised the Council that its provisional Standard Spending Assessment (SSA) for 2018/19 was £221.296m. SSA represented WG's view of the relative resources needed to provide a standard level of service in each Local Authority in Wales and its primary use was to allocate RSG to these Authorities.

The Council would receive from WG Revenue Support Grant of £111.174m and a share of the Non- Domestic Rates (NDR) of £40.822m. Together these figures constituted the Council's provisional Aggregate External Finance (AEF) of £151.996m. WG reported that this represented a cash reduction of 0.4% (£670,000) for 2018/19. However, when taking into account new responsibilities, this actually represented a cash reduction of 0.56% (£859,000). This was a smaller reduction than the 3% (£4.486m) projected in the MTFP, although it did not take into account inflation.

Additional funding was provided through the RSG for a new responsibility as follows:

- Homelessness Prevention – £189,000.

There were transfers into the RSG settlement for 2018/19 totalling £3.112m as follows:

- Waste Element of Single Revenue Grant : £1.344m
- Welsh Independent Living Grant : £691,000
- Social Care Workforce Grant : £704,000
- Looked After Children : £262,000
- Carers' Respite Care Grant : £111,000.

As part of the settlement, WG had also provided an indicative figure for the change in AEF for 2019/20 which was a further reduction of 1.5%.

The value of grant funding to be made available to Councils on an all Wales level had been received from WG. The waste element of the Environment and Sustainable Development Single Revenue Grant had been transferred into the RSG. When comparing the level of the grant for 2017/18 to the proposed grant for 2018/19 plus the amount transferred into the RSG there was a reduction in funding of 10%. The Communities First grant would cease, but would be replaced with the Communities First Legacy and Communities Work Plus grants which currently showed around a 20% reduction.

As part of these initial proposals, it had 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 and an updated list was shown in Appendix 3 to the report. These were not shown in any order of priority. The final proposal for the increase in the National Living Wage from 1st April, 2018 has yet to be announced. An increase would have a significant effect on services the Council commissions from external organisations. The main area affected was Social Services and a cost pressure had been included to reflect this.

The Head of Finance indicated that the details of the proposed areas for savings for 2018/19 to 2019/20 were set out in Appendix 4. The savings did not include the cost of any potential redundancies. Further work was ongoing to identify future projects that would realise savings for the Council. However, she indicated that Members had an opportunity to comment on proposed savings and whether these were appropriate and to identify other saving suggestions.

A summary of the overall base budget for 2018/19 was attached at Appendix 5 to the report. This had been derived by adjusting the 2017/18 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 3 and 4 respectively. Adjustments shown included the following:

- Asset Rents, International Accounting Standard (IAS) 19 – Related to accounting items outside the control of services. They reflected charges to services for the use of capital assets and adjustments in respect of pensions to comply with accounting standards.
- Recharges / Transfers – Related to changes in inter-service and inter Directorate recharges. The budget transfers that related to the reorganisation of the Environment and Housing Directorate were shown in a separate column.
- Budget Adjustment – There was a £320,000 increase in budget due to the change in the use of the Social Services Fund in 2018/19.
- Inflation – The total figure for inflation of £1.707m related to general price increases at 0.5% (£426,000) and for pay awards (£1.281m). At present the final proposals for pay awards for 2018/19 had yet to be agreed and therefore the figures had been included at the same level as those included in the MTFP, which was an average of 1.6%. Inflation was yet to be allocated to services pending the final agreement of pay inflation and the level and approach for allocating general price inflation. These figures did not include schools inflation which was included in Appendix 3 as a cost pressure.
- Committed Growth – This totalled £4.001m and related to the £700,000 reduction in use of the Council Fund. It also included the transfers into the RSG of £3.112m and WG funding provided for new responsibilities of £189,000 as previously detailed.

Once the base budget for 2018/19 had been established, it must then be compared to the funding available to identify the extent of any shortfall. With a projected AEF of £151.996m and Council Tax at a current level of £66.166m, total available funding would be £218.162m. When compared to a base budget of £221.748m, this would result in a funding deficit for 2018/19 of £3.586m.

If all identified cost pressures were funded, this would increase the shortfall to £10.636m. If all proposed savings were achieved, the shortfall would be reduced to £3.910m. As WG had provided an indicative reduction for 2019/20 of 1.5% the impact of this is also shown in the table below.

Projected Budget Shortfall	**2018/19**	**2019/20**
	£000	**£000**
Funding Available		
Provisional AEF	151,996	149,716
Council Tax (Assumes no increase)	66,166	66,166
Projected Funding Available	218,162	215,882
Base Budget	221,748	220,201
Projected Shortfall Against Base Budget	**3,586**	**4,319**
Assume all Cost Pressures Funded	7,050	4,483
Projected Shortfall with Cost Pressures funded	**10,636**	**8,802**
Assume all Savings Achieved	(6,726)	(2,600)
Projected Shortfall	**3,910**	**6,202**

This shortfall was based on the assumption that the savings target of £6.726m set for 2018/19 would be achieved in full. However, a high proportion of these savings related to Reshaping Services schemes which reflected a new way of working and therefore required a lengthy period of time to implement. While all services were working towards achieving their 2018/19 targets, not all savings may be achieved in full from 1st April, 2018 and therefore the potential for reprofiling savings would need to be assessed when setting the budget for 2018/19.

The above projections included an assumed pay award for 2018/19 and the possible impact of the National Living Wage which averaged an increase of 1.6%. The current assumptions would be assessed as part of the Final Budget Proposals report when further information was available.

Further work would be undertaken by the Budget Working Group (BWG) in order to achieve a balanced budget for the final budget proposals for 2018/19. This would include a review of the use of reserves, a possible increase in Council Tax, a review of all cost pressures, possible changes to the approved saving targets, a review of the inflation assumptions and the current financial strategies. In order to provide options for balancing the 2018/19 budget, a sum of £2m would be transferred into the Council Fund, from the projected underspend in 2017/18, the use of which would be considered as part of the final budget proposals. The BWG would consider the results of the budget engagement process in determining priorities for future savings and service delivery. The BWG would also ensure that budget proposals considered the requirements of the Well-being of Future Generations Act and the Council's four well-being outcomes as detailed in the Corporate Plan. They would also ensure that the budget proposals reflected the five ways of working which were:

- Looking to the long term: The budget proposals were a means of planning for the future and should take a strategic approach to ensure services were sustainable and that future need and demand for services was understood;
- Taking an integrated approach: The budget proposals should consider and encourage ways of working with partners;
- Involving the population in decisions : As part of the budget proposal process there would be engagement with residents, customers and partners;
- Working in a collaborative way: The budget proposals should recognise that more could be achieved and better services could be provided by collaboration and this way of working in the future should be encouraged;
- Understanding the root cause of issues and preventing them: The budget process was proactive and would allow an understanding of the financial position so that issues could be tackled at the source during the process.

The Council Fund Reserve as at 31st March, 2018 was projected to stand at £10.609m, after the £2m transfer in, with no further reduction approved.

Appendix 6 to the report set out the Authority's actual reserves as at 31st March, 2017 and showed the estimated reserves balance for each year up to 31st March, 2021. The Council was forecasting the use of general and specific reserves, excluding HRA and schools, totalling around £36.718m from 1st April, 2017 onwards, which represented approximately 50% of the balance as at 31st March, 2017. These levels of reserves were still deemed to be adequate as known risks were largely covered and the Council Fund Reserve did not fall below £7m.

The Council was planning to use a considerable amount of its specific reserves over the coming years, however, as reserves were a non-recurring means of funding, they could only be used as part of a specific financial strategy. The use of all reserves would be reviewed further, by the BWG, as part of the final budget setting process.

Not all the identified savings related to staffing, however, the impact on staffing levels could be a potential reduction of up to 100 Full Time Equivalents (FTE).

A Member referred to the budget shortfall and enquired of the options available to reduce the same. The Head of Finance referred to the possible means of achieving a reduction by the use of reserves, an increase in Council Tax, the re-examination of the cost pressures and consideration of increasing savings requirements by Service Directorates.

Another Member further referred to the cost pressures facing Learning and skills and enquired how these were calculated and referred specifically to cost pressure L3. The Head of Finance referred to school pupil population growth in the County and WG had provided some additional funding for this.

Discussion ensued with a number of Members raising concerns relating to the feasibility of achieving the proposed savings, the implications for the Council in regard to the proposed national pay award and its associated implications for the Council pay structure, the cost pressures faced by Social Services, Learning and Skills and Environment and Housing as a result of demographic changes within the County and the ability of services to utilise specific reserves to offset respective cost pressures. Specific concern was also raised by the Committee relating to the reduction in specific grant funding before these were transferred into the Council's Revenue Support Grant. This was particular pertinent in regard to Waste Management where a reduction in grant support was circa 10%. The Chairman also referred to the shortfall in regional grants and suggested that the Cabinet be made aware of the Committee's concern around such reductions and take these into account when considering the final budget proposals.

Having given consideration to the report and taking account of the above, it was

RECOMMENDED –

(1) T H A T the comments of the Environment and Regeneration Scrutiny Committee noted and referred to the Cabinet for further consideration.

(2) T H A T the comments of the Healthy Living and Social Care Scrutiny Committee be noted and referred to the Cabinet for further consideration.

(3) T H A T the recommendations of the Learning and Culture Scrutiny Committee relating to the funding of all the service's cost pressures be noted and referred to the Cabinet for further consideration.

(4) T H A T the Cabinet be made aware of this Scrutiny Committee's concerns relating to the proposed national pay award and its implications for the Council's pay structure, CPI inflation and its implications for cost pressures on the Council's various services and whether the savings identified within the report were deliverable within the stated timelines.

(5) T H A T taking account of the Committee's concerns raised regarding the proposed national pay award, the Cabinet be requested to write to the National Employers Pay Body raising concerns relating to the proposed national pay settlement on the Council's budget and pay structure.

<u>Reason for recommendations</u>

(1-5) To respond to the Cabinet on their Initial Revenue Programme Proposals for 2017/18.

559 INITIAL CAPITAL PROGRAMME PROPOSALS 2017/18 (MD) –

The Council's Scrutiny Committees had previously considered the above proposals at its meetings held on the following dates:

- Environment and Regeneration Scrutiny Committee – 30th November, 2017
- Healthy Living and Social Care Scrutiny Committee – 4th December, 2017
- Homes and Safe Communities Scrutiny Committee – 6th December, 2017
- Learning and Culture Scrutiny Committee – 11th December, 2017.

Details of each of the Scrutiny Committees' recommendations if made on the Initial Capital Programme Proposals were included in the agenda. Homes and Safe Communities and Learning and Culture Scrutiny Committees made no recommendations on the above budget proposals.

Environment and Regeneration Scrutiny Committee recommended –

"….. In considering the report, Members raised a number of queries as outlined below:

- *Paragraph 12 of the report referred to a 20mph zone for Treharne Road with it being noted that this would improve facilities such as access to local parks and schools. A Member queried the schools referred to being advised that they were Barry Comprehensive and Bryn Hafren due to the significant footfall in those areas, together with Oakfield Primary School, Jenner Park and Cadoxton. A number of Surveys had shown significant congestion with the issues also having been highlighted by the local Councillor and the community.*
- *In referring to improvements on Dock View Road and whether the funding required was to be vired, it was agreed that clarity of wording be pursued and reported to Members via e-mail.*
- *In considering the Five Mile Lane project, Members were advised CPOs had been agreed and that the contractors would be on site in the New Year. Members were reassured that there appeared to be no hold up now and that work would commence.*
- *In referring to a query in relation to the bridge at Dinas Powys library, Members were advised that it had been put forward due to the fact that it was structurally unsound. The local Member asked for further detail to be sent to him on the project via email.*
- *In noting that a number of schemes were not being proposed, the issue of street lighting in Dinas Powys was raised with a local Member advising that a number of local residents had complained about the state of repair of the street lighting columns and the need for replacements. The officer agreed to look into the issue and advise the Member accordingly.*
- *Cross Common Bridge road when was this likely to be removed. The Head of Service advised that her intention was hopefully within the next three to six months, however she had had resource issues in the Engineering Section and*

unfortunately had to prioritise other works in advance of the Cross Common Bridge, but it was certainly on the list to be addressed.

- *In referring to the time taken for a cycleway on the ash path (between 9 to 18 months), Committee was informed that this was as a result of the legal process as this included any objections which could take some time to address.*
- *Following a query in respect of feasibility studies in Penarth including the Esplanade and why it had been requested to reduce the Capital Programme by £47k, the officer advised they would speak to the Head of Service for Regeneration and Planning and the Director of Environment and Housing with a view to seeking a response that could be e-mailed to all Members.*
- *Ham Lane – when was the work to be completed – Head of Service agreed to provide email update.*
- *Waste recycling site at Llandow – the officer advised that it was her intention to provide another site in the area when she could.*

In conclusion, the Chairman referred to resurfacing in and around the Vale, advising that not spending sufficiently on road resurfacing was actually a false economy. The officer advised that the department would need at least £2.5m - £3m to stay on top of all its roads. The Chairman, in noting the healthy position of the reserves, suggested that the Council should consider utilising some of the reserves for resurfacing purposes.

Following full consideration of the report, it was subsequently

RECOMMENDED –

(1) T H A T ……….

(2) T H A T in noting the healthy position of the reserves, the Corporate Performance and Resources Scrutiny Committee be requested to recommend to Cabinet that the use of further reserves for resurfacing throughout the Vale of Glamorgan be considered.

(3) T H A T ……….

Reasons for recommendations

(1) ……….

(2) To request that Cabinet consider further funding for resurfacing throughout the Vale of Glamorgan as it could be a false economy not to address the situation.

(3) ………."

Healthy Living and Social Care Scrutiny Committee recommended –

"…… A Member queried the allocation of £300k to St. Paul's Church and was advised that the £233k that had been originally programmed in the budget was no

longer required as officers were pursuing the new project proposals from Newydd Housing Association and further detail was awaited pending the outcome of the planning process.

The Chairman, referring to Appendix 3, expressed disappointment in relation to the replacing playground schemes not being included in the Capital Programme and asked whether there was any potential for Section 106 funding. The Cabinet Member advised that the department was currently looking into the issue of Section 106 funding, in particular for the Rhoose play area. The Operational Manager for Leisure Services also advised that other funding opportunities e.g. grants were being considered.

Following a query with regard to the Southway project, it was noted that this project was now complete.

Having considered the report, it was subsequently

RECOMMENDED –

(1) T H A T ……….

(2) T H A T the Corporate Performance and Resources Scrutiny Committee be requested to ask Cabinet to reconsider the priority bids to include the not proposed replacement playgrounds schemes and that every opportunity and option be explored in order to resource such facilities.

(3) T H A T ……….

<u>Reasons for recommendations</u>

(1) ……….

(2) To seek Corporate Performance and Resources Scrutiny Committee support in relation to funding allocations for playgrounds and play areas.

(3) ………."

Set out in Appendix 1 were details of the financial progress on the Capital Programme as at 30th September, 2017. In addition, the report also addressed the following changes to the Programme:

Rhoose Primary New School – It had been requested that the Rhoose scheme be reprofiled as indicated below in line with the 21st Century Schools Band B proposals set out in paragraph 66 of this report:-

Rhoose Primary New School				
Year	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Currently Approved Profile	1,500	1,762	0	0
Proposed Profile	0	349	1,981	1,855

This would maximise the opportunity to draw down on the available Section 106 and utilise potential 21st Century Schools Band B funding for the scheme.

Llantwit Major Learning Community – The 2018/19 budget for this scheme was £29,000, it had been requested to bring this budget forward into the 2017/18 Capital Programme as retention had to be accrued into the year that the works are carried out.

Romilly Primary – The design of the new classroom block at Romilly Primary had been delayed due to the discovery that a 200mm water main running under the site was nearly 5m away from the location shown on the Welsh Water plans. The original plans had been completed before this was discovered and the scheme has had to be redesigned to enable the building to fit on the site. It had therefore been requested to carry forward £858,000 into the 2018/19 Capital Programme.

Victorian Schools – Due to the extent of preparatory investigative works required, the Property Section were not able to undertake the full programme of Victorian Schools works during the 2017 summer holidays. Works at Ysgol St. Curig, Romilly, Cogan and Gladstone Primary would be completed by December 2017. The tender documentation for the remaining schemes would be completed during the winter for the schemes to be completed during the summer of 2018. It had therefore been requested to carry forward £1,388,000 from 2017/18 into the 2018/19 Capital Programme.

Cogan Primary Reception Area – Works included the conversion of the Caretaker's house into a new reception area. It had been requested that a new scheme be included within the 2017/18 Capital Programme with a budget of £113,000 to be funded by a revenue contribution from the school.

Holton Primary Outdoor Shelter – Works included the purchase and installation of an outdoor shelter. It has been requested that a new scheme be included within the 2017/18 Capital Programme with a budget of £14,000 to be funded by a revenue contribution from the school.

Wick Primary Nursery and Remodel Building – This scheme would include a new nursery and would allow for the remodelling of the existing building. It had been requested that a new scheme be included in the Capital Programme with a budget of £800,000, split £52,000 in 2017/18 and £748,000 in 2018/19. This scheme would be funded from Section 106 monies.

St. Joseph's Nursery and Early Intervention Base – The design process for the scheme had been delayed therefore it had been requested to carry forward £964,000 into the 2018/19 Capital Programme.

Youth Service Software – This scheme was to purchase an add on module to the Council's Management Information System 'One'. It had been requested to include a new scheme within the 2017/18 Capital Programme with a budget of £28,000 to be funded by a contribution from revenue.

Southway Asbestos Removal – As part of this scheme catering equipment had to be removed, which revealed that the flooring was in very poor condition and needed replacing. This flooring was not within the original budget allocation and therefore a £3,000 contribution from revenue was required.

The proposal to amend the funding for the 2017/18 Housing Improvement Programme was set out in paragraph 72 of the report and included those amendments identified below.

WHQS Environmental Improvements – Work on the Buttrills Environmental Scheme started in July 2017 and it was estimated to take 18 months to complete. The scheme was to be completed in three phases: roofing, walls and internal / external communal areas, with the communal areas unlikely to be completed until the 2018/19 financial year. It had therefore been requested to carry forward £373,000 into the 2018/19 Capital Programme.

Vehicle Replacement Programme – There had been delays in procuring certain vehicles programed to be replaced in 2017/18 and these would now be carried forward and replaced in 2018/19. The Programme budget profile had been reviewed as set out below:

Vehicle Replacement Fund						
Year	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Currently Approved Profile	3,235	1,756	1,250	901	922	0
Proposed Profile	2,235	2,256	1,184	900	900	900

Consequently, it had been requested to amend the Programme budget profile as proposed above. This was to be funded by £1.2m prudential borrowing and £7.175m Vehicle Fund reserve.

Additional Resurfacing – Both this budget and the Visible Services Highway Improvements budget were used to fund the Highways resurfacing three year plan. It had been requested to amalgamate both budgets with the Visible Services Highway Improvements budgets, with an amended budget totalling £1.3m.

Coldbrook Flood Risk Management – The 2018/19 budget for this scheme was £77,000. It had been requested that this budget be brought forward into the 2017/18

Capital Programme as retention has to be accrued into the year that the works were carried out.

Boverton Flooding – The 2018/19 budget for this scheme was £100,000. It had been requested that this budget be brought forward into the 2017/18 Capital Programme as retention had to be accrued into the year that the works were carried out.

Llanmaes Flood Management Scheme – It had been requested to carry forward £746,000 into the 2018/19 Capital Programme as the remainder of the significant construction costs would not be incurred until 2018/19 and would be subject to Welsh Government (WG) funding approval.

Ashpath Footpath Improvements – The Council was in the process of applying for a Cycle Way order which could take up to 9-18 months depending on objections. It had been requested to carry forward £63,000 into the 2018/19 Capital Programme.

Parks and Grounds Asset Renewal – A delegated authority had been approved to vire £9,500 from the Resurfacing Works budget to the Fencing Works budget. These budgets were both within the Parks and Grounds Asset Renewal budget. Fencing Work costs at Belle Vue and Romilly Park were higher than originally anticipated and as the resurfacing works programme was yet to commence, the virement of the budget was not detrimental to any current projects.

Cemetery Approach – It had been requested to increase this budget by £124,000, £94,000 in 2017/18 and £30,000 in 2018/19 to be funded from Section 106 monies. Delegated authority had been sought to increase the Capital Programme for a £25,000 contribution from Barry Town Council once the addendum to the Funding Agreement had been signed.

Barry Leisure Centre Floor – The floor type required at Barry Leisure Centre was very specialist and there was only one company who were able to carry out the works. As a result, the works were unable to be carried out until April 2018. It had therefore been requested to carry forward £187,000 into the 2018/19 Capital Programme.

Barry and Penarth Leisure Centre Upgrade Changing Rooms – It had been requested to carry forward £1,492,000 into the 2018/19 Capital Programme to align with the projected implementation plan for the scheme.

St. Paul's Church – The original Capital Programme allocation of £233,000 was no longer required as officers were pursuing the new project proposal (subject to statutory consents) from Newydd Housing Association in accordance with Cabinet Minute C3480 (Cabinet Meeting of 20th February 2017), which would be financed by the Housing Association, WG for the proposed affordable dwellings and by Section 106 funds (if approved by the Section 106 process) for the Community Facility. It had therefore been requested to remove this budget from the 2017/18 Capital Programme.

A number of delegated authorities had been granted in respect of the below:

- Profihopper – Wildflower and wild area flail mowing cutter-collector – approved to include a new scheme of £30,000 into the Capital Programme to be funded from Section 106 monies.
- Improved pedestrian movements along Old Port Road – approved to include a new scheme of £180,000 into the Capital Programme to be funded from Section 106 monies.
- Improve pedestrian movements along Treharne Road – approved to include a new scheme of £170,000 into the Capital Programme to be funded from Section 106 monies.
- Improve pedestrian movements along Dock View Road – approved to include a new scheme of £24,000 into the Capital Programme to be funded from Section 106 monies.
- Barry Regeneration Partnership Project Fund – approved to vire £26,500 to the High Street / Broad Street Traffic Management scheme   This was for additional works to pedestrian routes on the approaches to the District Shopping Centre. Also approved £20,000 from this scheme to be classified as revenue. This was made up of £4,500 for Holton Road Street Furniture Upgrade Phase 2, £8,500 for Barry Sense of Play and £7,000 for High Street Springboard.

Maes Dyfan Open Space Improvements – It had been requested that a new scheme be included in the Capital Programme to enhance and undertake landscaping improvements at the public open space adjacent to the recent re-development of Ysgol Maes Dyfan. The total budget for these works was £41,000, split £5,000 in 2017/18 and £36,000 in 2018/19 to be funded from Section 106 monies.

Pedestrian Crossing Across Thompson Street / Holton Road – Consultation was unsuccessful for a crossing across Thompson Street / Holton Road and the funding was now being used to improve pedestrian movements along Dock View Road. It had therefore been requested to remove this £24,000 budget from the 2017/18 Capital Programme.

Welsh Government Rural Communities, Rural Development Programme (RCDF) Go Wild – The Council had been awarded a grant of £84,000 from WG for the above scheme. The Council was required to contribute £21,000 match funding to the scheme.

Refurbishment of Car Park and Toilets at Dunraven Bay – The Council had been awarded a grant of £80,000 from WG for the above scheme under the Rural Development Programme 2014-2020. The Council was required to contribute £20,000 match funding to the scheme.

Five Mile Lane – Due to unforeseen delays regarding the Compulsory Purchase Order and letting the main works contract the full budget would not be spent this financial year. It had therefore been requested to carry forward £4,365,000 into the 2018/19 Capital Programme.

Feasibility Studies in Penarth Including the Esplanade – The original scheme was not viable and therefore this budget was not required within the 2017/18 Capital Programme. It had therefore been requested to reduce the Capital Programme by £47,000, this Capital Receipt funding would be used towards funding the 2018/19 Capital Bids.

Nell's Point Former Toilet Block – The Council had received a report detailing interim works required to this building and up to £100,000 of this budget would be required for these works. Therefore the full budget of £255,000 would not be spent and it had been requested to reduce the 2017/18 Capital Programme by £155,000 and this Capital Receipt funding would be used to fund 2018/19 Capital Bids.

Civic Offices Re-wire / Space Project – Reduced Office accommodation – Additional works to the Civic Offices to make improvements to the security and operation of the main reception areas had been identified as being more cost effective to undertake as part of the already approved Space Project works. It had been requested to increase this budget by £45,000 to be funded from the Council Building Fund.

Court Road Depot – Survey, Feasibility and Infrastructure Budget – The Reshaping Services Programme was slightly behind schedule and would not be fully implemented in 2017/18. It had therefore been requested to carry forward £300,000 into the 2018/19 Capital Programme.

ICT Allocation – The ICT allocation for 2018/19 was £280,000, £235,000 of this was being used to fund the Alps (A Block) Internal Network and the Dock Office Internal Network. Three other ICT schemes listed below were also required to be carried out within 2018/19:

- Storage Infrastructure Refresh £200,000
- Server Infrastructure Refresh £100,000
- Direct Access £40,000.

It had been requested to bring forward £295,000 of the 2019/20 ICT allocation into the 2018/19 Capital Programme in order to progress with the projects listed above.

WG announced the provisional 2018/19 General Capital Funding on 10th October, 2017. The 2018/19 Capital Settlement as in the previous financial year was a flatlined capital settlement which, for the Vale of Glamorgan Council, equated to General Capital Funding of £5.505m which was made up of £2.083m General Capital Grant and £3.422m Supported Borrowing. There was no indication of the level of funding likely beyond 2018/19 and therefore in line with the approach adopted in the Medium Term Financial Plan the proposals assumed a reduction of 5% for each year of the programme from 2019/20.

Appendix 2 to the report set out the Initial Proposals for the Capital Programme between 2018/19 and 2022/23.

The Council would seek to mitigate the projected deteriorating funding situation by looking to progress only those schemes which were deemed to be a key Corporate

Priority and made a clear impact to the Wellbeing and Future Generation priorities. The Council would seek assurances that schemes included in the Capital Programme could be delivered on time and within budget.

The Major Repairs Allowance (MRA), which was the grant that provided capital funding to the Housing Revenue Account (HRA), had not yet been announced by WG for 2018/19. An assumption had been made in Appendix 2 that the grant would continue at the 2017/18 allocation of £2.779m in 2018/19 and throughout the period of the Capital Programme.

In addition to external funding, the Council would finance part of the Capital Programme from its own resources, e.g. capital receipts and reserves.

The table below sets out the General Capital Funding and internal resources required to fund the proposed schemes which were detailed in Appendix 2 to the report.

Analysis of Net Funding Required for the Indicative 2018/19 Capital Programme

GENERAL FUND	**£'000**	**£'000**
Welsh Government Resources		
Supported Borrowing	3,422	
General Capital Grant	2,083	
Total Welsh Government Resources		**5,505**
Council Resources		
General Capital Receipts	3,633	
Reserves	4,869	
Total Council Resources		**8,502**
Net Capital Resources		
HOUSING REVENUE ACCOUNT		
Housing Reserves	4,566	
Housing Unsupported Borrowing	5,420	
Net Capital Resources		**9,986**
Total Net Capital Resources		**23,993**

New capital bids were invited for return by 30th September, 2017 and the number of bids received was in line with previous years since the five year Capital Programme was introduced (1 from Learning and Skills, 10 from Environment and Housing and 4 from Managing Director and Resources). Departments were requested to rank and assess their own bids in order of importance before submission and bids from each Department were forwarded to the Insight Group for evaluation.

The Insight Group used a number of criteria to assess the Capital Bids. The first criteria used was to classify the nature of the bids and had been unchanged from the previous year's arrangements details of which were set out in paragraph 51 of the report.

In addition, in accordance with the criteria set out in the Budget Strategy, the bids were prioritised in terms of their corporate priority and the risk they posed to the Council if they were not pursued. The risk assessment element was undertaken in line with the Council's Corporate Risk Management Strategy which had remained unchanged from the previous year and details of which were set out in paragraphs 52, 53 and 54 of the report.

The bids were also reviewed for the contribution that they made to the Wellbeing and Future Generations criteria.

Only those schemes assessed as corporate priority 1 or higher and medium risk or higher were included in these proposals. In addition, the schemes put forward should contribute to at least three Wellbeing and Future Generations outcomes and should have a scheme priority factor of either A/B/Ci/Cii/Ciii. The bids that did not meet these criteria or where it was considered that the scheme requirements could be met from within existing asset renewal allocations were excluded from consideration as there was insufficient funding available. The bids were detailed in Appendix 3 to the report with a reason for their exclusion. The exception to this was the bid for the New Household Waste Recycling Centre and Old Hall Cowbridge, renewal of roof coverings. These bids did meet the criteria however the Council had insufficient funds at this time to progress these schemes. The Council was looking at funding opportunities from WG in order to progress the New Household Waste Recycling Centre. Old Hall Cowbridge was not being progressed at this time as the scheme priority was not A or B.

The bids that had been funded were set out below with the proposed funding profile:

Successful Bids	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/21 £'000**	**2022/23 £'000**	**Total £'000**
Carriageway resurfacing/ Surface treatments (Original bid £2.150m in 2018/19 increasing by an additional £100k per annum to 2022/23)	500	0	0	0	0	500
Electrical Rewiring - Barry and Penarth Leisure Centres	1,107	387	36	0	0	1,530
Disabled Facility Grants	150	150	150	150	150	750
Community Centres	15	15	15	15	15	75
Alps (A Block) Internal Network	105	0	0	0	0	105
Docks Office Internal Network	130	0	0	0	0	130
Total	**2,007**	**552**	**201**	**165**	**165**	**3,090**

It had been proposed that the All Services Asset Renewal budget of £200,000 in 2018/19 and 2019/20, funded from general capital funding, would be used to fund the above bids. It had also been proposed that two budgets totalling £202,000 as outlined in paragraphs 36 and 37 of the report, which were are no longer required in the 2017/18 Capital Programme funded by Capital Receipts were used to fund the above bids.

It had been proposed that The Alps (A Block) Internal Network and the Docks Office Internal Network be funded from the existing ICT allocation within the five year Capital Programme.

The funding of the bids was set out in the table below:

Funding	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Capital Receipts					
General Capital Receipts	1,000	0	0	0	0
Nell's Point Toilet Block	155	0	0	0	0
Feasibility Studies in Penarth Including the Esplanade	47	0	0	0	0
Total Capital Receipts	**1,202**	**0**	**0**	**0**	**0**
General Capital Funding					
General Capital Funding	370	352	201	165	165
All Services Asset Renewal	200	200	0	0	0
ICT Allocation	235	0	0	0	0
Total General Capital Funding	**805**	**552**	**201**	**165**	**165**
Total	**2,007**	**552**	**201**	**165**	**165**

The changes detailed above had been reflected in Appendix 2 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 2017/18 to 2021/22 which had been approved in February 2017. These changes included capital sums carried forward which have been included in Appendix 2 to the report.

The 21st Century Schools Programme was the WG's funding initiative for investment in schools. The first tranche of schemes under Band A of the funding were submitted prior to November 2011. Band A schemes run between 2013/14 and 2018/19. Band B schemes were expected to commence in 2019/20.

The schemes included under the Band A submission for construction between 2013/14 and 2018/19 were as follows: Ysgol Nant Talwg, Ysgol Dewi Sant, Ysgol Gwaun Y Nant and Oakfield , Colcot, Llantwit Learning Community and Romilly Primary School. The Ysgol Nant Talwg, Ysgol Dewi Sant, Ysgol Gwaun Y Nant and Oakfield schemes were now complete. Romilly Primary School scheme was at design stage and Llantwit Learning Community was on track to complete in December 2017.

Band B Schemes were expected to commence in 2019/20 and in December 2014 the Council submitted proposals for a number of schemes to WG. During 2016/17 reports were taken to Cabinet regarding two key schemes to be progressed under Band B, namely, a proposal to establish new Mixed Sex Secondary Schools in Barry and a proposal to Increase Welsh Medium Secondary School Places. These schemes were included in the current Capital Programme and were funded as follows:

Band B Scheme	**WG Grant**	**S106**	**GCF**	**Capital Receipts**	**Cont. from Reserves**	**Unsupp Borrowing**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Welsh Medium Secondary	9,650	1,037	2,598	514	3,501	2,000	19,300
Mixed Sex Secondary School	22,000	986	1,036	11,685	8,293	0	44,000

At the end of July 2017 the Council had to submit a Strategic Outline Programme to WG for Band B. Based on latest indications, it had been assumed that 50% funding would be available from WG to fund non faith school schemes and 85% funding would be available for faith school schemes. On 10th November, 2017 an announcement by the Cabinet Secretary for Education appeared to indicate that the level of Band B funding (circa £2.3 billion across Wales) would allow this Council to deliver its submitted proposals. A detailed business case would be required for each scheme contained in the Band B Programme. This amount would be used to inform the final budget setting in February 2018. The proposals were set out below which included revision of the existing schemes:

Band B Scheme	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Mixed Sex Secondary School	150	100	19,750	20,000	8,840	0	0	48,840
Welsh Medium Secondary	350	150	9,500	11,423	0	0	0	21,423
Other Band B Schemes	0	0	4,000	10,649	7,274	25,800	20,246	67,969
Band B Rhoose Primary New School	0	349	1,981	1,855	0	0	0	4,185
Total	**500**	**599**	**35,231**	**43,927**	**16,114**	**25,800**	**20,246**	**142,417**

Funding for the above proposals was set out below:

Funding	**£'000**
WG Grant	83,823
Section 106	18,211
Capital Receipts	14,972
General Capital Funding	5,430
Reserves and Revenue Contribution	13,487
Prudential Borrowing	6,494
Total	**142,417**

The new proposals above had been reflected in Appendix 2.

The planned spend on the Education Capital Programme from 2018/19 to 2022/23 incorporating expenditure under Band A and Band B schemes funded under 21st Century Schools Programme. Gross Expenditure totalled £130.615m.

The total cost for Band B schemes was projected to be £142.417m (£83.823m WG Funding), however, of this total £122.171m related to costs up to and including 2022/23 which was the period covered by this report and was therefore included in Appendix 1 (2017/18) and 2 (2018/19 to 2022/23).

The Education Capital Programme would be funded as set out below:

By Funding Source	**18/19 £'000**	**19/20 £'000**	**20/21 £'000**	**21/22 £'000**	**22/23 £'000**	**Total £'000**
General Capital Funding	2,001	2,448	2,204	1,972	956	9,581
Capital Receipts	2,264	3,440	7,816	729	2,290	16,539
Other Reserves and Revenue Contribution	0	2,939	2,375	0	254	5,568
School Investment Reserve	183	4,316	2,155	875	73	7,602
IT Fund	46	200	200	200	200	846
Prudential Borrowing	0	0	1,616	2,000	1,593	5,209
Total Internal Funding	**4,494**	**13,343**	**16,366**	**5,776**	**5,366**	**45,345**
S106 Agreements	1,831	4,359	6,582	1,708	1,270	15,750
Welsh Government Grant	18	18,329	21,779	9,430	19,964	69,520
Total Funding	**6,343**	**36,031**	**44,727**	**16,914**	**26,600**	**130,615**

The 2017/18 Housing Improvement Programme budget currently totalled £21.353m. It had been requested above that £373,000 be carried forward into 2018/19. The funding of the 2017/18 Programme had been amended as set out in the table below:

Funding	Current 2017/18 £'000	Amended 2017/18 £'000
Major Repairs Allowance Grant	2,770	2,779
Other Grant	166	166
CERA	5,148	6,481
Unsupported Borrowing	13,269	9,767
HRA Capital Receipts	0	1,787
Total	**21,353**	**20,980**

In referring to the LED lighting programme, a Member referred to the delay in implementing the project and expressed concern given the pressure on funding within the revenue budget of the Service and therefore was particularly relevant. Another Member echoed these concerns and referred to the delivery of the Household Waste Recycling Centre given pressure on transport costs in relation to Waste Management. Another Member referred to the slippage in the Vehicle Replacement Programme and referred to implications for increased costs surrounding maintenance of the Council's existing fleet of vehicles. This in itself would put additional strain on revenue resources within the Service's revenue budget.

Separately, another Member made reference to the funding of Band B Schools and enquired of the proportionate funding from WG which had been made available for the provision of new Welsh medium schools. In response to this point, the Head of Finance indicated that WG generally awarded 50% funding for new schools under the 21st Century Schools programme regardless to whether they were Welsh or English medium sector. Only Faith Schools received a higher funding allocation of 85%.

General discussion ensued with a number of Members raising the inclusion of schemes which had not been successful in the bidding round. A number of comments / concerns were raised in relation to specific schemes identified below, with the Committee seeking the Cabinet to revisit these so that they were included in the Programme for 2018/19:

- EH2 – new household waste recycling centre;
- EH6 – footway renewal;
- EH8 – replacement playgrounds.

In responding, the Head of Finance indicated that the funding of the Capital Programme had been extremely challenging and alluded to the potential funding opportunities to deliver street lighting (column replacement and replacement of electrical cables) via the Council's Asset Maintenance Programme and the provision of new playground facilities funded by Section 106 funding once it became available.

As in the case of the consideration of the Initial Budget Proposals, similar arrangements were in place for the Council's other Scrutiny Committees to refer their comments to this Scrutiny Committee which would on their behalf form a response to Cabinet on the proposals by no later than 14th December, 2017. Each Scrutiny Committee had been asked to first consider the Initial Capital Programme proposals as shown in Appendix 2 and to make any recommendations for changes. If changes were requested, the reason for this needed to be recorded in order to assist the Cabinet and the Budget Working Group (BWG) in drawing up the final proposals. Corporate Performance and Resources Scrutiny Committee was the lead Scrutiny Committee and would consider both the Initial Capital Budget Proposals. The total net capital expenditure of the proposed programme in Appendix 2, over the five years, was £103.407m.

It was noted that if the schemes shown in Appendix 2 were approved, the effect on General Fund useable capital receipts would be as shown in the following table.

Capital Receipts	**General**	**Ringfenced Social Services**	**Ringfenced Education**
	£'000	**£'000**	**£'000**
Anticipated Balance as at 1st April 2018	**4,764**	**1,339**	**1,299**
Anticipated Requirements – 2018/19	-3,545	0	-88
Anticipated Receipts – 2018/19	0	0	0
Balance as at 31st March 2019	**1,219**	**1,339**	**1,211**
Anticipated Requirements – 2019/20	-215	-1,339	-3,325
Anticipated Receipts – 2019/20	0	0	4,093
Balance as at 31st March 2020	**1,004**	**0**	**1,979**
Anticipated Requirements – 2020/21	-313	0	-7,603
Anticipated Receipts – 2020/21	0	0	6,012
Balance as at 31st March 2021	**691**	**0**	**388**
Anticipated Requirements – 2021/22	-100	0	-729
Anticipated Receipts – 2021/22	0	0	2,832
Balance as at 31st March 2022	**591**	**0**	**2,491**
Anticipated Requirements – 2022/23	0	0	-2,290
Anticipated Receipts – 2022/23	0	0	500
Balance as at 31st March 2023	**591**	**0**	**701**
Anticipated Requirements – 2023/24	-2	0	-701
Anticipated Receipts – 2023/24	0	0	0
Balance as at 31st March 2024	**589**	**0**	**0**

The Education Capital Programme utilised general capital receipts in addition to capital receipts ringfenced for Education.

The capital receipt balance for Social Services had been ringfenced for Social Services capital expenditure. Whilst options were being explored by the Council, it had been assumed that the full capital receipt of £1.339m would be utilised for older person's accommodation in 2019/20, this was previously shown in 2018/19.

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 2018/19 to 2022/23.

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 Head of Finance. 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 2018	**2.443**
Anticipated Requirements – 2018/19	0
Anticipated Receipts – 2018/19	0
Balance as at 31st March 2019	**2,443**
Anticipated Requirements – 2019/20	-62
Anticipated Receipts – 2019/20	0
Balance as at 31st March 2020	**2,381**
Anticipated Requirements – 2020/21	-150
Anticipated Receipts – 2020/21	0
Balance as at 31st March 2021	**2,231**
Anticipated Requirements – 2021/22	0
Anticipated Receipts – 2021/22	0
Balance as at 31st March 2022	**2,231**
Anticipated Requirements – 2022/23	0
Anticipated Receipts – 2022/23	0
Balance as at 31st March 2023	**2,231**

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

Having carefully considered the budget proposals, it was

RECOMMENDED –

(1) T H A T the recommendations of the Environment and Regeneration Scrutiny Committee be noted and referred to the Cabinet for further consideration.

(2) T H A T the recommendations of the Healthy Living and Social Care Scrutiny Committee be noted and referred to the Cabinet for further consideration.

(3) T H A T the Cabinet be requested to re-examine the below unsuccessful schemes with a view to their inclusion in the Capital Programme for 2018/19:

- EH2 – new household waste recycling centre;
- EH8 – footway renewal;
- EH6 – replacement playgrounds.

(4) T H A T the Cabinet be requested to emphasise to officers the need to complete the Vehicle Replacement Programme procurement exercise given the budgetary pressures experienced by Waste Management as set out in the Initial Revenue and Capital Proposals under consideration.

(5) T H A T the changes to the 2017/18 and future years' Capital Programme be noted.

Reason for decisions

(1-5) In acknowledgement of the position of the Capital Programme.

560 INITIAL HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2018/19 (MD) –

As in previous years the Scrutiny Committee was now considering the above matter as the lead Scrutiny Committee overseeing the Council's initial budget.

The Committee considered the below table which compared the original budget with the amended budget:

	2017/18 Original Budget	**2017/18 Proposed Amended Budget**	**Variance Favourable (-) Adverse (+)**
	£'000	£'000	£'000
Housing Revenue Account (Surplus)/Deficit	(131)	127	+258

The net operational budget for 2017/18 had changed from a surplus of £131,000 to a deficit of £127,000. A review of the current budget had found a potential net saving this year of £2.684m. The main reasons for this was that the estimated increase in the provision for bad and doubtful debts had been reduced by £1.014m as the Universal Credit and its effects would not have the full impact until April 2019. There had been little increase in the actual level of rent arrears in this financial year and it was not anticipated that the provision would need to be substantially increased. In addition, there had been a reduction in the Repairs and Maintenance budget of

£600,000 which partly related to an external painting programme which would continue in to 2018/19 following the completion of a pilot scheme and the WHQS external works programme. A reduction in Capital Financing Costs of £589,000 was anticipated and Premises costs were expected to be £143,000 less than budgeted, largely due to reductions in utilities and cleaning costs. Staffing costs were estimated to be £88,000 less than anticipated due to vacant posts and staff budgets being originally included at top of scale. Other budgets that were expected to outturn with an underspend were: survey costs £58,000, compliance costs £24,000, Incentive to Move £39,000, leaflets and publications £44,000, computer hardware and software costs £54,000 and bank charges of £12,000. There was also expected to be a reduction in void costs of £73,000. There were various other savings of £87,000. These savings had been offset by an adjustment in Service Charge income of £141,000, mainly due to Supporting People funding for warden support ceasing from October 2017.

The balance on the HRA reserve brought forward as at 1st April, 2017 was £958,000 and was higher than required. In order to minimise the amount of unsupported borrowing required in year to fund the Housing Improvement Programme, it was prudent to use HRA revenue reserves up to a minimum balance. The level of Capital Expenditure funded from the Revenue Account (CERA), had been recalculated at £6.481m, which was an increase of £2.942m. This would leave a balance on the HRA reserve at year end of £831,000, which was in line with the minimum amount required as per the Business Plan.

The Budget Strategy for 2018/19 outlined that, in order to establish a baseline, 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 ring fenced and any growth had to be funded from its available funds.

The proposed 2018/19 budget was set out at Appendix 1 to the report and was identified over the following areas:

- Supervision and Management (General) – This budget related 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.
- Supervision and Management (Special) – This budget related 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.
- Repairs and Maintenance – This budget related to the revenue repairs and maintenance service for the Council Housing Stock.
- Capital Financing Costs – This related to costs associated with financing HRA debt.

- Rents, Rates, Taxes and Other Charges – This budget related to items such as expenditure on Council Tax at long void properties, legal expenses, surveying costs, compensation and insurance.
- Increase in Provision for Bad Debts – This budget identified the amount by which the current level of provision should be increased or decreased in year.
- Capital Expenditure from Revenue Account (CERA) – This budget related to a contribution made from the HRA to fund capital expenditure.
- Dwelling Rents – This was the net rent due to the Council for all properties whether General Needs, OAP designated, Sheltered Complexes, Hostel or Temporary Accommodation.
- Non Dwelling Rents – This represented rental income due to the Council for HRA owned garages.
- Interest – This budget related to interest receivable on the average HRA Reserve Balance.
- Charges for Services and Facilities – This budget identified amounts due to the Council by tenants and leaseholders and some private individuals for services and facilities provided by the HRA.

The charges for rent and other services provided by the Housing Service were reviewed annually. These would be subject to a future report once the guidance had been received from WG regarding the setting of rents for 2018/19. Set out below is a table summarising the original budget for 2017/18 with the proposed budget for 2018/19.

2017/18 Original Budget	Inflation / Pay Award	Committed Growth / (Savings)	Estimated Rent Increase	Increase/ (Decrease) in CERA	2018/19 Proposed Budget
£000	£000	£000	£000	£000	£000
(131)	133	(368)	(559)	904	(21)

A provision for general inflation included an allowance for pay awards in 2017/18.

The net saving of £368,000 was due to a number of factors:

- A decrease in Capital Financing charges of £104,000 in relation to unsupported borrowing to be raised in 2017/18 to fund the Housing Improvement Programme.
- A decrease in staff costs for vacant posts and staff changes of £64,000.
- An increase of £43,000 in central recharges.
- A reduction in Premises costs of £123,000.
- A reduction in Supplies and Services of £175,000.
- A reduction in income of £60,000 due to the cessation of Supporting People funding from October 2017.
- Various other minor savings of £5,000.

An increase in CERA to finance the Housing Improvement Programme of £904,000 had been assumed. The amount of revenue contribution required was dictated by available revenue balances and the value of the Housing Improvement Programme. Adjusting the level of CERA by this amount would leave a balance on the HRA Reserve of £852,000, which was in line with the Business Plan.

A Member referred to the main reasons for the estimated increase in the provision for bad and doubtful debt which had been reduced by £1.014m as a result of delays in implementing Universal Credit and queried the rationale for utilising the underspend to fund the WHQS repairs and maintenance programme. In response, the Head of Finance indicated that given the HRA balance, the underspend would be better utilised to support the Council's WHQS programme which in turn would reduce the Council's borrowing costs in future years.

As in the case of the other initial budget proposals considered by this Scrutiny Committee, any comments and recommendations were required to be made by no later than 14th December, 2017, to enable the Cabinet to submit its final budget proposals to Council on 28th February, 2018.

A Member referred to Welsh Government (WG) proposals to increase rent by 4.5% plus £2 given the potential implications of the ongoing roll out of Universal Credit. The Head of Finance acknowledged the point raised and indicated that, currently the HRA Business Plan was balanced based on an assumed rental increase of 3% however, officers would shortly be starting work to review the Business Plan which would include assessing the ongoing implications of the roll out of Universal Credit to inform decisions regarding the rental increase in the new financial year.

Having considered the report, it was subsequently

RECOMMENDED –

(1) T H A T the Cabinet be made aware of the Scrutiny Committee's concern regarding Welsh Government's proposed rent increase and its potential implications, coupled with the ongoing roll out of Universal Credit to potentially increase bad debt.

(2) T H A T the revised Housing Revenue Account Budget proposals for 2017/18 be noted.

(3) T H A T the Initial Housing Revenue Account Budget proposals for 2018/19 be noted.

Reasons for recommendations

(1) To highlight potential risk to the Council in relation to bad debt provision.

(2) In order to monitor the amended Housing Revenue Account Budget.

(3) To inform Cabinet of the Scrutiny Committees' deliberations before making their finals proposal on the Initial Housing Revenue Account Budget 2018/19.

561 SICKNESS ABSENCE REPORT – APRIL 2017 TO SEPTEMBER 2017 (REF) –

The above matter had been considered by the Cabinet at its meeting held on 4th December, 2017 and subsequently referred to the Scrutiny Committee for consideration.

The report itself set out sickness absence information for the above period including Corporate and schools' employees.

The Committee was apprised by the Head of Human Resources that the overall sickness absence rate for this period was 4.45 days / shifts lost per FTE. This represented an overall increase of 0.69 of a day lost per FTE when comparing the same period with 2016. In addition, a breakdown of absence in each Service area was set out in Appendix A to the report. The Committee was made aware of the increase in absence levels across all Corporate Directorates in the first half of 2017/18 and in relation to the annual target, all Directorates except for Environment and Housing had seen an increase in sickness absence, however, sickness absence recorded in Schools had remained relatively static during this period compared to the same period in 2016.

Whilst disappointed with the overall increase in absence levels, the Head of Human Resources intimated that this increase, to a degree, was an understandable reflection of the volume of change and transformation that was being managed across all Service areas and something which had been reflected across the majority of other Welsh Authorities. He indicated that a full end of year review would be subject of a further report to Cabinet in June 2018.

The Head of Human Resources' attention then turned to the most common reasons for sickness absence in the Council (including in Schools) over the reporting period and detailed of this was set out in Appendix C to the report. He indicated that stress continued to be the most common reason for sickness absence with the ratio of sickness absence relating to stress increasing from 24.1% to 28.8%. He reminded Members that in all cases of stress or anxiety, employees were automatically referred to the Council's Occupational Health service for advice, offered counselling support and managers were offered training and support in completing stress risk assessments. A breakdown of the most common absence reasons was set out in paragraph 22 of the report.

The top three reasons for long-term absence mirrored that for overall sickness absence. Stress remained the main reason for long-term absences, followed by Operations and Recovery and Musculoskeletal Disorders.

Viral infections remained the main reason recorded for short-term / intermittent absences, followed by Stress and Stomach Ailments.

As indicated above, an action plan for improving the management of attendance had been approved by Cabinet in 2015. The momentum behind this action plan had been maintained over the first six months of this financial year and an update on actions within the plan was set out in Appendix B to the report.

The main elements of the action plan focused on a range of performance management measures as set out below:

- a full report containing the breakdown of sickness absence levels per FTE across all Directorates and services continued to be reviewed by CMT each month and any required action was taken;
- all Directorates continued to review absence levels within Directorate Management Teams on a monthly basis and in accordance with a service based action plan;
- the focus on absence had, over the last year been based on the scrutiny of priority absence reports within each Directorate and service area. This had been helpful in focusing attention and support on particular absence cases;
- managers and supervisors continued to receive sickness flagging reports on a monthly basis from HR Employee Services;
- Long-term sickness absence cases continued to be dealt with on an individual case management basis. Human Resource Business Partners worked closely with managers to maintain communication with employees, along with Occupational Health, to support employees' wellbeing and their return to work;
- the Head of Human Resources continued to hold a dedicated review of the top 50 ongoing long term absence management cases from across the Council on a monthly basis;
- Employee Assistance Programme.

The Care First Employee Assistance Programme was now fully operational having been launched on 1st June, 2016. Quarterly reports had been received and an update of the service is set out below:

- Care First EAP continued to be promoted throughout the Council;
- Quarter 2 (June 2017 to August 2017) of this year showed an increase in the number of face to face counselling sessions taking place and showed that the service continues to be used at a consistent level;
- following promotion of other services provided by Care First, the Lifestyle service for home and work had 44 users in Quarter 2 of this year which was a significant increase on previous quarters.

Work was continuing to develop positive health support mechanisms in line with the action plan (Appendix B). A summary of developments is as follows:

- flu vaccinations had been offered to all employees during October / November 2017. At the time of this report, approximately 1,300 vaccinations had been administered to employees. A full report on the uptake of this programme would be included in the 2017/18 sickness absence report at the end of the financial year;

- positive health events had been planned for 2017/18. A health fair took place in October 2017 for employees based at the Civic Offices and was extremely well attended with excellent feedback. A similar event was planned at the Alps Depot in the New Year.

The Committee was reminded of the importance of the Council's New Attendance at Work Policy which had been implanted on 1st October, 2016 and had been previously considered and endorsed by the Committee. The Head of Human Resources indicated that a review of this policy and compliance with the same would take place with recognised Trade Unions during December 2017. As part of the review the half yearly increase in absence levels would be considered and any necessary action taken. Separately, the Head of Human Resources also reminded the Committee of the application of the Council's Wider Engagement Strategy and the continued engagement that was taking place as part of the Council's New Staff Charter. The effectiveness of the Strategy would be measured as part of the current Staff Survey which commenced on 16th October, 2017 and ended on 24th November, 2017. The results would be subject of a Cabinet report in January 2018.

His attention then turned to the absence in wider comparison and indicated that information from the WLGA had been compiled for the financial year 2016/17 and set out in Appendix D was a breakdown of the total days lost per FTE for all Welsh Authorities with the Council having the third lowest absence rate (8.8 days per FTE) across Wales. In addition, the search from the latest XpertHR Survey 2017 on absence indicated the average number of days lost in local government in the public sector was 9.3 sickness days per employee. The latest CIPD Survey on absence management suggested that the average number of days lost in local government was 10.5 sickness days per employee.

A lengthy discussion ensued regarding the Council's current performance with a number of comments being made by Members in relation to the level of sickness absence within Social Services, the level of absenteeism within the Schools Community, the increase in stress related absences, the opportunity for eliciting further information from the data provided by the Council's Care First Service, the suggestion that informal staff forums could be established to allow staff to raise matters without a management representative being in attendance, the ability of staff to undertake home working / agile working, domestic or work related absences, matters relating to the mental health of staff / related occupational health support and arrangements the Council had in place to assist staff.

In dealing with the various points raised by the Members, the Head of Human Resources indicated that the measures outlined in the report, which included staff engagement under the umbrella of the Council's Staff Charter, pointed towards significant support in place by the Council. He acknowledged more could be done, however, whilst the absenteeism figures were disappointing and anecdotally whilst there was likely to be an increase in the level of absenteeism by the year end, it was likely that the Council's performance would still be favourable when compared across the Local Government sector in Wales. He confirmed that work place stress assessments were undertaken in cases where staff were reporting stress and he further confirmed that data provided by Care First was provided around broad indicators and this information could be made available to Members. With regard to the Members' suggestion relating to the establishment of informal staff forums, he was happy to look into the feasibility of doing so, but reminded the Committee that Staff Charter Champions were encouraged to liaise and engage with staff as informally as possible. He also reiterated the significant support in place for staff from managers who were encouraged to refer staff to the Council's Occupational Health Service as soon as it was appropriate to do so. In a headcount of 5,000 staff, in the last year 900 referrals had been made to the Council's Occupational Health Service. He also recognised that a significant proportion of absenteeism related to physical ailments, however, he was mindful that such ailments could manifest themselves into more significant mental health issues and when identified as a consequence of an Occupational Health referral, the appropriate Human Resources officer would be notified accordingly.

Having considered the above report, it was

RECOMMENDED –

(1) T H A T the sickness absence report for the period April 2017 to September 2017 be noted.

(2) T H A T a breakdown of referrals to Care First where an employee sought support / counselling related to a work or domestic issue be e-mailed to the Committee by the Head of Human Resources.

Reasons for recommendations

(1) In acknowledgement of the Scrutiny Committee's responsibility to monitor corporate objectives in relation to sickness absence.

(2) To provide the Committee additional information on indicator data captured.