

Public Document Pack



Neuadd y Sir
Y Rhadyr
Brynbuga
NP15 1GA

Dydd Mercher, 1 Mawrth 2017

Hysbysiad o gyfarfod:

Cyngor Sir

**Dydd Iau, 9fed Mawrth, 2017 at 2.00 pm,
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA**

AGENDA

Prayers will be said prior to the Council meeting at 4.55pm. All members are welcome to join the Chairman for prayers should they wish to do.

Eitem No	Eitem	Tudalennau
1.	Ymddiheuriadau am absenoldeb	
2.	Adroddiad y Cadeirydd ac unrhyw ddeisebau sydd wedi eu derbyn	1 - 2
3.	Datganiadau o Fuddiant	
4.	Fforwm Agored i'r Cyhoedd	
4.1.	Cwestiwn gan Mr M Smith i'r Cynghorydd Sir P Fox Pam fod y Cyngor Sir yn cefnogi cynllun datblygu arfaethedig, sef coridor yr M4 o amgylch Casnewydd a fydd, os y'i cymeradwyir, yn dinistrio cymeriad ac amgylchedd Llanfihangel Rogiet, ardal a ddynodwyd gan y Cyngor hwn fel Ardal Gadwraeth ac a gaiff ei rhestru felly yn y Cynllun Datblygu Lleol a fabwysiadwyd? A yw'n gwybod hefyd y caiff ardaloedd cadwraeth eu cydnabod eang fel rhai o ardaloedd twristiaeth ac amwynderau allweddol y Sir a bod yr asedau hyn yn amhrisiadwy ac y gall unrhyw effaith niweidiol arnynt gael costau diwylliannol, amgylcheddol a chymdeithasol sylweddol ac felly mae'n hanfodol eu bod yn cael eu cadw a lle'n bosibl ei gwella? A yw hefyd yn gwybod y bydd y cynllun arfaethedig ar gyfer y draffordd os y'i cymeradwyir yn groes i bolisi'r Cyngor ar 'Datblygiad mewn Ardaloedd Cadwraeth' ac yn neilltuo bolisi HE1 sy'n dweud:- "Polisi HE1 - Datblygiad mewn Ardaloedd Cadwraeth Mewn Ardaloedd Cadwraeth lle'n briodol, dylai cynigion roi ystyriaeth i'r Gwerthusiad Ardal Cadwraeth ar gyfer yr ardal honno a chânt eu	

caniatáu os ydynt yn:

- a) cadw neu wella cymeriad neu ymddangosiad yr ardal a'i thirwedd;
- b) heb fod yn cael unrhyw effaith niweidiol difrifol ar olygfeydd arwyddocaol i ac allan o'r ardal Gadwraeth
- c) heb fod yn cael unrhyw effaith niweidiol difrifol ar olygfeydd arwyddocaol o fewn yr ardal a chymeriad ac ymddangosiad cyffredinol golwg strydoedd a thoeau;
- d) defnyddio'r deunyddiau sy'n briodol i'w gosodiad a chyd-destun ac sy'n diogelu neu'n gwella cymeriad neu ymddangosiad yr Ardal Gadwraeth; a
- e) yn rhoi sylw arbennig i osodiad yr adeiladau a'i ardaloedd agored."

A sut y gall Arweinydd y Cyngor gyfiawnhau difrod na fedrir ei gyfiawnhau, na fedrir ei adfer a pharhaol i'r ardal honno?

5.	Cadarnhau'r cofnodion dilynol:	
5.1.	Cyngor Sir - 19 Ionawr 2017	3 - 8
5.2.	Cyfarfod Arbennig o'r Cyngor Sir - 26 Ionawr 2017	9 - 12
6.	Derbyn cofnodion cyfarfod y Pwyllgor Archwilio a gynhaliwyd ar 2 Chwefror 2017	13 - 18
7.	Derbyn cofnodion y cyfarfod o'r Pwyllgor Gwasanaethau Democrataidd a gynhaliwyd ar 23 Ionawr 2017	19 - 24
8.	Rhestr o Gynigion	
	Ni dderbyniwyd dim.	
9.	Adroddiadau Penaethiaid Gweithrediadau	
9.1.	Canolfan ailgylchu gwastraff cartrefi, gorsaf drosglwyddo a strategaeth caffael cludiant	25 - 56
9.2.	Adolygiad Ailgylchu - Cynigion Terfynol ar gyfer Casgliadau 2018-2025	57 - 100
9.3.	Cymeradwyo Cyllideb Gyfalaf Meysydd Parcio 2017/18	101 - 102
10.	Adroddiadau Pennaeth Cyllid	
10.1.	Penderfyniad Treth Gyngor 2017/18 a Chyllidebau Refeniw a Chyfalaf 2017/18	103 - 116
10.2.	Datganiad Polisi Rheolaeth Trysorlys a Datganiad Strategaeth, Datganiad Polisi MRP a Strategaeth Buddsoddi 2017/18	117 - 152

Paul Matthews

Prif Weithredwr

CYNGOR SIR FYNWY

MAE CYFANSODDIAD Y PWYLLGOR FEL SY'N DILYN:

Cynghorwyr Sir:

D. Batrouni
J. Prosser
D. Blakebrough
M. Powell
V. Smith
G. Burrows
R. Chapman
P. Clarke
J. Crook
D. Dovey
G. Down
A. Easson
D. Edwards
R. Edwards
D. Evans
P. Farley
P.A. Fox
J. George
R.J.W. Greenland
L. Guppy
E. Hackett Pain
R. Harris
B. Hayward
M. Hickman
J. Higginson
P.A.D. Hobson
G. Howard
S. Howarth
D. Jones
P. Jones
S. Jones
S.B. Jones
P. Jordan
J. Marshall
P. Murphy
B. Strong
F. Taylor
A. Watts
P. Watts
A. Webb
S. White
K. Williams
A. Wintle

Gwybodaeth Gyhoeddus

Mynediad i gopiâu papur o agendâu ac adroddiadau

Gellir darparu copi o'r agenda hwn ac adroddiadau perthnasol i aelodau'r cyhoedd sy'n mynychu cyfarfod drwy ofyn am gopi gan Gwasanaethau Democrataidd ar 01633 644219. Dylid nodi fod yn rhaid i ni dderbyn 24 awr o hysbysiad cyn y cyfarfod er mwyn darparu copi caled o'r agenda hwn i chi.

Edrych ar y cyfarfod ar-lein

Gellir gweld y cyfarfod ar-lein yn fyw neu'n dilyn y cyfarfod drwy fynd i www.monmouthshire.gov.uk neu drwy ymweld â'n tudalen Youtube drwy chwilio am MonmouthshireCC. Drwy fynd i mewn i'r ystafell gyfarfod, fel aelod o'r cyhoedd neu i gymryd rhan yn y cyfarfod, rydych yn caniatáu i gael eich ffilmio ac i ddefnydd posibl y delweddau a'r recordiadau sain hynny gan y Cyngor.

Y Gymraeg

Mae'r Cyngor yn croesawu cyfraniadau gan aelodau'r cyhoedd drwy gyfrwng y Gymraeg neu'r Saesneg. Gofynnwn gyda dyledus barch i chi roi 5 diwrnod o hysbysiad cyn y cyfarfod os dymunwch siarad yn Gymraeg fel y gallwn ddarparu ar gyfer eich anghenion.

Nodau a Gwerthoedd Cyngor Sir Fynwy

Cymunedau Cynaliadwy a Chryf

Canlyniadau y gweithiwn i'w cyflawni

Neb yn cael ei adael ar ôl

- Gall pobl hŷn fyw bywyd da
- Pobl â mynediad i dai addas a fforddiadwy
- Pobl â mynediad a symudedd da

Pobl yn hyderus, galluog ac yn cymryd rhan

- Camddefnyddio alcohol a chyffuriau ddim yn effeithio ar fywydau pobl
- Teuluoedd yn cael eu cefnogi
- Pobl yn teimlo'n ddiogel

Ein sir yn ffynnu

- Busnes a menter
- Pobl â mynediad i ddysgu ymarferol a hyblyg
- Pobl yn diogelu ac yn cyfoethogi'r amgylchedd

Ein blaenoriaethau

- Ysgolion
- Diogelu pobl agored i niwed
- Cefnogi busnes a chreu swyddi
- Cynnal gwasanaethau sy'n hygyrch yn lleol

Ein gwerthoedd

- **Bod yn agored:** anelwn fod yn agored ac onest i ddatblygu perthnasoedd ymddiriedus
- **Tegwch:** anelwn ddarparu dewis teg, cyfleoedd a phrofiadau a dod yn sefydliad a adeiladwyd ar barch un at y llall.
- **Hyblygrwydd:** anelwn fod yn hyblyg yn ein syniadau a'n gweithredoedd i ddod yn sefydliad effeithlon ac effeithiol.
- **Gwaith tîm:** anelwn gydweithio i rannu ein llwyddiannau a'n methiannau drwy adeiladu ar ein cryfderau a chefnogi ein gilydd i gyflawni ein nodau.

Chairman's Report

11th January – 28th February 2017

Wednesday 11 th January 10 a.m.	Wye Valley and Forest of Dean Tourism Forum; Legends and Legacy Gloucestershire College, Coleford
Friday 13 th January 10 a.m. – 12 noon	Monmouthshire Cross Country Finals 2017 Caldicot Castle
Friday 27 th January 11 a.m.	Holocaust Memorial Day Commemoration City Hall, Cardiff
Sunday 29 th January 11 a.m.	Service of Dedication by the Bishop of Monmouth The Parish Church of St Cadoc, Raglan
Monday 30 th January 10 a.m.	Awards Presentation - Sport Leaders UK accreditation Chairman's Office, County Hall, Usk
Wednesday 8 th February 7.30 for 8 p.m.	Supper Party at the Lord Lieutenant, Robert Aitken's home
Friday 10 th February 10 a.m.	Monmouthshire Primary School Football Finals Caldicot Leisure Centre
Thursday 16 th February 12 noon	St David's Awards 2017 Finalists Reception Wales Millennium Centre, Cardiff Bay
Friday 17 th February 10.15 a.m.	Unveiling of the First Digital Notice Board Abergavenny
Saturday 18 th February 7 p.m.	Charity Mass Male Choir Concert Coleg Gwent, Pontypool Campus, Pontypool
Wednesday 22 nd February 11 a.m.	Visit of HRH the Duchess of Cambridge to Action for Children MIST service The Palm Suite, Mamhilad, Pontypool
Thursday 23 rd February 7 p.m.	Abergavenny Pantomime Company – Production of 'Snow White' Borough Theatre, Abergavenny
Saturday 25 th February 6.15 p.m.	Gwent & Powys Army Cadet Force – 20 th Rorke's Drift Band Concert Andrew Lamont Gallery, Theatr Brycheiniog, Brecon

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MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of County Council held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 19th January, 2017 at 2.00 pm

PRESENT: County Councillor J. Higginson (Chairman)
County Councillor P. Jordan (Vice Chairman)

County Councillors: D. Batrouni, J. Prosser, D. Blakebrough, M. Powell, V. Smith, G. Burrows, R. Chapman, P. Clarke, J. Crook, D. Dovey, G. Down, A. Easson, D. Edwards, R. Edwards, P. Farley, P.A. Fox, J. George, R.J.W. Greenland, L. Guppy, E. Hackett Pain, R. Harris, B. Hayward, M. Hickman, P.A.D. Hobson, G. Howard, S. Howarth, P. Jones, S. Jones, S.B. Jones, P. Murphy, B. Strong, F. Taylor, A. Watts, P. Watts, A. Webb, K. Williams and A. Wintle

OFFICERS IN ATTENDANCE:

Paul Matthews	Chief Executive
Alan Burkitt	Policy Officer Equalities and Welsh Language
Peter Davies	Chief Officer, Resources
Will McLean	Head of Democracy, Engagement and Improvement
Joy Robson	Head of Finance/Section 151 Officer
Robert Tranter	Head of Legal Services & Monitoring Officer
Nicola Perry	Senior Democracy Officer
Richard Davies	

APOLOGIES:

Councillors D. Evans, D. Jones, J. Marshall and S. White

2. Chairman's report and receipt of petitions

Upon opening the meeting the Chairman congratulated the Leader of the Council, Councillor P. Fox on being awarded an OBE. The Group Leaders were keen to offer their congratulations also. Councillor S. Howarth added that all citizens of Monmouthshire who had received an award were to be congratulated.

Council received the Chairman's report.

There were no petitions.

3. Declarations of interest

There were no declarations of interest made by Members.

4. Public Open Forum

There matters for the public open forum.

5. To confirm the minutes of the meeting held on 1st December 2016

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The minutes of the meeting held on 1st December 2016 were confirmed as a correct record and signed by the Chairman.

Councillor Howarth requested information on the progress of the petition presented to Council 1st December 2016. The Chief Executive agreed to follow this up.

6. To note the action list of the meeting held on 1st December 2016

Council noted the action list of the meeting held on 1st December 2016.

In doing so Councillor Taylor expressed disappointment that Members had not been kept fully informed regarding the issue surrounding zero hour contracts presented to Audit Committee.

The Chairman, in his capacity as Vice- Chair of Audit Committee, advised that further information had been provided to Audit Committee and was expected to be discussed at the next Audit meeting. A follow up report would be presented to Council in due course.

7. To receive the minutes of Audit Committee:

7.1. Audit Committee 17th November 2016

We noted the Audit Committee minutes of the meeting held on 17th November 2016.

7.2. Audit Committee 15th December 2016

We noted the minutes of the Audit Committee meeting held on 15th December 2016.

In doing so Councillor Taylor requested that the advice surrounding the terminology regarding zero hour contracts is forwarded to all Members in order to explain the statement that MCC does not use zero hour contracts.

In response, Councillor Murphy added that a full an extensive response had been supplied, which would also be supplied to Audit Committee.

Councillor Taylor insisted that reassurance was required, as the response had not answered the fundamental question of what the Audit Committee would look at to assure this Council that the use of casual contracts is appropriate.

8. Notices of Motion

8.1. Motion from County Councillor R.J.W. Greenland

The Announcement from HM Government that tolls for the Severn Bridges will be halved in 2018 is welcomed by this Council. Furthermore we support the removal of all tolls for both bridges with future maintenance costs being met from the general UK roads maintenance budget.

In 2015, tourism was worth £187 million to the economy of Monmouthshire, day visits generated £53 million. This is expected to increase when tolls are reduced or removed given anecdotal evidence that the tolls discourage tourist coach traffic and day tripper and survey evidence that

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22% of south west England's residents said they would expect to make more trips to Wales in the next twelve months if the Severn Tolls were removed.

As day visitors have the potential to support the flourishing independent retail sector in south Monmouthshire, this presents further opportunities for the regeneration of our High Streets, a key strand in our economic development activities. Through our regular contacts with trade and business organisations in the County we will continue to work in partnership to develop sustainable growth in the County.

On the regional front, we will continue to play our part in the development of the Cardiff Capital Region. Economic regeneration is set to take centre stage in Monmouthshire's future, bringing new opportunities for raising prosperity throughout the region particularly in new technology companies of the future.

At the same time we acknowledge that reducing tolls could bring dis-benefits into Monmouthshire. We will continue to monitor all potential issues and act accordingly to ensure the best outcomes for the residents of Monmouthshire.

This Council therefore re-affirms our intention to continue to promote Monmouthshire as the place to build businesses within southern Wales and the west of England whilst also promoting southern Monmouthshire as a quality shopping destination. This promotional activity will be escalated in the coming months as the reducing costs of tolls moves closer.

The motion was duly seconded..

Councillor Batrouni broadly agreed with motion and noted the reduction in tolls would be good news for commuters, local businesses and tourism. Clarity was sought surrounding the aspect of the motion that the Council supports the removal of the tolls as the consultation had not advocated the removal of tolls in 2018. Councillor Greenland responded that the correct way would be to remove the barrier of tolls completely to ensure free trade between the West of England and Wales, but he understood the view of the Secretary of State.

Councillor Batrouni added an amendment to the motion, adding a sentence to the second to last paragraph, to read;

- *At the same time we acknowledge that reducing tolls could bring dis-benefits into Monmouthshire. We will continue to monitor all potential issues and act accordingly to ensure the best outcomes for the residents of Monmouthshire. **In particular, we will closely watch house prices in South East Monmouthshire and consider the of affordable homes in the area, so local people, especially young people, are not priced out of the housing market.***

The amendment was seconded and this became the substantive motion. Debate ensued.

Councillor Howarth addressed the issue of affordable housing and requested clarity as to whether the LDP would be revisited. In response Councillor Greenland advised that across all authorities there is a question of viability for various housing schemes. There is too large a proportion of affordable housing suggested for some housing sites which may see some schemes becoming unviable. There are proposals that we look at the LDP and the issues being faced.

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Councillor S. Jones, as the Chair of Economy and Development Select Committee advised that a special meeting has been arranged for scrutiny of affordable housing on 14th February 2017. Also the Committee would be looking into the review of the LDP.

A few Members expressed concern that the motion could be construed as a statement rather than a motion. The Chair explained that the motion had been accepted as an agenda item.

Councillor Hobson explained that affordable housing is essential and entry level for a first time buyer in Chepstow is currently £160,000. With the introduction of the toll reduction this figure would increase. LDP would need to be re-visited in the next year of the new Council term.

Some Independent Members were keen to express that the motion was a political reaction and did not take into consideration the full consequences. It was suggested that proper modelling on how the tolls could be used should be undertaken. The suggestion of an innovative integrated transport fund was put to Council.

Concerns were expressed that the motion referred to an increase in day visitors, but at the same time TICs were closing.

The Leader thanked the Labour Group for their amendment, and confirmed support of that. He added that the bridge tolls had too long been an economical barrier, and the reduction would unlock opportunities and benefits to commercial users and small businesses. He agreed that the issue of housing would need to be addressed.

Councillor Farley requested reassurance for people in Chepstow in particular, where the treatment of the TIC would sit in light of the motion, and asked for a suitable resourced outcome. Councillor Greenland responded that he has requested a meeting be set up with all interested parties in Chepstow to discuss a way forward.

Council held a recorded vote:

For	33
Against	2
Abstentions	3

Therefore the substantive motion was carried.

9. Report of the Head of Democracy, Engagement and Improvement

9.1. Welsh Language Strategy 2017-2022

Council were presented with the Welsh Language Strategy for 2017 – 2022, which has been produced in line with the requirements of the Welsh Language (Wales) Measure 2011 and specifically Standards 145 and 146.

During debate we noted the following comments:

Councillor Blakebrough questioned if the increase over 20 years from 2.3% to 9.9% was considered a significant increase of Welsh speakers. Councillor Hobson responded that the last census saw numbers decrease, whereas Monmouthshire had increased. It was expected that the 2021 census would see a greater increase which was reflected in the report

In terms of funding, point 5.1 of the report stated that there were no additional financial or HR implications arising out of the strategy. The Welsh Language Officer explained that it was not expected to see costs other than those set out in the strategy. There had been a budget of

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£13,000 prior to the standards, which had increased to £58,000, with a potential current overspend.

In response to questions surrounding HR implications of the strategy and sought clarity regarding Welsh language requirements for key posts. The Welsh Language Officer explained that increasing the number of Welsh speakers working in the Council was part of workforce planning. An upcoming meeting with DMTs would be looking at staffing structures. In terms of job descriptions, where a Welsh speaker was essential to the role, this would be part of the essential criteria on the description, as with any other post. In terms of staff learning Welsh, there is a small pot of money held for training frontline staff in receptions/hubs etc.

Members expressed frustrations concerning Welsh language taking precedent over English, specifically on telephone calls and road signage. It was thought to be a case of the minority dictating to the majority.

Councillor Hayward referred to the foreword of the report, and the statement that in 25 years the number of Welsh speakers had increased to 8780 and in a large proportion of that 25 years there has been compulsory Welsh education in schools. It was therefore considered a failure of the initiative, and further money spent on the initiative would be wasted. In response the Cabinet Member explained that treating the language as an academic exercise with no opportunity to use outside that environment it would be easily forgotten. To tie in with the policy the aim was to become dynamic and use outside the school environment.

Councillor Hobson confirmed that concerns regarding road signage would be fed back to the Commissioner and Minister in due course.

The Chief Officer provided clarification regarding concerns around the target percentages.

Upon being put to the vote, Council resolved to agree the recommendation in the report:

- That Council agree this 5 Year Strategy as required by Standard 145 set out in the Welsh Language (Wales) Measure 2011.

10. Report of the Head of Finance

10.1. Council Tax Reduction Scheme 2017/18

Council received the Council Tax Reduction Scheme 2017/18 report. The purpose of this report was to:

- Present arrangements for the implementation of the Council Tax Reduction Scheme and to approve it for 2017/18.
- Affirm that, in the absence of any revisions or amendments, annual uprating amendments will be carried out each year without a requirement to adopt the whole Council Tax Reduction Scheme.

During debate the following points were noted:

Councillor Batrouni expressed that thanks to the Welsh Labour Government everyone would be receiving 100% of their Council Tax reduction. In response to a question we heard that 5850 residents currently receive council tax reduction. Information on the outcome of the survey of rough sleepers was requested.

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Councillor A. Watts questioned the amount of Council Tax debt, and was interested to hear the level of debt per Council Tax band. Mr Davies advised that he would look to provide this information. The Cabinet Member advised that this report did not refer to debt levels as it was about Council Tax payers getting a rebate on their charge.

Upon being put to the vote Council resolved to agree the recommendations in the report:

- To note the making of the Council Tax Reduction Scheme and Prescribed Requirements (Wales) Regulations ("the Prescribed Requirements Regulations") 2013 by the Welsh Government on 26 November 2013.
- To adopt the provisions within the Regulations above ("the Prescribed Requirements Regulations") and any 'annual uprating regulations' in respect of its Scheme for the financial year 2017/18 including the discretionary elements previously approved as the Council's local scheme from 1st April 2017.

11. Report of the Monitoring Officer

11.1. Standards Committee - Appointment of Independent Members

Council received a report advising that the Appointments Panel for Independent Members of the Standards Committee had met and is recommending appointments to be made by the Council. A serving independent member of the Standards Committee has expressed a wish to serve a second term, as permitted by the regulations.

Council resolved to agree the recommendations in the report:

- To appoint Richard McGonigle and Richard Stow as recommended by the Appointments Panel to fill the vacancies of independent members on the Standards Committee for a period of six years.
- To reappoint Trevor Auld for a further 4 years as an independent member on the Standards Committee.

The meeting ended at 3.50 pm

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MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of County Council held
at Council Chamber - Council Chamber on Thursday, 26th January, 2017 at 2.00 pm

PRESENT: County Councillor J. Higginson (Chairman)
County Councillor P. Jordan (Vice Chairman)

County Councillors: D. Batrouni, J. Prosser, D. Blakebrough, M. Powell, V. Smith, G. Burrows, R. Chapman, P. Clarke, D. Dovey, A. Easson, D. Edwards, R. Edwards, P. Farley, P.A. Fox, R.J.W. Greenland, E. Hackett Pain, R. Harris, B. Hayward, M. Hickman, P.A.D. Hobson, G. Howard, S. Howarth, D. Jones, P. Jones, S.B. Jones, P. Murphy, B. Strong, F. Taylor, A. Webb and A. Wintle

OFFICERS IN ATTENDANCE:

Paul Matthews	Chief Executive
Kellie Beirne	Chief Officer, Enterprise
Joy Robson	Head of Finance/Section 151 Officer
Robert Tranter	Head of Legal Services & Monitoring Officer
Nicola Perry	Senior Democracy Officer

APOLOGIES:

Councillors J. Crook, G. Down, D. Evans, L. Guppy, S. Jones, J. Marshall, A. Watts, S. White and K. Williams

2. Cardiff Capital Region City Deal

Council were presented with the Cardiff Capital Region City Deal report by the Chief Executive. The purpose of the report was to outline the next steps for the Cardiff Capital Region City Deal and:

- To seek approval for the establishment of the Cardiff Capital Region ('CCR') Joint Cabinet (the 'Regional Cabinet'), as a joint committee, to oversee the Region's economic growth agenda and delivery of the commitments set out in the CCR City Deal.
- To seek approval of the CCR City Deal Joint Working Agreement ('JWA'), the CCR City Deal Assurance Framework and Implementation Plan which are required to establish the Regional Cabinet and the City Deal Investment Fund.

Following presentation of the highlights of the report the following questions/comments, along with responses were noted:

- Conversations among residents have been heard about how City Deal will solve problems the local area face, and it was suggested that we should temper the language used in public arenas.
- It was thought that the Joint Cabinet structure would be far removed from the public, and there were concerns that it would be another bureaucratic structure.

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RESPONSE: The Joint Cabinet is probably all we have at this stage. It could be re-visited in the future if necessary.

- The lack of specific projects could be an issue in terms of scrutiny.
RESPONSE: As the programme develops the void will be filled.
- With reference to item 2.8 of the report 'deferring power to the Chief Executive, Leader or Deputy Leader to make amendments' – how would we be sighted on such amendments?
RESPONSE: It was highly unlikely that we would exercise delegation which would change the outcome of today's conversation. This would defeat everything the City Deal is trying to do, as an inclusive, cohesive approach.
- With reference to point 3.2, delivering key targets – how would this be measured, and how would we prove the City Deal, as opposed to other factors, have delivered the targets.
RESPONSE: In early city deals GVA uplift was used as the measurement. The hard GVA measure would not be the gateway for these programmes. The gateway is not currently clear.
- The Joint Cabinet would be scrutinised by the Regional Assurance Committee – could we see detail or membership of that?
RESPONSE: The principle is that each of the 10 authorities can nominate an individual to offer a degree of oversight as good governance.
- Clarity was sought around servicing of the monies.
RESPONSE: £12.9m is an all-inclusive figure for Monmouthshire. It contains principle and interest payments on our share of £120m. It also contains the apportionment of carry costs that we would meet around UK Government lending
- It was thought the figures seemed low for a period of 25 years and much more was needed to reach the same levels as other areas.
RESPONSE: It was believed this was material but not fundamental, an intervention which will enable things to happen that otherwise would not have. But alone would not transform the economy of Wales.
- Comparison was made to the cost of the small area of the Heads of the Valleys road, to the figure for the Metro investment.
- It was asked why the amount allocated to Metro was included in the paper.
RESPONSE: The funding balance sheet was explained:
Overall investment fund - £1.229 billion
UK Government - £500 million
Wales Government - £503 million – not new money, Wales Government had prioritised this for the commencement of a South Wales Metro. The UK Government allowed this to be used as match funding.
10 Councils - £120 million
ERDF - £106 million
The Metro will have its own assurance framework. It is all packaged together as without this there would be no deal without the match funding.
- If the deal is irrevocable for 5 years, if we don't agree with the projects how can we change them if locked in for 5 years?

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RESPONSE: It is a complication but it was hoped that 10 Councils could come to a resolution over the first 12 months of a 25 year programme.

- In terms of strategic planning, paragraph 3.3, the Cabinet will be responsible for strategic planning, including housing, transport and land use. The assurance framework language seems to change to a more participatory nature. Clarification about ownership was sought. It was also questioned how this would fit with the SDP.

RESPONSE: This work stream is evolving and our Head of Planning is chairing. Not talking about local development control, or local planning applications. Having a local development plan in place is hugely important. We are taking the view that we intend to review the LDP. We are exploring how we can embrace a SDP. Not hugely developed piece of work as yet.

- Residents have three main questions:

1. How much will it cost us?
2. What could go wrong, what are concerns/risks?
3. Over 25 years, what will we get for our money?

RESPONSE: In terms of cost £12.9 million builds up to £800,000 in year 11. The finance will be determined by the next Council. We are recognising the need to fund a programme office, pro-rata on us at 6.1% of the total. The biggest risk would be not participating, not using the opportunity to help shape the future of our future generations. It is about collaboration and influencing the economy

- Following the election on 5th May 2017, it was expected that the Leader of the new Council would be the designated Member, who could appoint a deputy.
- In terms of scrutiny, Council recognised the need for regular updates.

The Leader paid tribute to the officers of the Council, and thanked Members for a quality debate and taking shared ownership.

Upon being put to the vote, Council unanimously agreed the recommendations in the report:

- Approve the Joint Working Agreement (the 'JWA') as the legal document that formally establishes the Cardiff Capital Region ('CCR') Joint Committee (the 'Regional Cabinet') as a Joint Committee, with delegated functions, with a Commencement Date of the 1st March 2017. The elected member representative to the Regional Cabinet shall be the Leader of the Council, or his/her nominated Deputy;
- Approve the financial contributions from each constituent council towards the collective £120m total, (together with such associated costs e.g. carry costs), as detailed in the body of this report;
- Approve the carry forward of any remaining revenue funds from 2016/2017, contributed by each constituent council, into 2017/2018 in order that the support structure for the Regional Cabinet continues;
- Approve the collective revenue contributions of up to £1m (inclusive of recommendation 2.3 above, on a proportional basis as set out in the JWA) to the 2017/2018 budget, in order that the support structure for the Regional Cabinet continues;
- Approve that the City of Cardiff Council acts as the Accountable Body with the responsibilities as set out in the JWA

The meeting ended at 4.15 pm

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of County Council held
at Council Chamber - Council Chamber on Thursday, 26th January, 2017 at 2.00 pm**

Public Document Pack Agenda Item 6

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 2nd February, 2017 at 2.00 pm

PRESENT: County Councillor P White (Chairman)
County Councillor J. Higginson (Vice Chairman)

County Councillors: D. Batrouni, P. Clarke, A. Easson, D. Edwards,
P. Murphy, P. Jordan, B. Hayward, J. Prosser and B. Strong

OFFICERS IN ATTENDANCE:

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Chief Officer, Enterprise
Non Jenkins	Wales Audit Office
Tracey Harry	Head of People and Information Governance
Terry Lewis	Wales Audit Office

1. Apologies for Absence

There were no apologies for absence.

2. Declarations of Interest

No declarations of interest were made by Members.

3. Public Open Forum

No members of the public were present.

4. To confirm minutes of the previous meeting

The minutes of the previous meeting held on the 15th December 2016 were confirmed.

5. To note the Action List from 15th December 2016

We noted the Action List from the meeting held on the 15th December 2016. In doing so, the following points were noted:

- Overview of Performance Management Arrangements: A progress report on improvement objectives will be presented in 6-12 months.
- Youth services: It was noted that a response had been circulated clarifying that there had been a misunderstanding regarding a reduction in funding from Welsh Government (WG).

It was observed that the response referred to a full business case on how to maintain youth services for the future with community focus and queried if Audit Committee should look at the business case. The Chief Officer for Innovation and Enterprise responded that the business case is part of a comprehensive restructure and a report in

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 2nd February, 2017 at 2.00 pm

the wider context of the whole directorate is due; a report, detailing the Youth Service element of the review, will be presented to Committee.

In response to a question, it was confirmed that all youth centres are under review, including The Zone in Caldicot. Feedback suggests that single facilities are not valued by young people and it was added that the Aspire project, run in the Leisure Centre, is well attended and has better integration. A Member asked what would happen to The Zone and the £70,000 WG grant to provide the facility. It was responded that this aspect will be part of the review and conclusions will be presented to Cabinet. The Youth Service elements will be reported to this Committee when the business plan is finalised, particularly including budgets and outturns.

A further question was asked about timescales and it was confirmed that outline proposals will be available in March for decision making with more details after May 2017.

- Roger Edwards Trust: It was reported that the Trust hasn't met since the last meeting. In the meantime, it has been confirmed that cheques are not released until the end of the year, when the accounts are published. The Trust will consider the request to release cheques earlier.
- Zero hours contracts: It was confirmed that a letter had been sent to County Councillor F. Taylor (and circulated to the Committee), responding to questions raised in the minutes of the last meeting. The outstanding matters relating to employment practice in schools will be reported upon at the next meeting of the Audit Committee.
- Early Departure and Redundancies Costs: It was noted, with thanks, that the details had been circulated as requested.
- Exemptions to Contract Procedure Rules: It was reported that of the five outstanding exemptions, four have been received and authorised by the relevant Chief Officer. The fifth exemption is related to a service trial and the exemption has not yet been applied but may be used in future when the best option is known.

6. Q3 Progress report

The Chief Internal Auditor presented the Quarter 3 Progress Report (to 31st December 2016) with a purpose of providing assurance to Audit Committee and senior managers on the adequacy of the control environment, and the performance of the Internal Audit Team. The following points were noted:

- There have been 30 audit jobs; not all opinion related and 10 draft reports have opinions allocated (as defined in the report).
- Regarding team performance, 98% of recommendations have been accepted by office managers and work is being undertaken to assure implementation. Timeliness of reports is identified as an issue and is attributed to the workload of the Audit Manager who is responsible for quality control, consistency and reactive issues. It was explained that 42% of the plan has been covered which is below the target of 50% but a small improvement on last year. The team is on track to achieve 75% of the plan by year end.
- A question was asked if there are any major concerns including workload and areas of greatest sensitivity. It was responded that priorities have to be drawn because of the limited number of auditors to consider matters that include corporate and service areas, and will be reported to Audit Committee in March 2017.

A question was asked about the **Limited** assurance opinions on school meals and community led delivery and more details were requested. It was explained that audits and

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Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 2nd February, 2017 at 2.00 pm

opinions are defined based on strengths and weaknesses measured against key control objectives. If it is found that control objectives are not in place, a financial risk is identified. A **Limited** opinion is awarded where weaknesses outweigh strengths. An overview was provided as follows:

- i. School meals: There was a lack of official documentation outlining responsibilities for schools and Property Services (which manages the service). Income data was not monitored appropriately and there were differences not reconciled between school and Property Services systems. Additionally, significant outstanding debts were not being followed up.
- ii. Events: A number of aspects required some improvement:
 - a) Some contracts were not always signed although in place;
 - b) Income reconciliation in terms of allocation and stock control of tickets;
 - c) Record keeping of staff working at events;
 - d) Issues concerning the contract tender; and
 - e) Reconciliation of financial aspects of an event which were not received as promptly as expected.

A Member requested assurance regarding unsigned contracts. It was confirmed that these were not always in place for some events and commitment to improvement has been given for future events. The Chief Officer Innovation and Enterprise provided assurances and context, that the recommendations are wholly or partially addressed. It was explained that these types of events are at the heart of the council's commercial strategies and is necessary to balance income generation and risk. The council acts as the event promoter and receives 100% of the income generated. This is a high risk position but also potentially high reward and it is necessary to clearly set this position out. The Committee was invited to reflect that the timing of the audit was during the National Eisteddfod and the Status Quo concert and it was accepted that there were some shortcomings due to the many tasks and responsibilities necessary at that time. The Chief Officer expressed her confidence in the Events Team referring to the forthcoming Little Mix concert at Caldicot Castle. It was explained that safeguards are in place, but as the focus is profit generation, the council must be prepared for higher risk thresholds.

It was confirmed that, as the opinion is **Limited** the matter will be revisited in 6 to 12 months to monitor if the recommendations have been followed up and reported back to Audit Committee in due course.

Reference was made to the **Qualified** opinion on Adult Services (Supporting people with Grants) and it was confirmed that this was one of the council's claims. It is responsible for submitting a return to WG and whilst the financial element was acceptable, the conditions were changed during the year determining that outcomes should also be audited and an internal audit certificate awarded. It was not possible to fully demonstrate the terms and conditions of the grant had been met.

A Member queried the appropriateness of a high risk/high reward approach and encouraged Audit Committee to monitor the situation as councils should take a cautious approach when dealing with public money. The Chief Officer explained that in times of austerity, an entrepreneurial approach is needed and this adds value to the county. It was clarified that the audit was of the collective work of several teams, reflecting how the authority works together. In response to a comment, it was confirmed that CMC² was a community interest company not a high risk/high reward enterprise. The Head of Resources added further context that the events team works with finance officers adding that downside risk is managed with sensitivity and market analyses undertaken. It was added that events present a measured risk that should be viewed in a wider context.

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The Committee were reminded that treasury transactions are much larger and of a completely different magnitude to events.

In response to a suggestion, it was confirmed that this topic has been regularly scrutinised by the Economy and Development Select Committee and it is part of its ongoing work programme. It was agreed that the follow up audit report in September should include aspects of risk to the authority, including audit of the procedures for the two major events this year.

The Quarter 3 Progress Report was formally noted.

7. Corporate Assessment Follow on review - Human Resources

The Wales Audit Officer reported on the Corporate Assessment Follow on Review of Human Resources.

It was concluded that there has been good progress in planning, managing and engaging the workforce. There is good support from the HR team and ICT systems are being developed e.g. return to work interviews and sickness information. There is evidence that the Council is acting on feedback from staff; it has held its first staff and has also established Monminds.

The Corporate Assessment report's proposals for improvement needing further work were summarised as follows:

- Engage more effectively with staff to ensure the Council's values are clearly evident across the organisation;
- Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives; and
- Develop the Council's workforce planning arrangements by including accurate data and key management information around workforce issues and statistics, reporting regularly to Senior Leadership and Management Teams to enable effective monitoring of progress and management of these issues on an ongoing basis.

The HR Corporate Assessment identified the following new proposals for improvement:

- P1 Develop further workforce data to include staff establishment, contract status, vacancies, agency use, age, gender, and grade/pay distribution, to better inform future workforce planning activity.
- P2 Improve oversight and ongoing implementation of the staff appraisal process. In particular:
 1. Ensure staff appraisal completion is uploaded onto the Council's Hub to accurately reflect the numbers of staff in receipt of an annual appraisal; and
 2. Increase the appraisal completion rate.
- P3 Further develop HR ICT systems to better support operational managers and improve recording of sickness and disciplinary matters.
- P4 Improve the evaluation of HR improvement actions to better measure the impact and outcomes.

The Management response was presented and the following points noted:

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- The first two proposals follow on from previous proposals for improvement and strengthen arrangements.
- It was agreed that the authority is good at measuring activities but not outcomes, and a change in management practice is required to provide evidence that the changes to systems, policy and guidance results in a change in management practices e.g. better sickness levels, less grievances etc. The intention is to improve HR practice and responses, and to work much closer with managers to identify and address concerns.
- The proposals were welcomed and will be reported upon in the Annual People Report in July 2017.

A Member queried, if managers don't have profile information of their workers, how redundancies (and any particular demographic thereof) can be monitored. Additionally, the point that senior managers and members find it difficult to assess if progress has been made was questioned. It was asked if there was confidence in the progress made and whether or not managers can be challenged on underperformance. It was also queried if there will be demonstrably better outcomes when they are reported in July.

It was responded that the data has been available but not in an easily accessible format for managers. Consequently, a dashboard containing information such as Full Time Equivalent (FTE), gender, turnover, sickness level, grade, age profile and length of service, is being developed and is close to launch. An offer was made to demonstrate the dashboard at a future meeting. Work is in progress to assure data protection, and then the intention is that managers will access the data to aid future workforce planning.

It was explained that, for example managing ill health, is to do with changing management practice referring to the new return to work video. It is also about encouraging the workforce to have responsibility for its own health and wellbeing with clear expectations and identification of underperformance as required. Impact could then be measured by monitoring the number of capability, grievances and disciplinary cases. In the wider context, the organisation will also develop a broader range of indicators to include complaints, freedom of information requests and training to refine where HR services for managers are required.

In response to a question, it was confirmed that the dashboard will be launched on 1st April 2017. A question was asked about the adequacy of the IT systems underpinning the dashboard and replied that there has been minimal development capacity within the Payroll and HR team who are developing Resource Link. There has been a staff restructure with modest investment in systems to enable the team to explore the capability of systems and options.

It was agreed that a presentation on the dashboard would be provided at the next meeting. Members welcomed the opinion of the Wales Audit Office, looked forward to the presentation at the next meeting and the future provision of better information on the profile of the workforce.

A Member asked if there were sufficient resources in place to deliver the improvements. It was explained that there had been investment in the HR and Payroll team to develop capacity adding that a HR adviser review is being conducted with a view to ensuring there are sufficient advisers to develop a partner approach with business managers. It was emphasised that the priority is to change management practice and manage staff appropriately.

It was added that, in terms of return on investment, the digital programme office is being used to improve understanding and to enable better use of systems. Where opportunities are identified, avenues for further investment will be sought as necessary.

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**Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 2nd February, 2017 at 2.00 pm**

8. Forward Work Programme

The Forward Work Programme was received noting that it only extends as far as the election in May. A twelve month plan will be prepared with standard items for Committee Members to understand the annual work cycle.

9. To confirm the date and time of the next meeting as Thursday 16th March 2017 at 2.00pm

The meeting ended at Time Not Specified

Public Document Pack Agenda Item 7

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Democratic Services Committee held
at Council Chamber - Council Chamber on Monday, 23rd January, 2017 at 2.00 pm

PRESENT: County Councillor F. Taylor (Chairman)

County Councillors: R. Harris, D. Edwards, J. Higginson, P. Jones,
J. Prosser, F. Taylor and A. Webb

OFFICERS IN ATTENDANCE:

John Pearson	Local Democracy Manager
Nicola Perry	Senior Democracy Officer
Matthew Gatehouse	Policy and Performance Manager
Abigail Barton	Communication and Engagement Manager

APOLOGIES:

Councillors D. Evans, P. Clarke, S. Jones and S. Howarth

1. Declarations of interest

Members agreed to declare interests under the relevant item.

2. Public Open Forum

There were no items for the public open forum.

3. To receive the minutes of the meeting held on 17th October 2016

The minutes were approved and signed by the Chair.

4. To receive the action list of the meeting held on 17th October 2016

We noted the action list.

The Chair advised that there had been no written response to the IRP but she had attended a consultation meeting and would provide an update.

It was requested that the information to be distributed with the Council Tax demand be circulate to Members for information. We were advised that the deadline for the final copy for approval is 9th March 2017.

5. Update on activity: Raising awareness and forthcoming events

There had been an opportunity for anyone interested in standing for election to attend an event in November. There had been representation by a member of all political groups, along with members of the public. An interesting discussion had taken place regarding information on becoming a local member, and some of the possible barriers.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Democratic Services Committee held at Council Chamber - Council Chamber on Monday, 23rd January, 2017 at 2.00 pm

We were advised that election briefings were taking place on 26th and 31st January, for current members, candidates, clerks and agents. The Local Democracy Manager highlighted the areas to be covered at the briefings.

It was suggested that Members circulate the information, or add to their local websites.

We heard of an upcoming event being held at County Hall on 20th February 2017. This would be an opportunity for young people to come to the chamber and gain an understanding of politics in general, as well as an opportunity to think about the links to decisions made by the Council. All Members are invited to attend. Group Leaders have confirmed attendance.

In terms of Community Governance, we were awaiting timescales for a citizens debate, to be facilitated by local groups. This may be held in the next term of Council. Further information would be circulated when available.

The Chair hopes to look at recommendations for the next Democratic Services Committee, with options to take forward.

We noted that there is to be a Senior Leadership Team restructure while Mr. W. Mclean is acting as Interim CYP Lead.

It was suggested that Whole Place Officer and Volunteer Programme Lead be invited to the next meeting. It would be appreciated if officers could present to the Committee detail of who they are engaging with in the democratic process, and how they are making improvements.

We received information regarding purdah, noting that it was expected to commence on 21st March 2017. Further information would be distributed closer to the election.

6. Independent Remuneration Panel - Feedback from consultation events

The Chair had attended a consultation event and relayed the comments of the Committee. The following points were highlighted:

- Members at other Local Authorities receive different levels of additional financial support. This should be looked into and debated by the next Council.
- Members were surprised that the carers allowance had not been increased. The IRP response was that they thought this had been carefully considered. It was thought that being known as 'Costs of Care' could be considered a stigma.
- The Members allowance is not to be increased and is no longer linked to the average wage. It was expressed that there was a need to advise on what basis the levels had been set.
- There is a need for better public understanding surrounding Members expenses.

7. Plans for Councillor Induction

The Local Democracy Manager provided a draft timetable for the upcoming Councillor Induction programme.

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Minutes of the meeting of Democratic Services Committee held at Council Chamber - Council Chamber on Monday, 23rd January, 2017 at 2.00 pm

Members expressed concern that some training events coincided with half term.

It was suggested that the training sessions should be recorded.

It was requested that, when agreed, the diary is shared with outside bodies.

We heard that guidance would be available in a newly developed Members area on the Hub.

8. Candidate Guides

The Local Democracy Manager advised that an election guide for candidates has been developed, and would be circulated at the upcoming briefing sessions. The information will also be available on the website.

With regards to new Councillors, a 'new starter' pack would be handed out on the night of count. This will include a paper copy of the WLGA New Councillor's Guide, timetable of induction and agendas for the training sessions. Information will be available on the Hub.

Members questioned if there was an adequate number of staff in the election office. It was suggested that assurance be sought from the Returning Officer prior to the next meeting.

9. Wales Audit Office Governance Report

The Policy and Performance Manager presented the Wales Audit Office Governance Report.

The report had already been considered by Audit Committee who have overall responsibility for the performance management arrangements. However there are issues that will be of particular interest to the Democratic Services Committee.

The report concluded that "The Council has made progress in improving its governance arrangements although more work is needed to strengthen the transparency of decision making and recording."

The issues of particular relevance to this committee highlighted in the report include:

- YouTube streaming of meetings increase the transparency of meetings.
- Cabinet meetings are not minuted, this is compliant with in accordance with its Constitution and the Local Government Act 1972. However WAO considers a written record of proceedings to be good governance and practice.
- Poor use of the microphones the chamber results in parts of the records being inaudible.
- The report stressed the importance of minutes being signed at the next suitable meeting in accordance with the Council's Constitution.
- There are positive examples of scrutiny holding Cabinet to account. However the report also includes an example that suggests scrutiny is not always able to effectively fulfil its role
- The relationship between Cabinet and select committees is generally positive.
- Select committees follow an agreed work programme and 'call in' decisions made by Cabinet as appropriate.

The four new proposals for improvement made within the report were:

- Further improve the clarity of reports that members receive to ensure they have access to appropriate and timely information in a format that is easy to read and understand.

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- Ensure that decisions are clearly and consistently recorded to provide a reliable, transparent and easily accessible decision-making trail.
- Strengthen scrutiny's impact, status and effectiveness including: formally recording Cabinet responses to scrutiny recommendations and observations and better co-ordination of Cabinet and select committee forward work programmes.
- Ensure that information on the Council's website is accurate, complete and up to date.

Members were invited to comment and the following points were noted:

Members expressed disappointment with the live streaming system and added that issues with the microphones in the Council Chamber need to be addressed. It was suggested that they are checked prior to meetings. The Local Democracy Manager highlighted that Monmouthshire is the only Authority to live stream all their meetings held in the Chamber.

A Member expressed that recording of minutes had improved, providing a clear conclusion and action list.

A question was raised why Cabinet were reluctant to record minutes. It would be of interest to know if other Councils record their Cabinet meetings. We noted that we are more transparent than the report infers.

A Member requested that the report be forwarded to all Members and be further discussed at Coordinating Board. It was noted that the report had been presented to Audit Committee.

A Member suggested that meetings should be shown on televisions in reception area. We noted that this may be a disruption to reception but conversations could be held with IT colleagues to discuss.

It was requested that Member attendance at committees be addressed at the next meeting.

The Local Democracy Manager highlighted areas of progression within the report. In terms of Modern Gov. an extra section is due to be rolled out for officer use. This is on hold and is expected to be rolled out following the election. With regards to live streaming, we live stream more than other authorities, and can stream any meeting held in the Chamber. The library on you tube allows access to all meetings since we began live streaming. Since the introduction of Modern. Gov there has been improvements to the website, but still ongoing improvement.

The Chair concluded:

- We would look at improvements to the quality of sound in the Chamber, eg. Chairs to remind people at the start of meetings, check microphones prior to start of meeting.
- The Policy and Performance Manager would look into the streaming of meetings in the reception area, and respond at next meeting.
- Issues could be addressed at Coordinating Board.
- Responses from Cabinet Members to scrutiny recommendations, as well as recording outcomes of motions and petitions at Council should be considered.

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Democratic Services Committee held
at Council Chamber - Council Chamber on Monday, 23rd January, 2017 at 2.00 pm**

10. **To note the date and time of next meeting as Monday 3rd April 2017 at 2.00pm**

The meeting ended at 3.50 pm

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SUBJECT: Household waste recycling centre, transfer station and haulage procurement strategy.

Directorate: Operations – Waste and Street Services

MEETING: Council

DATE: 9th March 2017

DIVISION/WARDS AFFECTED: All

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Purpose

- 1.1 To seek Council approval on the proposed strategy to initiate a procurement exercise for a new Contract for the Household Waste Recycling Centre, Transfer Station and Residual Waste Haulage services.

2. Recommendation

- 2.1 The Council approves:

- (a) The procurement strategy as outlined in this report, specifically:-
 - a. Nature of services (as defined in 4.1)
 - b. Contract length:- 7 years + 5
 - c. Contract form:- service contract

- d. Procurement process:- Competitive with Negotiation
 - e. Price/Quality criteria:- 55/45
 - f. Performance / quality outcomes
- (b) That delegated approval is given to the Head of Waste & Street Services in consultation with the Cabinet Member, S151 Officer and Monitoring Officer to finalise the Contract Documentation, including the evaluation matrix, prior to issue of OJEU Notice to begin the procurement process;
- (c) That decision to award the Contract will be delegated to the Head of Waste & Street Services in consultation with the Cabinet Members for Waste and Finance, S151 Officer and Monitoring Officer on the provision that the price remains within the current affordability envelope of the existing waste management budget (noting though the outcome will be reported to Council and our future partner will be presented to Select Committee); and
- (d) That decision to award the Contract if it exceeds the existing budget envelope will be for the consideration of Council.

Background

- 3.1 This is a very old contract and has evolved over time as legislation and priorities have changed. In 1994, Monmouthshire County Council and Terry Adams formed a joint venture company (JVC), Dragon Waste, to operate and manage the waste disposal and Civic Amenity Sites. This was in response to legislation that no longer allowed local authorities to operate civic amenity sites that resulted in many setting up JVCs or Local Authority Waste Disposal *arms-length* Companies (LAWDaC).
- 3.2 Terry Adams sold his shares to Viridor and since the late 1990s Viridor have remained the majority shareholder (81%) of Dragon Waste.
- 3.3 In 2014 the Dragon Waste Contract was renegotiated with Viridor to allow a smooth transition to Project Gwyrdd, instigate transparent management costs to enable any future procurement to be undertaken on a truly comparative basis, and ensure MCC had a fit for purpose recycling contract and delivered savings across the Contract. The outcome of these negotiations were brought before Select Committee prior to Cabinet approval in October 2014.

3.4 It should be noted that Viridor also currently hold the organics contract for recycling/treatment of kerbside collected organic waste. This Contract sits outside of this paper as Select Committee and Council have already determined the long term future of organic waste and agreed to a partnership with the Heads of the Valleys AD programme which will commence from April 2018.

3.5 To be clear the current Dragon Waste contract is for the following services:

- Management and operation of 4 Civic Amenity* Sites Llanfoist, Five Lanes, Mitchell Troy and Usk (incl onward management and marketing of recyclate collected)
- Management and operation of 2 Transfer Stations – Llanfoist & Five Lanes
- Haulage of all residual waste to Project Gwyrdd EfW at Trident Park, Cardiff.

(* the legal term for the sites is Civic Amenity. They are more commonly known now as Household Waste Recycling Centres (HWRCs) and therefore will be referred to as such through this paper)

3.6 Five Lanes and Llanfoist are classed as strategic sites as contain both Transfer Stations and HWRCs and are by far the biggest HWRCs in terms of public use and tonnage. These sites are therefore under a full operational lease to Dragon Waste for repair and maintenance. Usk and Troy by comparison are still under the ownership of MCC and all repairs and maintenance are managed by MCC working in partnership with Dragon Waste.

3.7 Our HWRCs are a critical component of our recycling service to Monmouthshire residents. In 2015-16 the waste generated through the 4 sites amounted to 43.5% of the total waste managed by the Authority. The levels are expected to reduce to below 40% in 2016-17 with the implementation of the “Van Ban”, mandate no. 8 which is restricting commercial type vehicles access to the sites on the evidence that traders were using the sites and not being commercially responsible for the waste they produce. The table below provides the high level data on tonnages through the sites.

Table 1. HWRC Tonnages & Performance

	2013-14	2014-15	2015-16
Green garden waste only	3242.80	4642.46	4001.65
Automotive batteries	27.01	23.90	35.63
Books (Reuse)	26.87	23.15	29.45
Card	428.72	425.50	445.54
Gas bottles (Reuse)	12.92	14.54	16.04
Mineral Oil	14.56	18.10	13.42
Mixed cans	12.34	13.24	8.84
Mixed glass	131.82	151.36	134.80
Mixed tyres	2.66	30.54	12.48
Other Scrap metal	653.95	748.80	881.92
Paper	196.78	171.22	183.00
Plasterboard	186.86	291.64	329.22
Plastics	10.30	25.21	9.50
Post Consumer Batteries			
Rubble	2105.38	3412.76	3960.86
Textiles & footwear (Reuse)	183.83	169.95	161.86

	2013-14	2014-15	2015-16
Vegetable Oil			
WEEE - Cathode Ray Tubes	194.99	184.36	168.06
WEEE - Fluorescent tubes and other light bulbs	1.62	1.16	1.48
WEEE - Fridges & Freezers	141.62	182.91	197.17
WEEE - Large Domestic App	94.10	114.08	147.30
WEEE - Small Domestic App	393.58	466.00	459.52
Wood	1925.07	2356.06	2501.96
Other	5.42	7.08	4.06
Dry recycling CA TOTAL	6750.40	8831.56	9704.51
TOTAL R&C CA Sites	9993.20	13474.02	13703.76
Residual CA Sites	5727.22	6835.09	8050.62
TOTAL CA Arisings	15720.42	20309.11	21754.38
Total arisings	45,941	49,212	49,950
CA Site & of total arisings	34.2%	41.3%	43.5%
CA Site Recycling & Composting Performance	63.5	66.3%	63%

- 3.8 This average though masks some stark differences. Llanfoist and Troy which benefitted from investment in 2009 both recycle well in excess of 70-75% whereas Troy and Usk being much smaller and older sites can at times struggle to recycle 50%. However we recognise these sites are valued and well used by their local communities.
- 3.10 Just as important to internal operations is the successful management of our Transfer Stations. There are on average 440 vehicle movements over the weighbridges every week, the majority of these are MCC refuse vehicles unloading residual, recycling and garden and food waste. The sites are responsible for receiving the kerbside waste collected by the Council, bulking it up and managing the contracts with relevant hauliers for the onward transportation of that waste to its next destination. Five Lanes and Llanfoist also act as a commercial waste operation to support local businesses. The weighbridges are used by many hauliers and businesses can privately dispose of their waste by paying Viridor direct at the sites.
- 3.9 Up to Q3 2016-17 the HWRC recycling and composting performance stands at 63%. There was an increase in 2014-15 due to increased use by traders and a significant increase in rubble and plasterboard, which whilst recycling, is expensive to process.
- 3.10 In terms of overall contract value in 2015-16 the Council spent c.£1.5m on the provision of Services. The purpose of going out to market is to test the current commercial offer received by the Council, to ensure that Contract terms are fit for purpose and that the Contract is fully aligned to the long term recycling strategy of the Council.
- 3.11 In 2016 a workshop was held with officers from Waste Management, Procurement and Legal. The purpose of the workshop was to review the following aspects:-
- existing contract and current legislation
 - internal vs external provision
 - procurement options
 - type and length of contract and alignment to existing services
 - key terms and elements to be included

- the future of Dragon Waste as a JVC
- government reorganisation

3.12 Following this workshop officers approached Welsh Government and their agents WRAP (Waste Resources Action Programme) to seek support for technical and legal support in development of the contract documentation and during the procurement process. This support comes in the form of WRAP receiving WG funding to appoint advisors to work alongside MCC through the process. Eunomia Consulting in partnership with Burgess Salmon Legal have been appointed and are working very effectively with the Council. Further workshops have been held with Eunomia and all relevant internal colleagues (legal, finance, estates, procurement and waste) to inform the development of the procurement strategy.

3.13 To further inform the procurement strategy a Bidders Day was held in Nov 2016. The Council placed an OJEU notice informing the market that we were intending to go out to procurement and wanted to engage with them early in the process to understand market appetite in our offer and also understand the most commercially attractive package the Contract could take. The day was also an opportunity for potential bidders to understand the culture and priorities of MCC and how this contract aligned to the overall recycling and waste strategy of the Council. The Bidders Day was a great success and massively informed the thinking of officers in developing the strategy.

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Key Issues: - The Proposed Procurement Strategy

Nature of Services

4.1 Services to be procured in one strategic contract will be:

- Management and operation of 4 HWRCs
- Management and operation of 2 Transfer Stations
- Management of recyclate collected at HWRCs exc. Garden waste which will be under a separate treatment contract managed by MCC
- Management of kerbside collected glass (so can be bulked and sold with the HWRC collected glass)

- Haulage of residual waste to Trident Park, Energy from Waste, Cardiff (and/or the contingency facility as specified by Project Gwyrdd)

4.2 Feedback from the market was that this was a holistic and attractive commercial offer. By keeping services together it allows for maximum operational efficiency.

Length of Contract

4.3 To align with the Recycling Review and changes to kerbside collection changes it is proposed that the Contract will commence 1st October 2018 and terminate on 30th September 2025 with the potential to extend for a further five years (until 2030) with any combination of extensions (e.g. 1+1+1+1+1 or straight 5 or 2 then 3). This will however be subject to negotiation and agreement with the Contractor and a robust economic and financial appraisal.

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Seven years is standard for waste contracts as that is the normal life over which major assets for running these services are depreciated (loading shovels, haulage fleet, skips etc). The reason why the extension period is potentially shorter with the possibility of annual extensions is to allow the Council to benefit from any regional collaboration that may emerge as we are aware of other Council contractual timescales. Welsh Government have just initiated a review of Towards Zero Waste and the targets post 2025 (currently 70%). Therefore the shorter extension also allows for MCC to look at emerging legislation post 2025 and determine an appropriate strategy for the future of the services whilst ensuring that short term services are secured.

Form of Contract - Provision

4.5 It is proposed that the Contract is a straight service based contract tendered to a third party. This means that any third party would be able to bid for our Contract. Whilst most of the engagement has been with the commercial waste sector the process would not preclude third sector parties bidding if they could demonstrate that they had the capacity and expertise to deliver the requirements. Currently the Council is in a Joint Venture which in reality acts as a service contract in light of the share distribution between the parties. Potential bidders were in favour of a straight service

contract. The services required are not from their perspective anything innovative or risky that requires a level of public sector assurance with a different contract or company model. This model is also proposed as it is recognised that MCC has benefitted from commercial insight from working with Viridor and other waste contractors in the delivery of its services. In the grand scale of things MCC's tonnage is miniscule and MCC has benefitted from recyclate being sold as part of a much larger mass than managed on its own. Another reason for working with the private sector was the strongly expressed view by Members during the Recycling Review that Councils were not best placed to engage with the market on the selling of material. By working with a major waste contractor MCC will be protected from a level of market vulnerability. HWRC materials such as rubble, wood, paint etc. are far more difficult to source and thereby by bulking up with other contracted waste allows for economies of scale and for that market risk to be partially managed by a third party mitigating risks on the Authority. In addition linking in with such major players in the industry has enabled our services to remain at the forefront of environmental and health and safety compliance. The private sector have centralised experts in these areas which one Council could never hope to source internally.

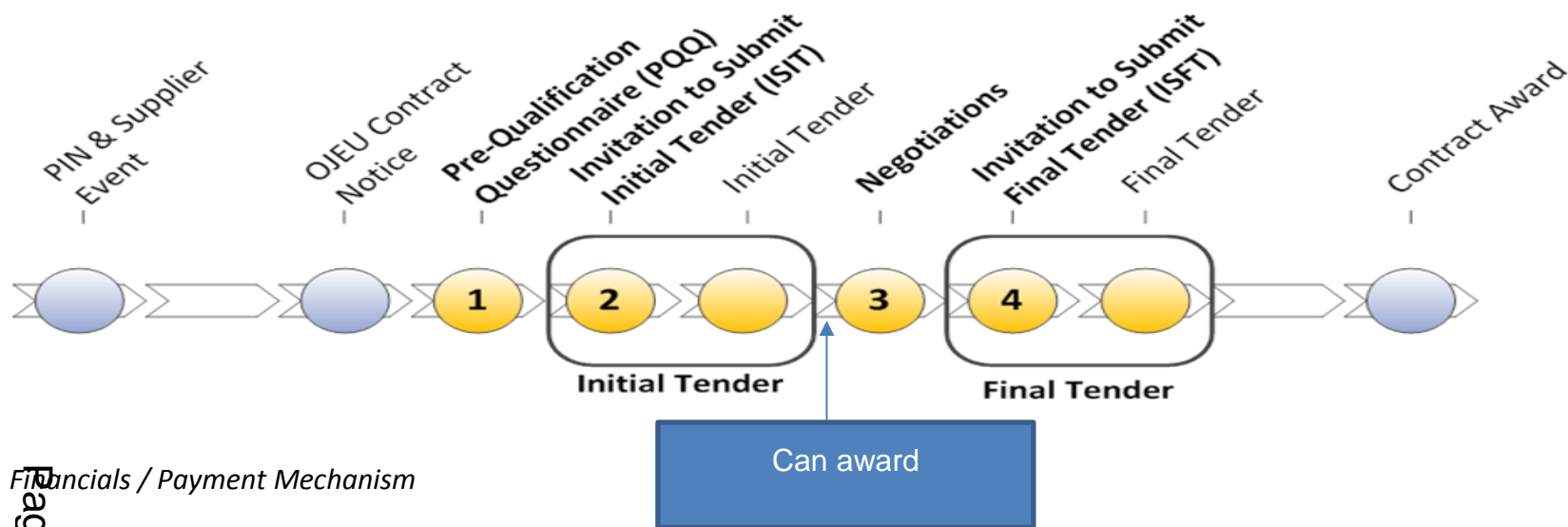
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4.9
Procurement Process

Three procurement routes were reviewed balancing speed of process, cost, complexity and giving the best opportunity MCC to refine proposals and allow the market to contribute to the provision of services prior to award.

Procurement Route	Pros	Cons
Restricted - Usually used where market and commodity being procured is fully established.	Terms and conditions fixed at outset and procurement time and costs reduced.	Limited opportunity to improve on existing terms. Risk that contractors will be put off by certain terms and will not bid. Does not allow for any innovation from third parties Need to be confident that have everything covered fully as no opportunity for variation or discussion
Competitive Process With Negotiation – used where the market place is well	Increased market interest	Increased resource requirement for procurement

Procurement Route	Pros	Cons
established but solution and terms could be improved through limited negotiation. Allows for direct award should one bidder satisfy all contract terms and focuses bidders initial response.	Allows for direct award if initial bid is strong enough Allows for negotiation if bids are close and can work	If go into negotiation contract award is slower than restricted
Competitive Dialogue used where either the market and/or the solution is not established. Allows for full dialogue to investigate wide variety of solutions and market approaches.	Contract terms built around negotiation process Flexibility for MCC – opportunity to investigate wide variety of market solutions	Expensive for both sides – costs then reflected in final tender. Long process – longer Reliance on external consultants to capture terms and conditions, extends the procurement timescales (often several years) and costs

The proposed procurement strategy is no.2 Competitive with Negotiation. This in essence gives MCC potentially the best of both worlds. It allows us to be specific with requirements and if agreeable award on Initial Tenders if there is one strong cost and quality bid (no.2 on diagram below). Failing that or on the basis of a number of strong bids it allows for a period of negotiation (no.3) prior to call for final tenders (no.4) and award. The diagram below clearly outlines the proposed process.



Financials / Payment Mechanism

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The potential value of the entire Contract period is c.£18m (based on current costs, tonnage and no indexation applied) and is therefore one of the most valuable contracts the Council manages. It is therefore critical that the financial case is strong and that bids are inclusive of all costs which will be incurred during the Contract period.

4.9 The following measures are being taken in the Contract specification to ensure that there is confidence in the financials supplied in the bids:

- Minimum requirements on staffing levels at HWRCs and Transfer Stations to reduce the risk of “cheap” bids which reduce labour expenditure but then quality of service is affected. MCC knows the current staffing levels at the site and will be using this as a baseline
- Open book pricing to be used for overhead/management costs of Transfer Stations/HWRCs to ensure transparency and clarity of where costs are being incurred
- Robust pain/gain matrix for managing cost of recyclates (see 4.12 below for more information)
- Ability for Contractors to specify their asset requirements to demonstrate best value and where possible maximise use of existing assets from other contracts

- Accurate detail on tonnage and required vehicle movements to clear tonnage to market
- The Council is also exploring the possibility of utilising its prudential borrowing powers to fund the assets required to service the Contract. If the bidder needs to borrow to purchase assets the current commercial interest rate is some 6-8% higher than Council borrowing and the costs are passed back through to the LA on the contract charge. Therefore there is a financial benefit if the Council provides the capital for the assets. However this is dependent on the needs of the bidders and may not be required. It also needs to be noted that the offer would need to be made at OJEU notice to ensure compliance with state aid. If this is of benefit to the financial profile and reduces risk (and therefore cost) then a further report would be submitted to Council prior to any draw down of funding.

4.10 The main elements to be costed by the bidders will be:

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- Management/operation of HWRCs and Transfer Stations
 - Staffing, vehicles, bulking equipment, skips, maintenance, normal management costs (utilities, rates, insurance etc.), fleet, fuel
- Haulage of Residual Waste to Trident Park
 - Staffing, vehicle fleet, fuel
- Management and onward marketing/sale/treatment of HWRC collected recycling (excl garden)
 - Staffing, fleet, fuel, ££income / cost

Pain / Gain Matrix:- Managing the Cost of HWRC Recycling

- 4.11 The contract will exclude the cost of composting of HWRC green waste as this is currently going through a procurement process with partnering LAs – Blaenau Gwent, Torfaen & Newport (as agreed by IMD on 27th July 2016).
- 4.12 Currently HWRCs manage 22 different recycling streams – ranging from straightforward recycling streams like glass and paper to more complex and difficult markets like wood, paint, gas bottles and electronic waste. Engagement with the market demonstrated that for commercially attractive bids there needs to be a partnership approach to managing the volatility of the recycling market over the term of the contract. LAs are never fully

immune from the market even if all recycle costs and risks are outsourced. If 100% of risk is put onto the market this will be reflected in their bid back. However for security and budgeting purpose LAs who contract very rarely take 100% of the price risk and therefore some middle ground needs to be found.

4.13 Therefore it is proposed that the principles of the pain/gain matrix will be:

- Routine items such as glass, paper which carry an income stream. The initial value will be specified by MCC and the payment mechanism will determine a fluctuation value in line with the 6 monthly average of the Lets Recycle recycling prices index. The Contractor will retain the base value to build into their base costs of running the Services. Any increase (i.e. profit) in value over and above the base price will be shared on a 50/50% between MCC and its partner. Any costs incurred under the base value will be shared 50/50 between MCC and its partner.
- More difficult items to recycle which carry costs will be open book pass through costs to MCC. This is the same as current practice and allows MCC to determine on a material by material stream on an environmental, recycling and financial basis how that material should be managed. This includes materials such as:- rubble, wood, paint, plasterboard etc. For example we do not currently recycle very hard plastics e.g. garden furniture. We know it would be publicly welcomed. However it comes at a cost of over £300 per tonne compared to a disposal cost of c£87 per tonne. But if the market changed then the pay mech would be reviewed and a view taken to bear the cost of recycling. As new markets emerge for items such as mattresses, carpets etc. this mechanism gives us greatest flexibility to manage the constant tension between recycling and financial benefit.

4.14 By having an open book and specified index for agreeing market fluctuations the Council will have great visibility on the market whilst also having the protection of agreeing a set base price which will be reflected in the Contractors initial bid when pricing services. Modelling has demonstrated that over a 5-10 year period the fluctuations of the market equal themselves out. However as Councils operate on an annual budget cycle great care and attention will have to be given to quarterly monitoring to ensure market variations are fully taken into account. Over 2018 the Council will be moving into new times with this Contract and the selling of more recycling through the implementation of the Kerbside Recycling Review. And therefore as outlined in the Recycling Review recommendations when a report is taken through Select and Council in Autumn 2018 reporting on the financials of the service moving forward in light of all procurements concluded it is anticipated that a solution on how the Council protects itself from market fluctuations will be proposed (e.g. a reserve fund to build during good market times and to draw down during low is one method).

Ensuring Quality & Performance

4.15 The need to go to market is in no way a reflection of the current contractor. Dragon Waste/Viridor deliver a good and effective service to residents and the Council. However the current form of Contract Documentation does not enable us to quantify the quality of the current service apart from anecdotally on number of complaints, which is very low indeed.

4.16 At the Bidders Day MCC was at pains to stress that the quality of the service was not something to be compromised. As outlined above the HWRCs handle a large amount of material each year and therefore are critical and as central to our recycling strategy as the kerbside services MCC deliver every day.

4.17 Key quality expectations will focus on:

- County wide recycling target
- Customer service at HWRCs
- Customer satisfaction
- Complaint monitoring
- HWRC management e.g. cleanliness, emptying of skips
- Material management & end destinations
- H&S performance of the site
- Environmental performance and compliance
- Priority given to MCC fleet at Transfer Stations
- Efficiency of haulage system
- Interface with other hauliers on site

4.18 Within the Contract Specification the above will be turned into proportionate performance measures which will have payment deductions applied. This ensures the contracting partner is aware of what MCC requires from the quality of the service and if performance slips then they are hit with a reduced financial payment.

4.19 In the procurement we are looking for innovative ideas for improving recycling e.g. proposing new markets, use of technology and how their customer service approach will help the recycling performance. The Contract will have a County wide minimum recycling target which will increase over the length of the contract. It is important that the Contract does not introduce perverse incentives and the recycling performance is based on appropriate practice i.e. we do not want to chase tonnage which increases cost, or deliberately prevent householders from disposing of household waste.

Evaluation / Price v Quality

4.20 Within tender documentation the Client (the Council) has to determine the priority it is giving to price and quality at point of publication of the OJEU notice and it cannot be changed without initiating the process all over again. The electronic procurement systems used means that technical/quality aspects of bids are opened first and only those bids that meet the quality criteria will then be opened for price. It is absolutely critical therefore that the quality threshold value overall isn't set so low so that by default the "lowest" price, which doesn't always mean the best service, wins the Contract.

4.21 From discussing our requirements and working with Eunomia who have supported many Councils through a procurement such as this it is proposed that we have a 45/55% quality/price evaluation matrix. This gives a strong message that whilst price is the most important, quality isn't something which we are prepared to take a risk on. Council can be confident that such a high focus on quality will not mean we will have an over-priced contract. Because staffing levels etc. are to be specified some of the big variables and risks around costs are being mitigated and therefore will ensure all bids are truly comparable and competitive.

The Future of the Existing HWRCs

- 4.22 Monmouthshire is blessed with a willing and engaged recycling public and they contribute heavily to our overall recycling performance – 27% of the current 63% (2015-16) overall recycling performance was from the HWRCs. Llanfoist and Five Lanes had significant investment in 2009. To increase performance at these sites initiatives such as opening black bags to extract more recycling, and more face to face engagement (meet and greet) with residents are likely to see an improvement. But Usk and Mitchell Troy are both very small and old sites with very little potential for improvement or investment.
- 4.23 Discussions are currently underway with Usk Town Council about meeting health and safety requirements on Usk HWRC without compromising on service quality. It is recognised this is a very small site with incredibly low tonnages going through it with practically no opportunity for improvement or investment. If Usk’s HWRC’s recycling performance is to be improved over the period of the Contract this need to be discussed with Usk residents and appropriate bodies such as the Town Council
- 4.24 The Monmouth HWRC, Mitchell Troy, is a well-used and popular site and is serving a growing population. With the space and topography of the site there are no opportunities for improvement. Modelling has been undertaken to determine the cost of a new HWRC on the lower field behind the current depot and we have assessed whether the increase in recycling would provide the financial case for capital investment. Sadly this does not stack up. A new HWRC for Monmouth is on the long Community Infrastructure Levy list and is therefore not at all guaranteed it could be delivered through this process. There are soft ambitions for Monmouth to have the similar level of HWRC provision that both the North and the South of the County enjoy. As outlined above the long term financial model of the service will be determined by Autumn 2018 and consideration could then be given by Council on how any savings delivered through this programme are best utilised – borrowing for a new HWRC could be considered if the savings are significant enough.

Investment in Transfer Stations

4.25 To align with the Recycling Review Five Lanes Transfer Stations requires capital investment to enable the site to meet the needs of the proposed new Recycling Service for 2018. This forms part of a separate report to Council on 9th March.

4.26 In relation to this procurement the timescales have been proposed (1st October 2018) so that the capital works are undertaken, the Recycling Review has been implemented and therefore the Council would be handing over a fit for purpose asset with minimum operational disruption.

Staffing Implications / TUPE

4.27 There are TUPE implications with this procurement and we are working closely with Viridor to ensure that if there is a change of contractor there is a seamless transfer of their staff. The staff have been fully engaged and understand why this process is being undertaken – it is not a reflection on their performance, but something which must be done for governance and assurance purposes. Throughout the entire process we will meet regularly with Viridor staff to keep them informed of developments.

Decision Making

4.28 There are two level of decision making with this process. The decision to go out to Procurement, its process and sign-off of all the Contract Documentation and the decision to award.

4.29 Decision to Go Out to Market and Sign off of all Documentation:- An internal working group of all relevant officers has been established to oversee the process. This includes:- waste, legal, finance, procurement and estates. External expert advice is also being provided through Eunomia and Burgess Salmon. Officers are currently working on the Contract Documentation, specification and evaluation matrix and will be subject to intense scrutiny and debate prior to sign off which will be delegated to the Head of Waste & Street Services following consultation with the appropriate Cabinet Member, S151 Officer and Monitoring Officer.

4.30 Decision to Award:- The Council is following a robust and competitive procurement process. Benchmarking to predict tenders is very difficult as each contract has its own requirements and local circumstances to take into account. Through the Council being specific about requirements and not wanting massive change from existing practice it is anticipated that tenders will remain within the existing budget envelope of the service. Therefore as the Contract will have no material impact on the budget of the Council the decision to award can be delegated following consultation with relevant members and officers. If however the process highlights an increase in required expenditure the decision to award with a full financial assessment and impact on the budget would be presented to Council. Members also can have confidence that the price envelope will be opened at Initial Tender and the Negotiation process allows Officers to enter into a period of discussion with potential contractors where price will obviously feature highly prior to award of Final Tender. The timescales of the process are sufficient to allow this to easily feature within the Council planner to ensure there is appropriate time for scrutiny and engagement with finance to understand the overall impact of the Contract.

Timescales

4.31 Annex 1 outlines the key actions and timescales for the procurement process. Officers with advisors are currently working on the Contract Documentation which has to be completed prior to OJEU. A year is being given to this process as there is full understanding of how long these procurements can take. Key dates are:

- Council approval for strategy 9th March 2017
- OJEU notice 13th June 2017
- Invitation to Submit Initial Tenders 14th August 2017
- Tenders submitted 16th October 2017
- Evaluation Oct – Nov
- Proposal to award or go into Negotiation Nov
- Negotiation Nov- Feb
- Final Tenders Submitted 12th March 2018
- Contract Award (if in current budget envelope) mid April 2018

- Contract mobilisation

May- 1st October 2018

4.32 As can be seen from the timescales above if the Initial Tenders highlight the procurement outcome will have a detrimental impact on the budget there is sufficient time to work through finance implications and align to the medium term financial plan from 2018 onwards. Five months is more than sufficient for contract mobilisation and therefore there is flexibility within the timescales for reporting to Scrutiny and Council if appropriate.

Key Risks & Management Plan

4.33 A contract and procurement of this size is not without its risk. The intention to instigate a new procurement is in no way a reflection on the current service provider who have delivered a complex service extremely well. The service has very few complaints and we have to thank the staff at Viridor for their continued hard work and commitment to excellent service delivery in Monmouthshire.

4.34 One of the biggest risks is that tenders are well above the price MCC currently pays for the service. This report has determined how this will be managed a) through issuing a contract that is attractive to the market b) through a well managed process, c) through the ability to go into negotiation if necessary and d) to take decisions back through Council if the price exceeds the current budget envelope of the service.

4.35 The Procurement itself has a full risk register which is managed by the Head of Service and has ownership of the full internal Project Team overseeing this procurement. The risks are split into process and operational. Most of the focus is on managing process risks which are around capacity of the team, political sign-off and lack of an MCC strategy on this procurement. This paper manages many of the risks and also will bring confidence to the market that we are clear on what we want and want to engage in a competitive and open process to ensure Monmouthshire residents get the very best service at the very best price.

4.36 One of the key risk measures is the creation of an internal officer group overseeing the process. Key members are:

- Rachel Jowitt, Chair
- Carl Touhig & Laura Carter – Project Management, Waste

- Liz Williams, Finance
- Scott James, Procurement
- Jo Chase, Legal
- Gareth King, Estates

4.37 This group has been fully involved with the advisors Eumonia on determining what is required to form the Contract documentation and are then well-briefed on their role to engage with their Chief Officers on the outcomes of this procurement.

Resource Implications

5.1 The procurement itself does not bring additional resource implications. The main cost element is officer time and if there was a need to incur additional expenditure on advice a submission would be made to WG & WRAP for further support. If however this was not forthcoming the waste budget would incur the additional expenditure without any anticipated impact on budget performance.

5.2 Through offering a competitive and attractive market package it is anticipated that the procurement outcome will also reside within existing funding parameters. If however tenders indicate that financial pressures will be forthcoming then the decision to award will be taken to full Council with a robust report on the financial implications of the Contract.

Well Being and Future Generations Impacts (including sustainable development, equality, corporate parenting & safeguarding)

6.1 There are no equality, corporate parenting and safeguarding implications. The procurement process itself will be run in line with best practice and ensure the goals of the Well Being And Future Generations Act are incorporated within its design and the Contract is geared to promote best environmental practice to safeguard resources for future generations.

Consultees

Strong Communities Select Committee – 30th June 2016

Waste industry

Report Author

Rachel Jowitt, Head of Waste & Street Services

CONTACT DETAILS:

Tel: 01633 748326 – 07824 406356

E-mail: racheljowitt@monmouthshire.gov.uk

Well-being and Future Generations Assessment

<p>Name of the Officer Rachel Jowitt, Head of Waste & Street Services</p> <p>Phone no: 07824 406356 / 01633 748326</p> <p>E-mail: racheljowitt@monmouthshire.gov.uk</p>	<p>Please give a brief description of the aims of the proposal</p> <p>To seek Council approval on the proposed strategy to initiate a procurement exercise for a new Contract for the Household Waste Recycling Centre, Transfer Station and Residual Waste Haulage services.</p>
<p>Name of Service</p> <p>Waste & Street Services</p>	<p>Date Future Generations Evaluation</p> <p>20th February 2017</p>





15 Does your proposal deliver any of the well-being goals below? Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.


Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A prosperous Wales</p> <p>Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>	<p>The outcome of the procurement will ensure that all of these outcomes are met. Waste will be turned back into resources and the employees appropriately trained to do the role properly.</p>	

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A resilient Wales</p> <p>Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)</p>	<p>Maximisation of recyclates collected will ensure that CO2 emissions are reduced and therefore have a long term strategic benefit on biodiversity outcomes.</p>	
<p>A healthier Wales</p> <p>People's physical and mental wellbeing is maximized and health impacts are understood</p>	<p>no direct benefit but employment through the Contract will ensure that employees and HWRC visitors health and safety is well managed.</p>	
<p>A Wales of cohesive communities</p> <p>Communities are attractive, viable, safe and well connected</p>	<p>HWRC provision is part of ensuring that communities have the ability to appropriate manage their waste.</p>	
<p>A globally responsible Wales</p> <p>Taking account of impact on global well-being when considering local social, economic and environmental wellbeing</p>	<p>HWRCs promote environmental practice and ensure that recycling is maximised.</p>	

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A Wales of vibrant culture and thriving Welsh language</p> <p>Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation</p>		
<p>A more equal Wales</p> <p>People can fulfil their potential no matter what their background or circumstances</p>	<p>Job opportunities and customer service will ensure this goal is delivered.</p>	

2. How has your proposal embedded and prioritised the sustainable governance principles in its development?

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 <p>Long-term</p> <p>Balancing short term need with long term and planning for the future</p>	<p>This is a medium term procurement ensuring that the Contract aligns fully with the emerging Recycling Strategy, delivers short term operational requirements without undermining long term opportunities</p>	
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>This will be a collaborative procurement with the outcome a partnership with the private sector.</p>	<p>Timescales have been aligned to allow any future opportunities with other Councils</p>
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>We have fully engaged with the market to ensure that the Contract and its terms are feasible and attractive.</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>The Contract is about managing the waste we collect. Council's have very little ability to reduce waste arisings, but do promote waste minimisation and support householders on how to reduce waste and recycle as much as possible.</p>	

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 <p data-bbox="120 491 293 523">Integration</p> <p data-bbox="91 357 506 635">Positively impacting on people, economy and environment and trying to benefit all three</p>	<p data-bbox="506 357 1310 635">This is about an environmental service with customer service at its heart at a price which is as affordable and financially efficient as possible. Therefore it impacts on all 3.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	No impact as the procurement is about ensuring that the Council's proposed contractor delivers against all equality requirements and there are no negative impacts from the current service provision which is not being changed with the procurement.		
Disability			
Gender Reassignment			
Marriage or civil Partnership			
Race			
Religion or Belief			
Sex			
Sexual Orientation			
Welsh Language			

4. **Council has agreed the need to consider the impact its decisions has on important responsibilities of Corporate Parenting and safeguarding. Are your proposals going to affect either of these responsibilities?** For more information please see the guidance note <http://hub/corporatedocs/Democratic%20Services/Equality%20impact%20assessment%20and%20safeguarding.docx> and for more on Monmouthshire's Corporate Parenting Strategy see <http://hub/corporatedocs/SitePages/Corporate%20Parenting%20Strategy.aspx>

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding Corporate Parenting	The proposals do not affect individuals and thereby do not affect or impact on the Council's corporate parenting and safeguarding duties.		

5. **What evidence and data has informed the development of your proposal?**

<p>Waste dataflow tonnages of HWRC performance</p> <p>Recycling Review modelling for future transfer station requirements</p> <p>££ existing expenditure.</p>

6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

No change

7. Actions. As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable.

What are you going to do	When are you going to do it?	Who is responsible	Progress

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8. Monitoring: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on:	Contract Award
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Project start date:



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SUBJECT: Recycling Review – Final Proposals for Collections 2018-2025
DIRECTORATE: Operations / Waste & Street Services
MEETING: Council
DATE: 9th March 2017
DIVISION/WARDS AFFECTED: All

PURPOSE

1. To seek Council approval for the future configuration of the kerbside recycling service 2018-2025.

RECOMMENDATION

2. That Council approves:-

- I. That the principles of the existing recycling service (red and purple bags collected weekly) be maintained;
- II. That glass be collected fortnightly in a separate container (green box)
 - a. Where residents raise concern over ability to carry a box the service will offer a green caddy (similar to the outside food waste caddy) and be given further assistance if needed;
- III. Food and green waste will be collected separately as previously approved;
- IV. That changes are introduced between April – July 2018;
- V. That revenue savings generated from the service change cover the cost of prudential borrowing to allow capital expenditure e.g. changes to the Transfer Stations, purchase of boxes etc subject to a further report to full council regarding the capital investment required;
- VI. The overall service design so that the procurement process for the new fleet and design and construction of the Transfer Stations can begin;
- VII. Delegate approval for decision making to the Head of Waste & Street Services in consultation with the Cabinet Member & S151 Officer on any technical details, subject to changes remaining within the existing funding envelope of the service; and

- VIII. That Select Committee and Council receive a report on implementation of the service changes after July 2018 quantifying the full benefits and cost incurred, and modelled cost of the service for its proposed 7 year life.
- IX. That grey bags for the collection of residual waste be reviewed with a view to determining whether it would be beneficial to invest in more waste education and awareness than infrastructure to increase recycling and report to Cabinet via Select in Autumn 2017.

BACKGROUND

- 3.1 MCC has carried out a robust strategic review of its recycling service which has been to Select Committee and Cabinet to ensure there is wide understanding and ownership of why any recommendations for change would be made. The full background to the review and the process that has been followed was reported to Cabinet on 16th March 2016 when the approval was sought to initiate a trial on separate glass collections. The report can be accessed here: <https://democracy.monmouthshire.gov.uk/ieListDocuments.aspx?CId=144&MId=249>
- 3.2 The trial of 6,500 householders was proposed to allow the service to assess whether there were financial, environmental and also community benefits from changing the way recycle was collected. This report reports on the outcome of the trial and recommends the future configuration of the recycling service for the next 7 years (as a minimum).
- 3.3 Council should note that MCC would not be able to produce such an evidenced report without the diligence of both its public and its staff. As always Monmouthshire residents responded brilliantly to the trial. They engaged, they participated and they gave feedback which give confidence that the proposal is fit for purpose and right for Monmouthshire. MCC staff worked over and above to ensure that residents were able to clearly understand what was expected of them and worked as a team to pull together all the core data to inform this report to once more given confidence that recommendations are based on evidence and data.

KEY ISSUES - THE FUTURE SERVICE PROPOSAL

- 4.1 It must be stressed that the foundations of the existing service which is so well regarded and high performing are being maintained.
- 4.2 **Red bags** will continue to be used for “fibres” – i.e. paper and card. Being placed in bags ensures the material is kept dry and is a quality product to be delivered to market. Our market intelligence has also told us that there is a market based on an income strategy for mixed

paper and card collected in bags, and both materials would be recycled in such a manner to be classed as closed loop recycling (e.g. paper to paper) in line with environmental best practice and WG policy.

4.3 **Purple bags** will continue to be used for “containers” – i.e. plastics and metals. These materials are easily collected together and separated by technology. Officers are currently in discussion with neighbouring LAs who already collect plastics and metals together (albeit in a box) to determine joint working possibilities on pooling the material to achieve economies of scale and improve market attractiveness with greater volumes. Plastics are of little economic value (but environmentally great to recycle) and the metal markets are currently depressed so this material stream will be at a cost to MCC but far less (50-70% less than current prices) than current costs. The current modelling is based on transporting the material to the Midlands and therefore if local markets are sourced a more favourable economic profile maybe achieved.

4.4 **Glass** will be collected in a green box. As trialled and previously reported to Committee glass collected with other comingled material is not being recycled in line with the waste hierarchy and is primarily used for aggregate rather than glass to glass recycling. Monmouthshire collects a lot of glass. At peak times glass has been 30-40% of total kerbside recyclate collected which is way above average from other LAs. Whilst MRFs have accepted glass in the past most MRF providers would give a far better price if glass was excluded from the recycled stream. A separate glass collection will ensure that glass becomes an income stream for the authority rather than an excessive cost. Glass needs to be collected in a box for a number of reasons. There is no market interest for glass collected in a bag and using a bag splitter will simply crush the glass defeating the object of collecting it separately in the first place. Reusable bags for glass were tested and failed H&S tests for manual handling.

4.5 **Grey bags** will be reviewed for residual waste. The MCC supplied grey bags were slightly smaller than some of the refuse bags that can be bought from supermarkets and therefore restricting them to two would contain the amount of residual waste collected at kerbside. Using grey bags makes modelling for future residual waste collections easier to predict and allows MCC to more easily monitor households which have an additional bag allowance due to the number living at their property. The findings from the trial on the benefit of Council supplied bags, at a cost of £80,000 was not conclusive. The public did not think that it impacted on their behaviour where as some of the data identified that food waste participation increased and residual tonnage decreased. How much this was due to targeted communications through the pilot area and the supply of grey bags is to be explored in more detail. At its session in January 2017 Strong Communities Select Committee requested that further work be undertaken prior to a formal decision being made. This work is to be

undertaken over 2017 and will be reported through the Autumn to ensure that the public have a strong and consistent message when the new service is rolled out in 2018.

- 4.6 **Food and garden waste** will be presented by the public as now. However with the proposed collection method food will be collected on the same vehicle as red/purple bags and garden waste will move to a stand-alone service. This will allow food to go to Anaerobic Digestion and the garden waste to open windrow processing. This change will deliver both economic and environmental improvements as previously identified in Committee and Council reports.

RESULTS FROM THE TRIAL

- 4.7 The trial which started on 19th September 2016 has collated a wealth of customer, financial and operational data as well as market intelligence to inform the final recommendation.

Our Public

- 4.8 One of the primary objectives of the trial was to determine if performance was affected with the introduction of a box for glass. Performance and the views of the public were measured in a number of ways:

Quantitative

- a survey to 1,000 participating households (out of 6,500) was sent out 3 months into the trial to establish views on the box and the recycling service
- satisfaction levels of the service have been measured bi-annually since 2012
- data was collated on number of complaints and queries received at trial inception

Qualitative

- Conversations with residents (from door knocking, engagement events, meetings etc.) have been reported in a framework to allow common themes and messages to be easily identified to inform the future strategy

- Participation:- Household­ers' use of the recycling service is measured over a 3 week period and regular participation is based on presenting recycling at least twice over the 3 weeks monitored. Participation monitoring was undertaken before and during the trial to determine if there was a de/increase in resident's use of the new service model.
- Capture analysis:- Residual, recycling and glass bags were taken anonymously for analysis pre and during the trial. The percentages of each material type was measured to be able to monitor whether the glass box affected people's approach to recycling and whether the amount of recycling increased in the residual waste stream.

Quantitative Results

- 1,000 random surveys were issued to the trial area and it was also placed on line. In total 410 residents responded with 58 completed on line and 352 returned. The table below gives the results:

	Question	Option	Responses
1.	Were you happy with the information leaflet you received before the glass trial began?	Yes	95%
		No	5%
2.	Were you happy with the information leaflet you received with the box?	Yes	94%
		No	6%
3.	Do the grey bags increase the likelihood of you recycling more?	More likely	36%
		Less likely	2%
		No effect	62%
4.	Do you use the glass recycling box?	Yes	94%

	Question	Option	Responses
		No	6%
5.	How often do you put the box out for collection?	Weekly	25%
		Fortnightly	28%
		Less often	47%
6.	Are you happy with the container?	Yes	70%
		No	30%
7.	Are you happy with the new recycling service?	Yes	86%
		No	14%

4.9 Most critical for the review was the acceptability of the box and whether it had a negative impact on people's willingness to recycle as Select Committee was concerned that the public would not want change. Pleasingly the results are very positive in this regard and indicate that there was widespread understanding of the need for the box, there was high usage of it, with 70% of people being happy with the container and 86% of people happy with the service overall. The detailed report of the findings is at Appendix 1.

4.10 The service also collated information concerning queries, complaints and concerns at the inception of and during the trial. 6,500 households were included in the trial and we received the following:

I want a caddy instead of a box	Box not delivered	Replacement box was damaged/stolen/lost	Collect box as too many delivered/I've had a caddy	I want a lid for my box	Where do I put broken glass?	Other
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12	75	11	7	4	15	3
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4.11 One query we received particularly was the issue of carrying the box if a resident had mobility problems. 45 queries, thereby 0.6% of participating households requested a different receptacle. Following engagement and consultation it was determined that a caddy – the same as the outdoor food waste caddy was suitable, both for the resident and for our crews. It is therefore proposed that this is offered in the literature and a green glass caddy will be delivered on a request only basis during the roll out of the new service in 2018. We are aware that caddy manufacturers are currently developing a specific handled-caddy type box for glass and we have requested samples. The main difference is that it doesn't have a lid and has a few holes in the bottom to allow water to escape.

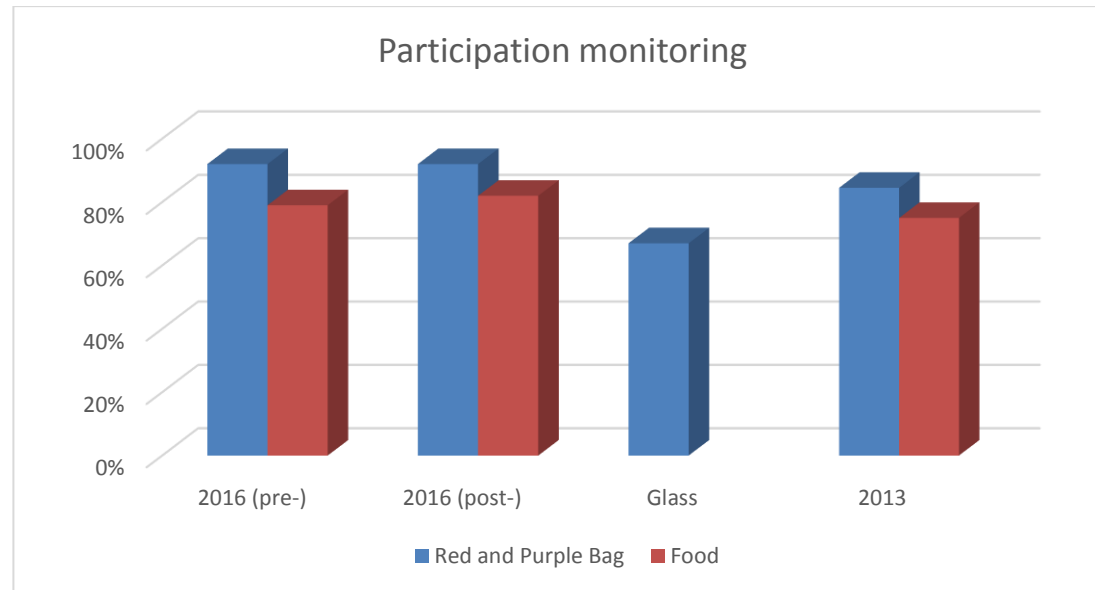
Qualitative Results

4.12 As well as issuing a survey Education Officers spoke to 186 people through door knocking or answering queries during the trial. Conversations were captured anonymously and then analysed within a framework to complement the quantitative data captured through the survey. Key responses were:

- Generally happy with the new scheme (183/186)
- Whilst it created more work residents understood why
- Box was too big – but when it was explained the box didn't have to be placed out weekly residents were content
- 10 people would have liked a lid for the box
- 38 people specifically stated that they were only placing the box out monthly
- Liked the separation of the red and purple bags on the lorry - it made sense

Participation Monitoring

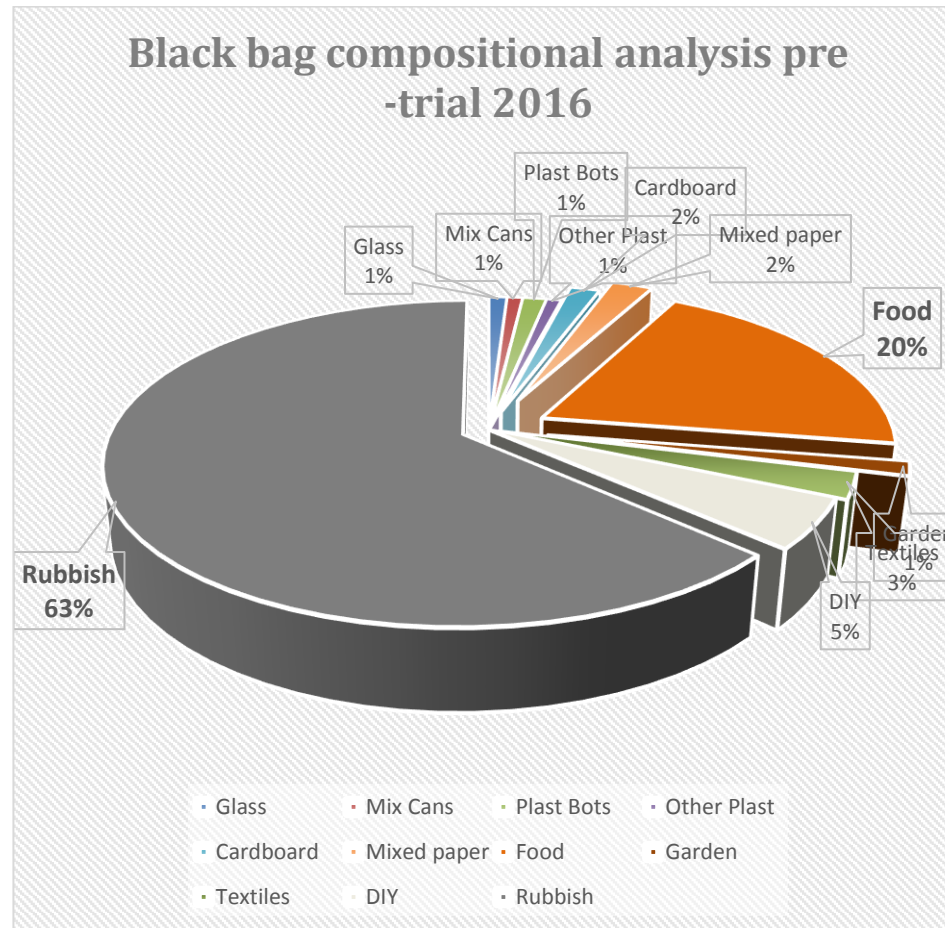
4.13 Monitoring in summer 2016 before and during the glass trial in November 2016 shows a slight increase in participation in food and dry recycling compared to 2013.

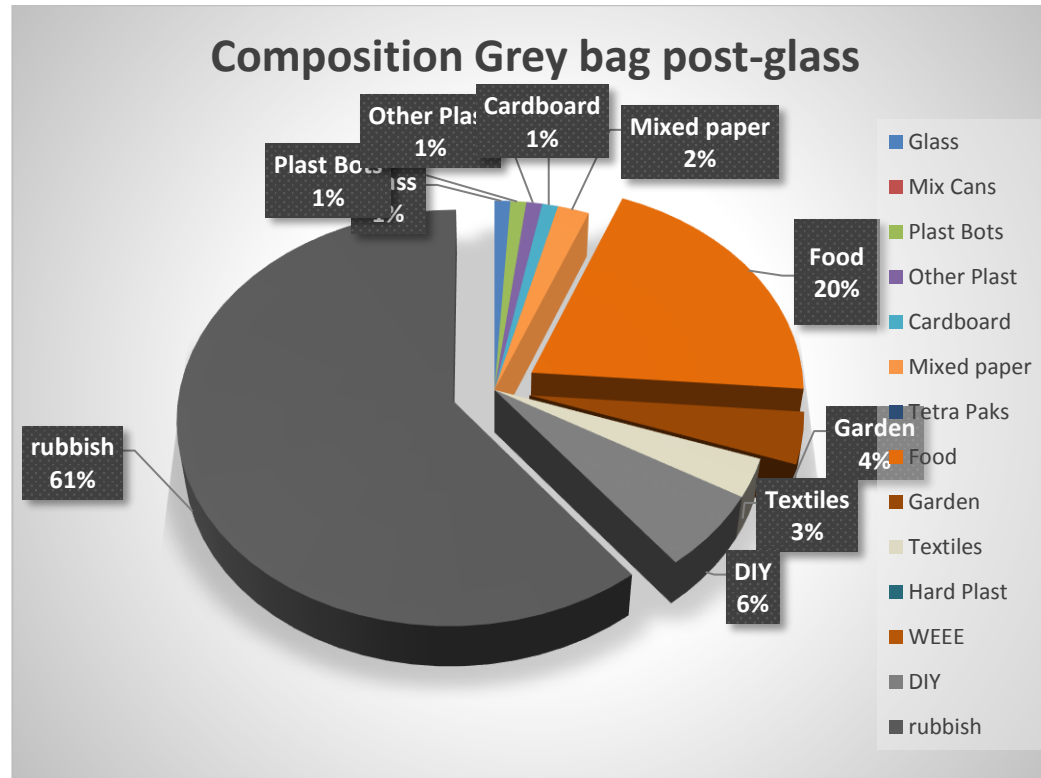


- 4.14 MCC already has a very high participation for dry recycling and did not anticipate an increase with the trial. What was encouraging though was that the introduction of a box for glass did not deter or put people off recycling overall and residents continued to use the red and purple bags as before.
- 4.15 Interestingly it was noted that the glass box was not placed out every week. Householders appeared to place the box out when it was full or partially full rather than placing it out with just a few items in it.
- 4.16 Food waste participation slightly increased through the trial and this we believe is down to the re-introduction of the grey bags despite some residents' perception that the grey bags didn't make much of a difference.

Capture Analysis

4.17 Capture rates were analysed to ensure that the quantum of recycling did not increase in the residual waste as a consequence of the trial. Scrutiny was concerned that the public would not be favourable to another change and therefore lose confidence in the recycling service overall. The charts below illustrate effectively that MCC continued to achieve a high recycling rate and residents were just as diligent with their recycling during as before the trial. Importantly glass quantum did not change and was not affected with the introduction of a box which was a concern from some before the trial.





- 4.18 Of relevance is the reduction in rubbish in the grey bag during the trial indicating the effectiveness of the grey bags in changing behaviour by residents.
- 4.19 The analysis has shown however that there is still 20% of food waste in the residual waste stream collected at kerbside and 17% of the residual waste taken by residents to Llanfoist CA site. Whilst food participation improved during the trial, we believe down to the re-

introduction of the grey bags, food waste participation is still lower than dry recycling. Therefore the service will prioritise communications and campaigns to extract as much of this food waste as possible to ensure we meet the 70% target by 2024-25.

Conclusion of Impact of Trial on Our Public

4.20 Our residents responded brilliantly as always, to the trial. Participation and dry recycling performance was not negatively affected and indeed for food and residual waste it improved. Residents fully understood why glass was being collected separately and the separation of the red and purple bags at collection also appeared to give more confidence that we were truly recycling. In the past the service has had many queries about the red/purple bags being mixed at point of collection with some people doubting our recycling credentials. With 3 materials being kept separate it will be very clear to the public that MCC is serious about recycling.

Operational Results

4.21 Through the trial it was agreed that a number of options would be considered so that a fully considered final option was proposed. The options modelled were:

- Option 0 current service
- Option 1a (**The Trial**)
 - Vehicle 1 weekly glass, red & purple separate
 - Vehicle 2 weekly food and green separate
 - Vehicle 3 fortnightly residual
- Option 1 b
 - Vehicle 1 weekly glass & comingled paper, card, plastics & metal (all in one bag)
 - Vehicle 2 weekly food and green separate
 - Vehicle 3 fortnightly residual
- Option 2a
 - Vehicle 1 weekly food, red & purple separate
 - Vehicle 2 weekly green
 - Vehicle 3 fortnightly glass & residual

- Option 2 b
 - Vehicle 1 weekly food, & comingled paper, card, plastics & metal
 - Vehicle 2 weekly green
 - Vehicle 3 fortnightly glass & residual
- Option 3
 - Vehicle 1 weekly kerbside sort
 - Vehicle 2 weekly green
 - Vehicle 3 fortnightly residual
 - Difference between option 3a and b was the containers used.

4.22 Option 1a was approved for the trial on the basis that good data could be collected for options 1b, 2a and 2b. Option c has not been trialled but kerbside sort data is based on figures provided by LAs in Wales of similar demographic to Monmouthshire and are therefore robust and modelled with confidence.

4.23 MCC worked with Dennis, the current vehicle provider to trial a bespoke vehicle – “twin back with pod”. Feedback from our crews was:

- Liked the separation of materials
- The glass box was appropriate
- Rounds were slower and therefore could not service the same amount of properties as the current service model, which was a frustration as crews pride themselves on their productivity and efficiency, but on the flip side a smaller round will enable our crews to be more proactive on material quality.
- More H&S issues to be considered e.g. side loading
- Depositing glass into the Pod was noisier than existing practice.
- The vehicle had a few technical issues but there was recognition this was an older vehicle and a new fleet would not give the same problems

4.24 A full H&S assessment process was followed and safe working practices introduced and continually reviewed to ensure the service learnt lessons and will be able to design a service for full roll out that will be safe and fit for purpose.

4.25 One of the key influencers on cost is the number of staff and vehicles needed to service the county. Using our Webaspx software crew and lorry numbers have been modelled which then informs the overall costing for the authority. For the options the numbers of crews and vehicles are:

<u>Vehicle numbers</u>							
	OPTION 0: as is with extra properties and rounds reduced	OPTION 1a: weekly glass, red and purple	OPTION 1b: weekly glass, comingled	OPTION 2a: fortnightly glass, red and purple	OPTION 2b: fortnightly glass, comingled	Option 3a: kerbsort separate boxes	Option 3b: kerbsort trolley box
Totals	17	22	21	17	17	29	31
<u>Crew numbers</u>							
Driver	16	19	19	15	15	25	27
Loader	33	40	40	30	30	43	47
Totals	49	59	59	45	45	68	74

4.26 As can be seen from the above option 2a which is the proposed model requires the same number of vehicles as the existing service thereby not increasing fleet costs, and actually sees a theoretical reduction in crew numbers.

Collecting Glass Fortnightly

4.27 The trial collected glass weekly as the aim was to cause as little disruption as possible to the public and to gather as much data and evidence to inform the future service model. As reported above only 25% of residents stated that they were placing the box out weekly

with 75% placing it out fortnightly or less, and through discussions with residents a small number (38) stated they believed they would only place the box out monthly.

Fortnightly Glass

- 4.28 The tonnage data collected showed that glass volumes did not change and therefore a fortnightly collection is more suitable, particularly as it can be collected at the same time as residual waste. This allows a similar vehicle to be procured for the dry and residual collections giving the service operational flexibility and efficiency. It is appreciated this is a major change for residents but the engagement work has demonstrated that the residents themselves have identified that glass does not need to be collected weekly. By moving glass to fortnightly it allows food waste to be collected on the same vehicle as red and purple bags. This then also means garden waste can become a stand-alone service thereby giving it more flexibility for future policy changes and ensure that the collection charge fully covers the costs incurred. Finally it is important to note that collecting glass weekly increases the costs and as shown below would be more expensive than other collection options thereby ruling it out as an option moving forward.

Managing our Materials – Ensuring Quality and Cost Effectiveness

- 4.29 One of the key considerations for the review was to explore how costs could be reduced whilst ensuring that we met environmental and legislative standards on how the material should be collected. Central to this is the TEEP test and ensuring that we are delivering “quality materials” to market as without this being met MCC would be vulnerable to action from NRW as the legal monitoring authority and at worst forced to change collection method.
- 4.30 From previous analysis reported to Committee and Cabinet (in Dec 2014) it was identified that all the materials apart from glass could be demonstrated to meet the quality market test but potentially could be improved with further separation. As continually reported glass collected at kerbside was primarily going to aggregate recycling. The separately collected glass from the trial was able to be sent to glass to glass recycling thereby improving the environmental and ecological profile of the service. Despite being a heavy material and widely recycled glass is not a high income material. At best we would hope to achieve an income of £10 per tonne but that is still an income rather than a cost which it is currently.

- 4.31 **Paper / card**:- with the complete separation from the purple bags there will be no requirement for a comingled MRF to be used and the red bags will be able to be sent directly to a fibres processor facility for sorting and onward sale to good quality end markets within the UK. Soft market testing and samples of the red bags from the trial have been undertaken and have demonstrated that an income of c. £30 per tonne (net cost after haulage) would be a reasonable assumption on which to base the financial model.
- 4.32 **Plastics & Cans**:- this material is widely collected together in kerbside sort systems (albeit in a box). There is no proposed change for our residents as we will continue to use bags for this material's collection. From analysis, we do have to monitor contamination in these bags, as the purple bags are more likely to be contaminated by residents than the red. Discussions have begun with neighbouring LAs to establish if there are opportunities for joint working as they already collect plastics and metals together and have technology in place to separate the materials before distribution to market. These LAs already source good quality markets for the materials. In the short term whilst these opportunities are being explored in more detail the market testing has demonstrated a significant saving of processing these materials because the glass has been removed and good quality recycling markets can easily be sourced for the plastics and metals. Whilst it would still be a cost to us due to transporting very light material, for modelling purposes we are forecasting a worst case cost of £45 per tonne, which if the material is of a really good quality could drop to £20 per tonne. As this material is so light the forecasted annual expenditure is £240k as opposed to £700k for the MRF presently.

Financial Modelling

- 4.33 As well as ensuring that the service meets statutory environmental legislation it is critical that the service remains affordable for MCC in light of ever challenging budget settlements. The service has delivered savings of 30%+ from its 2012 base budget but in 2016-17 had an injection of funding in light of the struggling MRF market and the need to cover hire vehicle costs whilst the review was completed.
- 4.34 The modelling demonstrates that the proposed collection method (2a) is the most cost effective:

	OPTION 0: as is with extra properties and rounds reduced	OPTION 1a: weekly glass, red and purple	OPTION 1b: weekly glass, comingled	OPTION 2a: fortnightly glass, red and purple	OPTION 2b: fortnightly glass, comingled	Option 3a: kerbsort separate boxes	Option 3b: kerbsort trolley box
Total no vehicles	17	22	21	17	17	29	31
Total no crew	49	59	59	45	45	68	74
£ Vehicles/yr	£306,498.34	£476,984.06	£473,571.43	£400,714.29	£400,714.29	£451,750.13	£487,586.23
£ Crew/yr	£1,305,000.00	£1,570,000.00	£1,570,000.00	£1,200,000.00	£1,200,000.00	£1,825,000.00	£1,978,582.90
£ Receptacles/yr	£309,540.00	£342,066.80	£342,066.80	£342,066.80	£342,066.80	£242,178.70	£326,772.30
Income/yr	£686,562.50	£57,421.98	£263,692.81	£57,421.98	£263,692.81	-£507,457.76	-£507,457.76
Total annual cost	£2,607,601	£2,446,473	£2,649,331	£2,000,203	£2,206,474	£2,011,471	£2,285,484

- 4.35 It must be stressed these are modelled costs of just managing the kerbside element of the service so exclude CA sites, contract expenditure etc.
- 4.36 To translate the above into a model which aligns to the current service budget the change has indicated a potential cash saving as evidenced below.

	Existing 16-17 budgeted cost	2017-18 Optimised current service cost - what we would need	2017-18 Proposed Alternative Future State Option 2a
Staff	2,535,378	2,645,378	2,645,378
Premises	38,500	38,500	38,500
Transport	1,236,159	1,336,159	1,336,159
Supplies	551,000	551,000	357,000
Contracts	4,074,215	3,997,215	3,547,105
Pru Borrowing - Five Lanes	annual consequential		64,000
Pru borrowing - boxes			15,000
Exp	8,435,252	8,568,252	8,003,142
Grant (future based on 17-18)	-1847884	-1692259	-1692259
Trade waste	-£506,171	-£506,171	-£506,171
Garden waste	-£296,250	-£296,250	-£296,250
Sale of recycling	0	0	-179030.2
Income	-2650305	-2494680	-2673710
Budget	5,784,947	6,073,572	5,329,432
Indicative saving			455,515

4.37 However it must be noted these are indicative costs and are dependent on a number of factors:

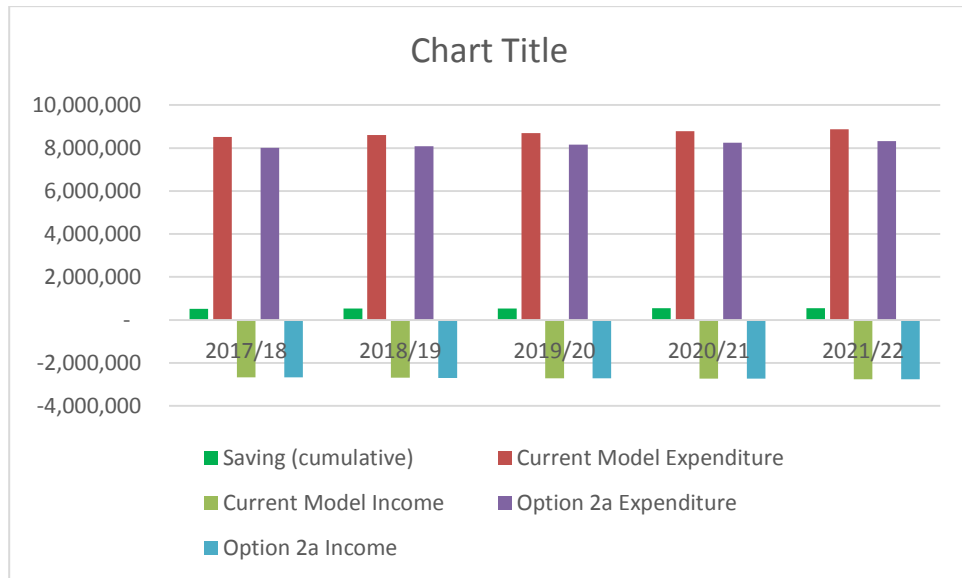
- Outcome of vehicle procurement exercise
- Outcome of HWRC Contract re-procurement (as reported to Council on 9th March 2017)
- Recycling market performance at time of award of contracts for processing recycling
- Start-up costs required for service implementation
- Prudential borrowing interest rate costs at time of execution
- Cost of capital works at Five Lanes (currently built into the model as £1m)

4.38 At Select Committee on 16th January 2017 Members requested that the final report demonstrate the potential longer term financial impact of the service change. Therefore officers have worked with finance colleagues and developed a model which applies some assumptions to both the current and future model to demonstrate the potential financial benefit of change. The profile has been done across the next term of the MTFP and consistently demonstrates that there are benefits to be achieved from the change.

4.39 There are differences in the longer term model compared to the figures provided above. This is due to:

- Above is based on 16-17 actual costs and have then optimised the current service to demonstrate need but kept income levels static
- The data below is based on the projected 17-18 optimised costs of the current service provision with inflation applied
- The data below inflates income projections in line with the MTFP forecast

	2017/18	2018/19	2019/20	2020/21	2021/22
Saving (cumulative)	521,921	529,397	536,984	544,683	552,498
Current Model Expenditure	8,521,719	8,609,356	8,698,180	8,788,207	8,879,453
Current Model Income	- 2,670,366	- 2,690,928	- 2,712,004	- 2,733,607	- 2,755,750
Option 2a Expenditure	8,003,142	8,082,802	8,163,525	8,245,326	8,328,218
Option 2a Income	- 2,673,710	- 2,693,771	- 2,714,333	- 2,735,409	- 2,757,012



4.40 It is clear from both models that there are potential financial benefits to be achieved by the change. As per recommendation 7 it is proposed that delegated authority is given to the Head of Service in consultation with the Cabinet Member and S151 officer to execute the service proposal as long as all costs (incl. prudential borrowing) remain within the existing funding envelope. The above table strongly evidences the benefits of a service change. However it is difficult at this moment in time, when vehicles haven't been procured and new contracts let for the recycling to give absolute certainty on the level of saving to be generated. Therefore it is proposed that Scrutiny and Council will receive a report in Autumn 2018 with a fully costed plan for the service to build into the MTFP and beyond.

Explaining the Cost Difference – Income / Cost of Managing Materials

4.41 There are two main expenditure areas which overall influence the final recommendation: operational (crews & vehicles) and the cost/income of managing materials. The proposed option should utilise the same number of vehicles as presently thereby not increasing the fleet expenditure. Critical therefore is the cost of managing materials which is the major contributor to a financial saving and improvement in environmental performance.

4.42 The table below demonstrates the financial analysis for managing the kerbside materials in a different way. Members need to note that the modelling is based on actual for the current service (option 0) and worst case scenario particularly for income levels. Option 2a is the recommended option and as clearly demonstrated, there is a £629k saving on managing materials compared to the current system.

Income/ Expenditure Worst case scenario	OPTION 0 Current	OPTION 1a	OPTION 1b	OPTION 2a Recommended Option	OPTION 2b	Option 3a	Option 3b
Red	£686,562.50	- £155,475.78	£287,247.19	-£155,475.78	£287,247.19		
Purple		£236,452.13		£236,452.13			
Glass		-£23,554.38	-£23,554.38	-£23,554.38	-£23,554.38		
Kerbside						- £507,458.00	- £507,458.00
Total	£686,562.50	£57,421.98	£263,692.81	£57,421.98	£263,692.81	- £507,458.00	- £507,458.00

Does the Service Meet the Quality & TEEP tests

4.43 As well as looking to secure the most economic and publicly acceptable service profile, this review has also been about ensuring MCC meets its statutory, environmental and sustainability obligations. As highlighted above the end markets for glass, paper and card will improve through additional separation.

4.44 Guidance on the legislative position is that materials *should* be separately collected and if not should be TEEP and meet the quality standards of the industry. MCC's stance as outlined in Dec 2014 has been that through analysis of end destinations for materials we can

evidence if we are meeting the quality standards. Below is the conclusion of our analysis on how the proposed model meets legal requirements.

Meet Quality Standards:-

- Glass will go to glass recycling.
- Paper/card – will go to fibres reprocessing
- Plastics/metals – easily separated and sent to separate markets
- Technical:- technically any of the service options modelled are feasible given the demography and topography of Monmouthshire
- Environmentally:- as identified above the change to end destinations will improve the environmental performance of the service compared to current performance
- Economically:- it is believed the proposed option is the most economically beneficial for the service
- Practicable:- any of the service options are feasible but the trial has demonstrated that the proposed option is practicable from an operational and importantly a resident’s perspective.

4.45 The review has continuously wrestled with the conundrum between local priorities and national policy recognising that there has at times been a stark difference, not on outcomes, but on how they should be achieved. The final proposal carefully balances the two and has managed to ensure WG understanding and appreciation of our proposed approach. To ensure that the final service option clearly delivers against the service outcomes Members agreed an evaluation matrix which defined the outcomes into key criteria. For reference purposes the evaluation matrix is at Appendix 2. Importantly independent evaluation by officers gave the following results:

	Current Service	Proposed option	Kerbside Sort
Score	42	50	46
	3rd	1st	2nd

Timescales of Implementation

4.46 It is proposed that the service changes are introduced April – July 2018. From April 2018 the Council has to collect food waste separately to meet its obligations through the Heads of the Valleys AD partnership. It is anticipated that the dry recycling service would not be ready for roll out then and given the number of bank holidays in April and May (which impact on collection days) these are not good months for new service change. Therefore it is proposed that the service will look to issue the new service literature and infrastructure over May 2018 with a change-over date of June 11th. Members will of course be kept fully informed of any implementation proposals.

Risk Management

4.47 A service change of this magnitude does not come without any risks. A risk register has been developed and is being carefully monitored by the Head of Service with colleagues as they embark on planning the implementation of this service change. Key risks and mitigating actions are:

Key Risks	Mitigating Actions
Financial – change does not deliver anticipated savings	<ul style="list-style-type: none"> • Comprehensive modelling been undertaken, tested and reviewed • Full market engagement to inform financial model for costs of vehicles and recycle commodity prices/income • Savings not yet built into MTFP until actual costs are fully known and will be reported Autumn 2018 • Robust procurement exercises being followed to ensure best value is achieved • Procurement timescales are aligned to ensure all costs are fully known and their implications understood • Monthly meetings with finance been established to ensure they are fully aware of developments and emerging costs
Public – acceptance of change and continue to recycle	<ul style="list-style-type: none"> • Pilot informed the best communications methods and messages to be used • Pilot identified that performance did not drop • Communications and engagement plan to be developed for full service implementation

Key Risks	Mitigating Actions
	<ul style="list-style-type: none"> Investment in capacity to enable the public to fully engage with the service during implementation period to keep their support and buy-in
Policy/Legislative – future service configuration does not meet with statutory obligations	<ul style="list-style-type: none"> Engagement has taken place with Welsh Government who are content with the service proposal Natural Resources Wales have been consulted as they are the monitoring authority for the Waste Regulations and will determine if MCC’s service is legally compliant Robust evidence gathered on how materials will be managed to demonstrate they are meeting market requirements
Performance – MCC fails to achieve its own recycling aspirations and statutory targets	<ul style="list-style-type: none"> Service already above required statutory level Regular analysis on the waste in Monmouthshire Assessment to be done on whether grey bags v investment in education/awareness will be best to continue to drive recycling behaviour Recognition that attention in future needs to be given to food waste capture

Financial Implications

5.1 The modelling has demonstrated that the changes *should* deliver a saving to the Council but this will not be fully reported and reflected in the MTFP until the changes are made and procurements have been completed. It is proposed that Council will receive a report in Autumn 2018 which will outline the outcome of the implementation process and give the Council a robust financial plan for the 7 year life of the service. For assurance purposes the S151 Officer will be kept fully engaged in all procurements to provide confidence in the processes being followed in these major service changes.

- 5.2 It is anticipated that the service will absorb the implementation costs. It is intended implementation will be robustly project managed drawing on previous experience of service changes, and implementation/change costs will be reported to Council with the final financial profile of the service as recommended above.
- 5.3 The financial modelling above indicates the need to borrow to invest in capital works to deliver the review. The modelling includes the potential cost of borrowing and demonstrates there is sufficient headroom in existing costs for any reasonable variances in interest or capital costs. When costs are finalised for the works a further submission will be made to Council to add the works to the Capital Programme and seek approval for the investment. Officers are also exploring the Welsh Government Invest to Save fund as a way of borrowing for capital investment with a 0% interest rate which will also improve the financial performance of the service.

Future Generations & Well Being Assessment (including sustainable development, equalities, safe guarding and corporate parenting requirements)

- 6.1 These changes are all about ensuring that the recycling and waste service is right for Monmouthshire residents now and in the future. The proposal is only for an initial 7 years as the recycling industry is still really in its infancy and will continue to evolve and develop over time. The review has been inclusive and fully delivers against the principles and goals of the Future Generations and Well Being Act.
- 6.2 The trial did highlight that people with disabilities or the elderly could struggle with the glass box. This concern has been mitigated by recommendation 2 (a(ii)) that a box with a handle (like an external food waste box) would be issued on request.
- 6.3 There are no corporate parenting or safeguarding implications.

Background Papers:

As previously presented to Select Committee and to be referred to in the body of the report.

Consultees

Strong Communities Select Committee. Select Committee requested that more work be done on assessing the benefit of grey bags for residual waste as opposed to further investment in education and awareness. This was agreed with and therefore the report proposes that a further report will go before Members in Autumn 2017 with a proposal.

NRW – as monitoring authority for the Waste Regulations the Select Committee report of Jan 2017 was shared with them for comment. At the point of publication of this report no response has been received and therefore it is assumed they are content.

The public in the trial area
Welsh Government
Climate Change Champions Network

Report Author

Rachel Jowitt

Head of Waste & Street Services

racheljowitt@monmouthshire.gov.uk

01633 748326 / 07824 406356

Well-being and Future Generations Assessment

<p>Name of the Officer Rachel Jowitt, Head of Waste & Street Services</p> <p>Phone no: 07824 406356 / 01633 748326</p> <p>E-mail: racheljowitt@monmouthshire.gov.uk</p>	<p>Please give a brief description of the aims of the proposal</p> <p>To seek Council approval for the future configuration of the kerbside recycling service 2018-2025.</p>
<p>Name of Service</p> <p>Waste & Street Services</p>	<p>Date Future Generations Evaluation</p> <p>20th February 2017</p>


1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.





Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
<p>A prosperous Wales</p> <p>Efficient use of resources, skilled, educated people, generates wealth, provides jobs</p>	<p>The review is all about how the Council can maximise the natural resources it collects as recycle from MCC residents.</p>	
<p>A resilient Wales</p>	<p>If managed properly waste management contributes to wider CO2 climate change</p>	

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	programmes and therefore assists with biodiversity outcomes.	
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	No direct impact	
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	Good recycling and waste management promotes a good local environment. Litter will be reduced therefore making communities attractive and people feel safe.	
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	Recycling is all about managing resources to benefit the environment and the economy. This service change will ensure that we are protecting natural resources and thereby reducing human activity's impact on the environment.	
A Wales of vibrant culture and thriving Welsh language	No direct impact but all measures taken by the service are fully in line with the Welsh Language policy of the Council.	

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation		
<p>A more equal Wales</p> <p>People can fulfil their potential no matter what their background or circumstances</p>	Any employment undertaken through the service or its contract will ensure that equal opportunities are fully promoted	

2. How has your proposal embedded and prioritised the sustainable governance principles in its development?

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 <p>Balancing short term need with long term and planning for the future</p>	This is a proposal for the future of the recycling service for the next 7 years. It therefore looks to what is needed whilst reconciling with what can be delivered now.	

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 <p>Collaboration</p> <p>Working together with other partners to deliver objectives</p>	<p>MCC's service delivery model is fully inclusive. We work with partners depending on what outcome is being sought.</p>	
 <p>Involvement</p> <p>Involving those with an interest and seeking their views</p>	<p>The review has been fully inclusive and engaging. There has been consultation throughout and the recommendations are based on a robust trial of 6,500 householders and their views – both quantitative and qualitative.</p>	
 <p>Prevention</p> <p>Putting resources into preventing problems occurring or getting worse</p>	<p>Whilst this review is about MCC managing the waste it collects, it is recognised that we should also focus on waste prevention. The service promotes waste prevention activities and will continue to keep abreast of prevention initiatives at a regional and national scale.</p>	
 <p>Integration</p> <p>Positively impacting on people, economy and environment and trying to benefit all three</p>	<p>This service change is about integration. We want to improve our environmental performance, by reducing costs and by delivering a service that fully engages with people and keeps them on board with the recycling agenda.</p>	

3. Are your proposals going to affect any people or groups of people with protected characteristics? Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age		Carrying the proposed glass box proved to be difficult	An alternative will be offered to residents on request.
Disability		As above	As above
Gender reassignment	No negative impacts as about the recycling service.		
Marriage or civil partnership			
Race			
Religion or Belief			
Sex			
Sexual Orientation			
Welsh Language			

4. Council has agreed the need to consider the impact its decisions has on important responsibilities of Corporate Parenting and safeguarding. Are your proposals going to affect either of these responsibilities? For more information please see the guidance note <http://hub/corporatedocs/Democratic%20Services/Equality%20impact%20assessment%20and%20safeguarding.docx> and for more on Monmouthshire’s Corporate Parenting Strategy see <http://hub/corporatedocs/SitePages/Corporate%20Parenting%20Strategy.aspx>

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	Describe any negative impacts your proposal has on safeguarding and corporate parenting	What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?
Safeguarding	The proposals do not affect individuals and thereby do not affect or impact on the Council’s corporate parenting and safeguarding duties.		
Corporate Parenting			

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5. What evidence and data has informed the development of your proposal?

<p>Waste dataflow</p> <p>End destinations of collected recycling</p> <p>Views of the public (as evidenced in the report) on the trial option</p> <p>Financial modelling – prices from the market</p>
--

6. SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?

There was a change to the box to be offered to the elderly or to people with disabilities.

7. Actions. As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable.

What are you going to do	When are you going to do it?	Who is responsible	Progress
Implement the review	Over 2017-18	Rachel Jowitt	

8. Monitoring: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.

The impacts of this proposal will be evaluated on: Autumn 2018

Annex 1

Waste & Street Services glass recycling trial survey results

Responses:

Total responses: 410

Online responses: 58 Postal responses: 352

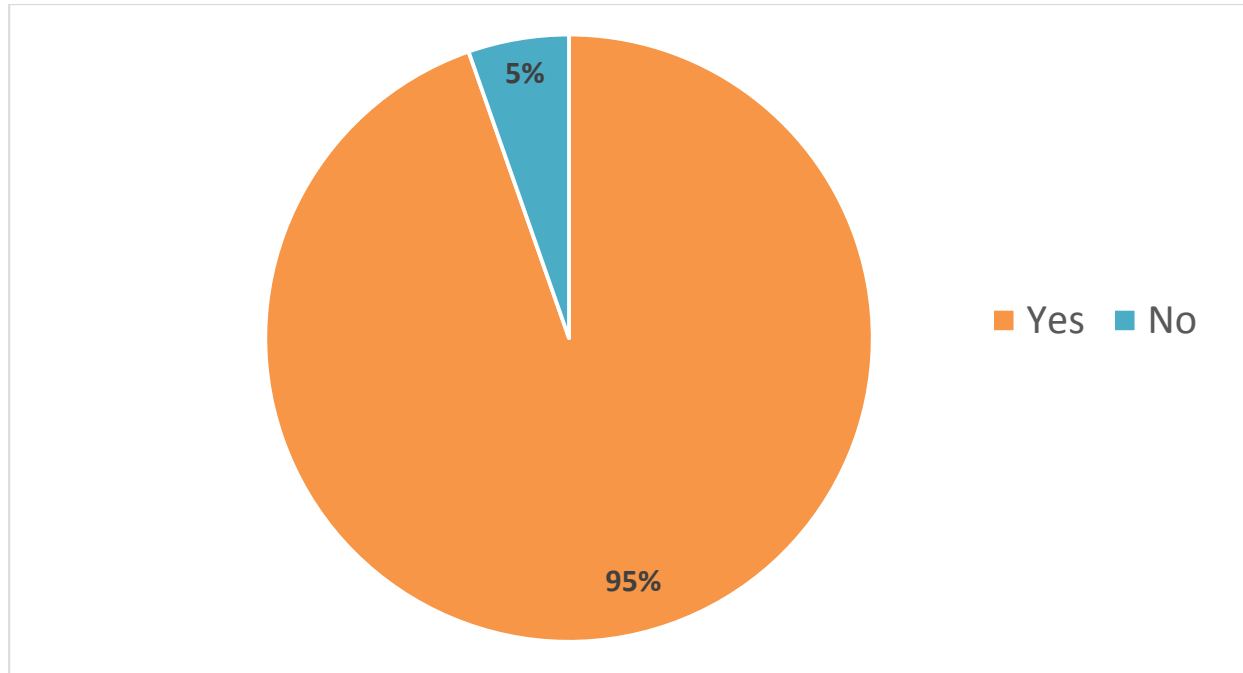
Welsh responses: 10 English responses: 400

Results:

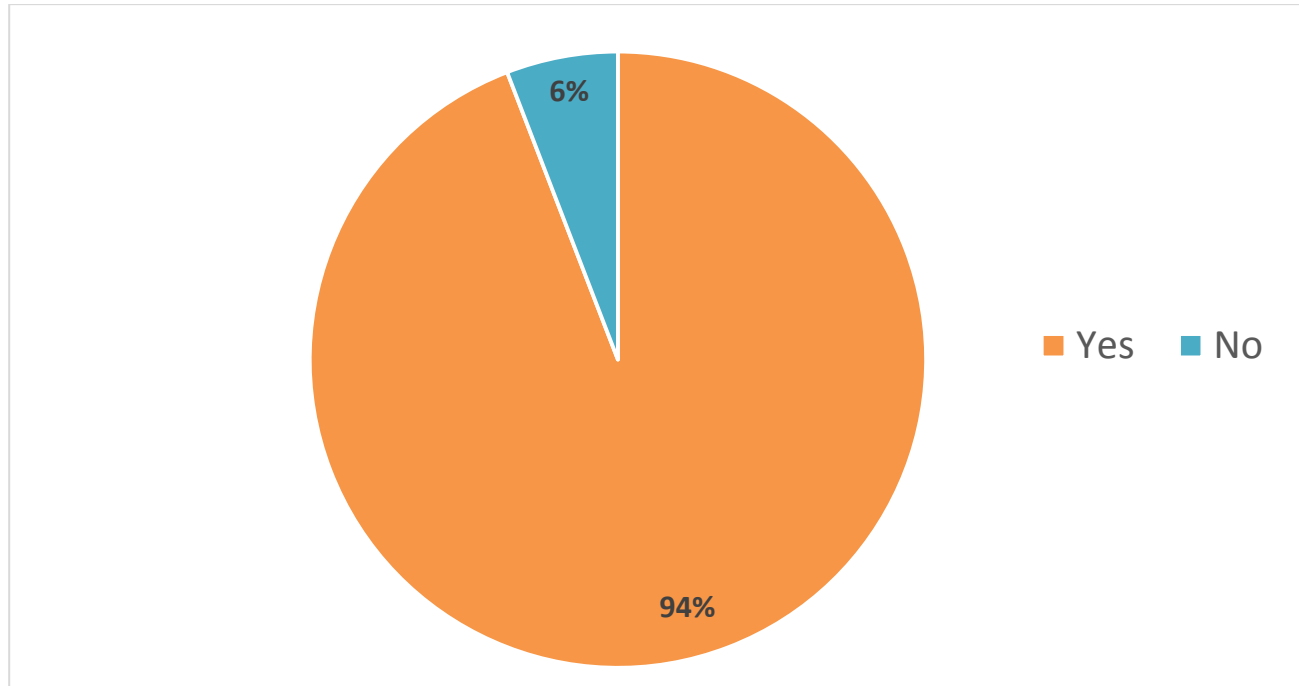
Q	Question	Response	Number of responses
1	Were you happy with the information leaflet you received before the glass trial began?	Yes	388
		No	22
2	Were you happy with the information leaflet you received with the box?	Yes	386
		No	24
3	Do the grey bags increase the likelihood of you recycling more?	More likely	148
		Less likely	8

		No effect	254
4	Do you use the glass recycling box?	Yes	385
		No	25
5	How often do you put the box out for collection?	Weekly	103
		Fortnightly	112
		Less often	195
6	Are you happy with the container?	Yes	289
		No	121
7	Are you happy with the new recycling service?	Yes	354
		No	56

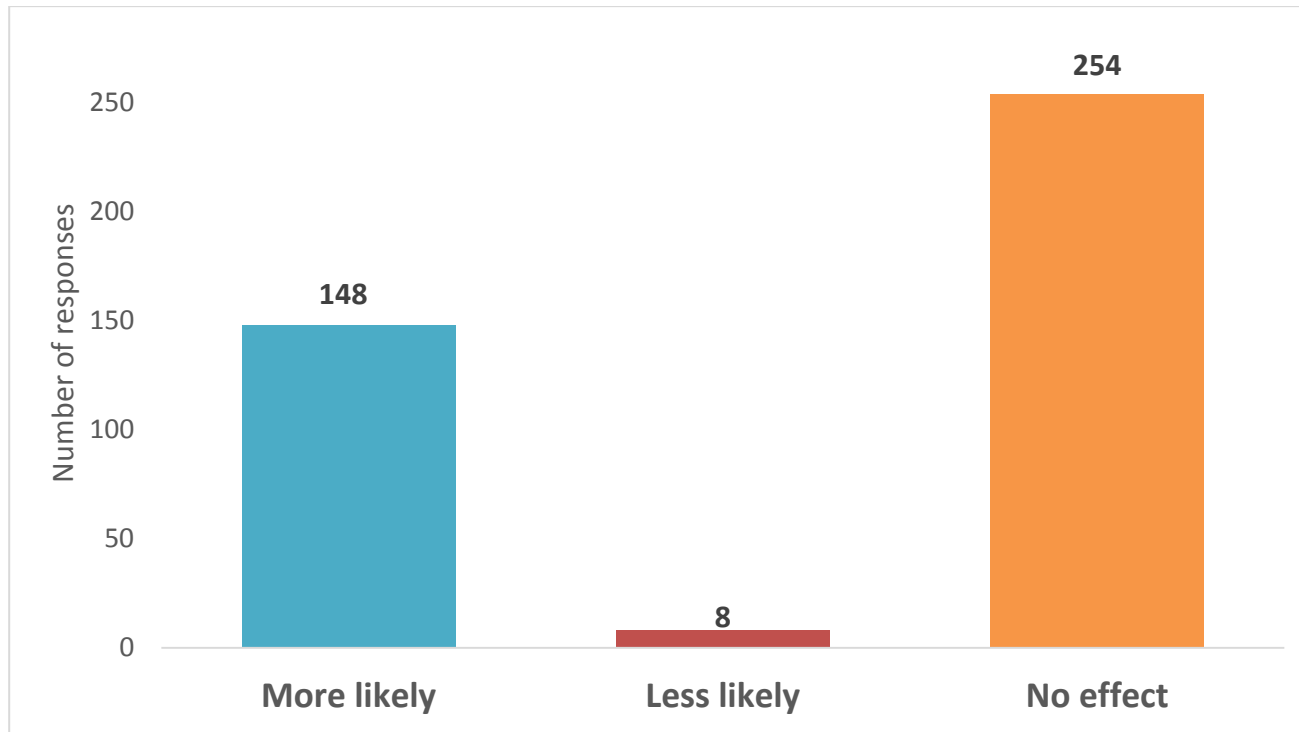
Q1. Were you happy with the information leaflet you received before the glass trial began?



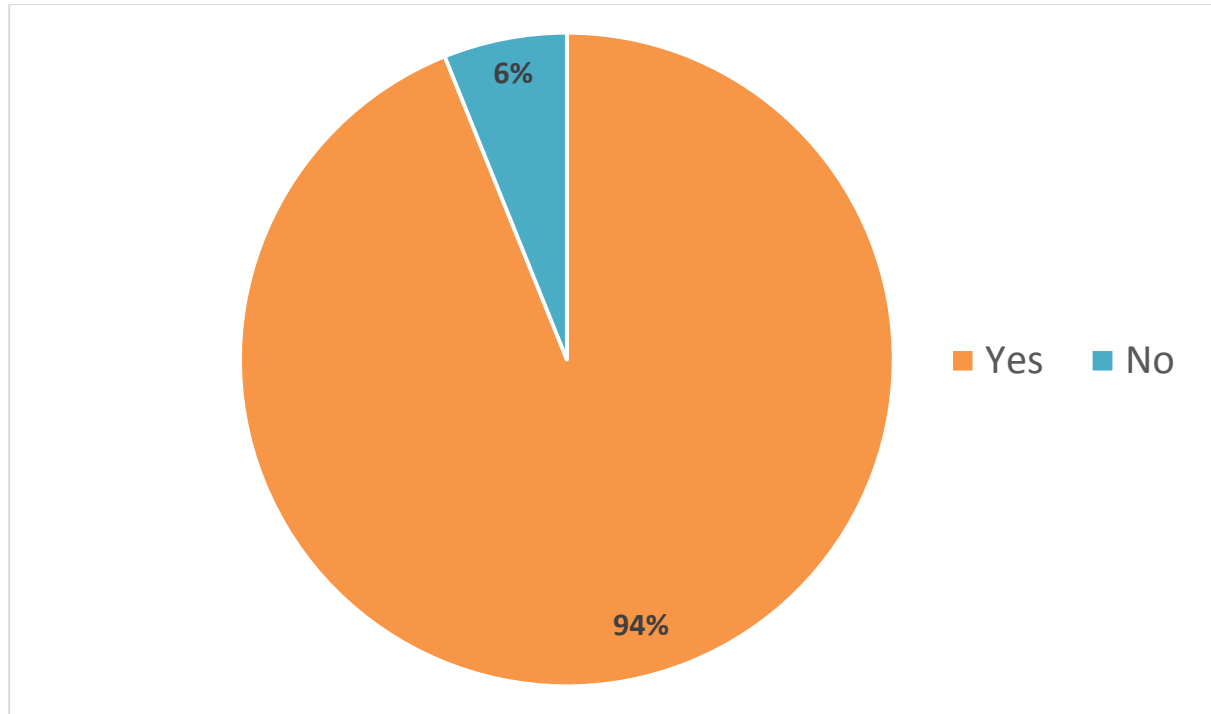
Q2. Were you happy with the information leaflet you received with the box?



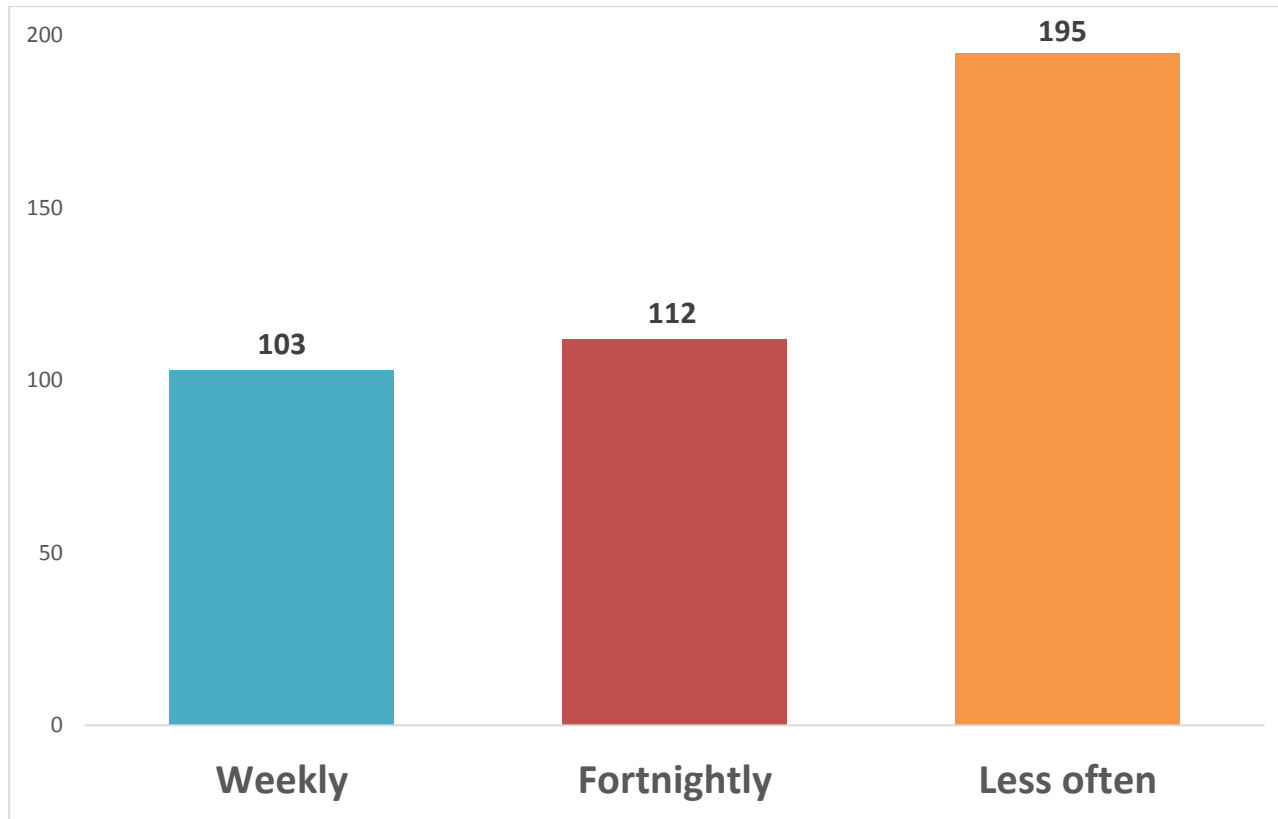
Q3. Do the grey bags increase the likelihood of you recycling more?



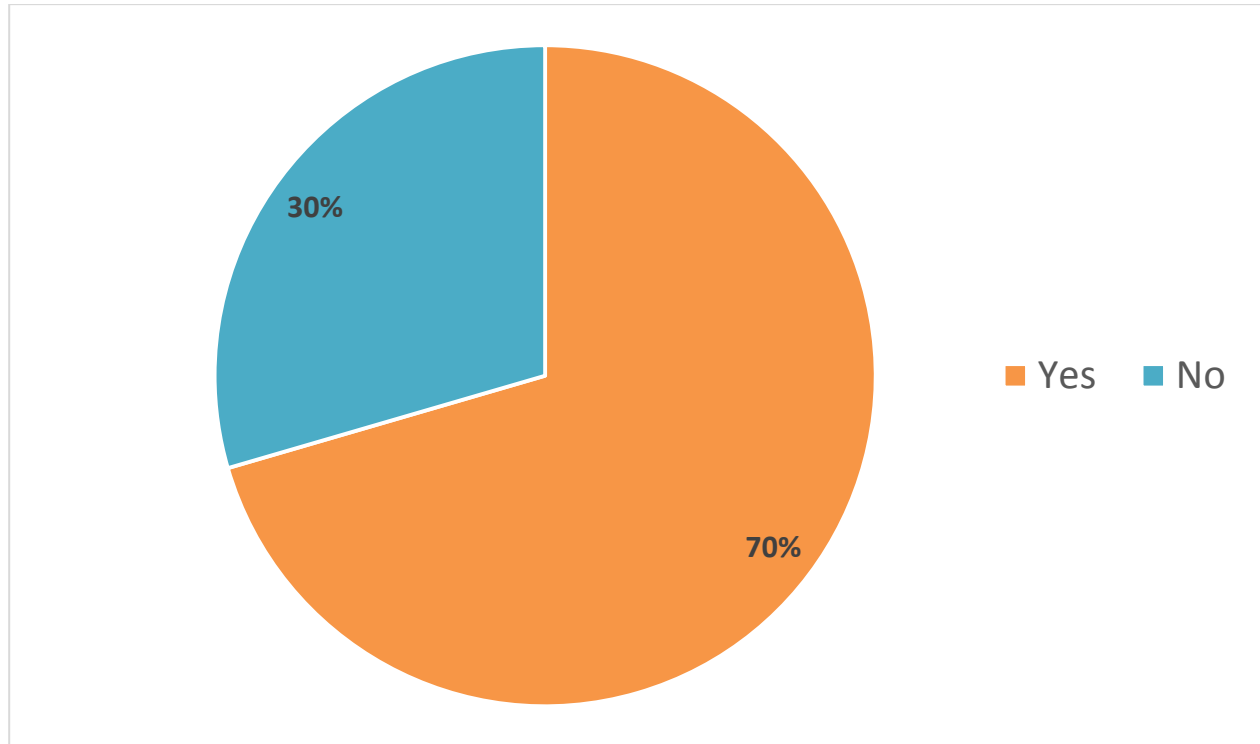
Q4. Do you use the glass recycling box?



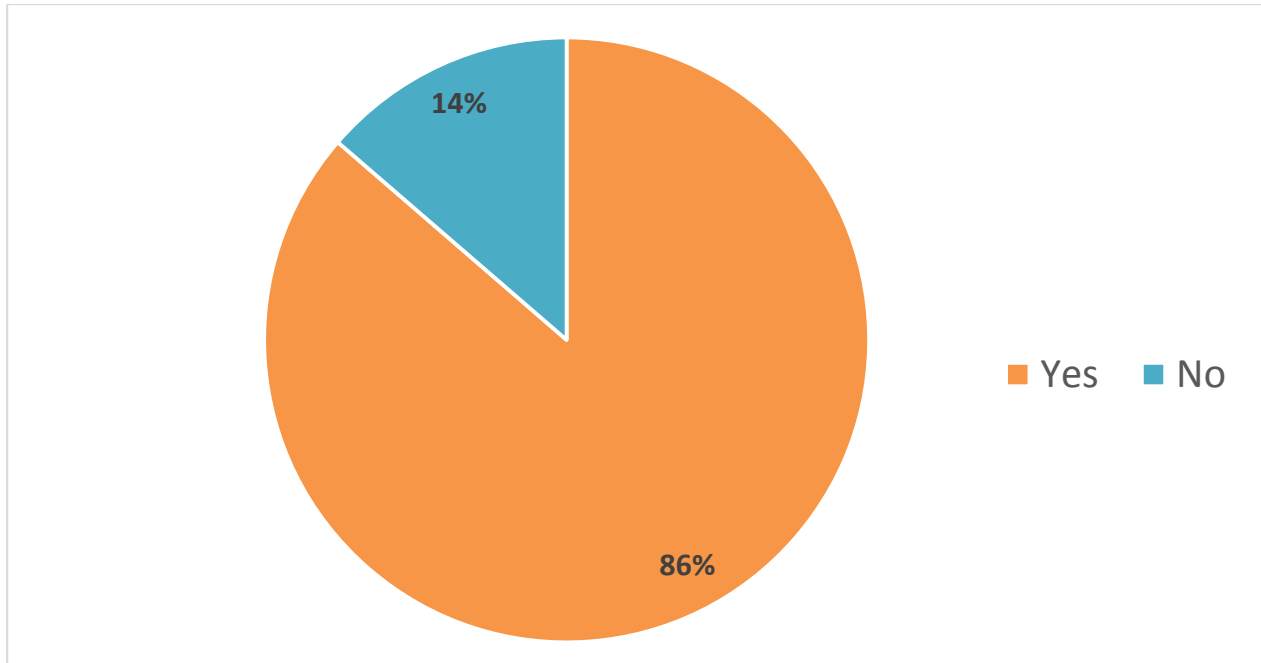
Q5. How often do you put the box out for collection?



Q6. Are you happy with the container?



Q7. Are you happy with the new recycling service?



Appendix 2: Evaluation Matrix Level 1 Criteria (‘Vision’)	Weight	Level 2 Criteria	Weight	Level 3 Criteria	Weight
Economic benefit/value of service is maximised	35.00	Value of resources is maximised.	17.92	Income is generated from valuable materials/resources.	9.54
				Cost of disposing of non-valuable materials/resources is minimised.	8.38
		Cost of service delivery is minimised.	17.08	An economically efficient service profile. Is adopted.	6.70
				Contracts and partnerships are designed to offer best value for Monmouthshire.	10.38
The service is sustainable and environmentally efficient*.	19.25	Material management is undertaken in a sustainable and environmentally efficient way*	9.33	Materials are managed in a way that facilitates high quality recovery and recycling in terms of application of the waste hierarchy and/or product life cycle thinking.	4.33
				Ecological footprint is minimised (One Wales: One Planet by 2050).	2.17
				Resource security is ensured.	2.83
		Waste operations do not endanger human health or the environment*	9.92	An environmentally efficient service profile is adopted.	3.17
				No fly tipping resultant from waste operations.	2.08
				No litter caused by waste operations – ie keep streets clean.	2.17
				Service delivery method meets national health and safety standards	2.50
		Communities, businesses and members of public are stimulated and	20.08	Community schemes are supported and facilitated.	6.08
Community reuse is maximised.	1.67				
Community recycling is maximised.	1.67				
Community composting is maximised.	1.25				
	5.33			SMEs are supported to maximise reduction, reuse and recycling.	2.83

supported to do more for themselves.		Businesses are motivated to engage in reducing, reusing and recycling waste.		Manufacturers and businesses in Monmouthshire are driven to consider and implement resource management practices in all aspects of production.	2.50
		Householders are encouraged to do more in the home.	8.67	Home composting is maximised.	3.75
				Reduction and reuse of materials within the home environment is maximised.	4.92
General public is informed and engaged with the service.	25.67	Service well communicated to public	13.67	Public understand how to get maximum use out of the services available.	6.25
				Public understand reasons and benefits for sustainable resource management.	7.42
		Positive public acceptance of service	12.00	High participation in services	5.83
				High recycling rates achieved	6.17





REPORT

SUBJECT: Approval of Car Park Capital Budget in 2017/18

MEETING: Council
DATE: 9th March 2017
DIVISION/WARDS AFFECTED: Countywide

1. PURPOSE

For Council to approve capital budget in 2017/18 for installation of new equipment and car park improvements

2. RECOMMENDATIONS

That Council approve the capital budgets recommended by Cabinet on the 6th July 2016 detailed in the report 'Proposals for the future provision of public car parks by MCC':

That capital budgets of (i) £250,000 for new car park ticket machines, (ii) £300,000 for improvements/refurbishment to existing car parks, EV points and signage be created and that these be funded by 'invest to save' using revenue generated through the new car park order and management regime

3. KEY ISSUES

3.1 Following extensive consultation and scrutiny by the Economy and Development Select Committee a report was presented to Cabinet on the 6th July 2016 seeking approval of a range of measures to improve the car park management within Monmouthshire.

3.2 Amongst other things Cabinet approved the creation of two capital budgets of £250,000 and £300,000, Extract from the decisions below:

2.4 *That capital budgets of (i) £250,000 for new car park ticket machines, (ii) £300,000 for improvements/refurbishment to existing car parks, EV points and signage be created and that these be funded by 'invest to save' using revenue generated through the new car park order and management regime (subject to Council approval of revised 2016/17 capital budget).*

4. REASONS

4.1 Whilst Cabinet approved the capital budgets of £250,000 and £300,000 the Council approval is required in order that these form part of the Council's capital budget.

4.2 This approval was not sought in 2016/17 but works will be undertaken in 2017/18 so Council is now being asked to approve these capital budgets within MCC's 2017/18 capital budget.

5. RESOURCE IMPLICATIONS:

The creation of two capital budgets of £250,000 and £300,000 both to be funded by invest to save created by income generated through the car park management regime and as detailed within the report to Cabinet on the 6th July 2016.

Link below:

<https://democracy.monmouthshire.gov.uk/documents/g939/Public%20reports%20pack%2006th-Jul-2016%2014.00%20Cabinet.pdf?T=10>

The borrowing costs relating to the capital schemes will therefore be met from the additional income generated by the introduction of the car park management regime agreed by Cabinet on 6th July 2016.

6. FUTURE GENERATIONS and EQUALITY ASSESSMENT

As described in the FGEA attached to the Cabinet report presented in July 2016

Link below:

<http://democracy.monmouthshire.gov.uk/documents/g238/Public%20reports%20pack%2002nd-Dec-2015%2014.00%20Cabinet.pdf?T=10>

SAFEGUARDING ASSESSMENT:

There are no safeguarding implications associated with the recommendations within this report.

7. CONSULTEES:

SLT

Cabinet members

8. BACKGROUND PAPERS: Report to cabinet on the 6th July 2016 (Link provided above)

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9. AUTHORS

Roger Hoggins, Head of Operations

CONTACT DETAILS: rogerhoggins@monmouthshire.gov.uk

REPORT

SUBJECT:	COUNCIL TAX RESOLUTION 2017/18 and REVENUE AND CAPITAL BUDGETS FOR 2017/18
DIRECTORATE:	Chief Executive's Unit
MEETING:	Council
DATE:	9th March 2017
DIVISION/WARDS AFFECTED:	All

1. Purpose

- 1.1 The Council is bound by Statute to specific timescales for Council Tax setting and is also required to make certain defined resolutions. The recommendations that form the major part of this report are designed to comply with those Statutory Provisions.
- 1.2 The recommended resolutions also draw together the Council Tax implications of precepts notified by the Office of Police and Crime Commissioner for Gwent and Town and Community Councils, thereby enabling the County Council to establish its headline Council Tax levels at the various property bands within each Town or Community area.

Recommendations

- 2.1 It is recommended that the revenue and capital estimates for the year 2017/18 as attached in Appendix 1 and 2 be approved.
- 2.2 It is recommended it be noted that, at its meeting on 15th February 2017, Cabinet calculated the amounts set out below for the year 2017/18 in accordance with sections 32 and 33 of the [Local Government Finance Act 1992](#) ("the Act").

For information, sections 32 and 33 of the 1992 Act have been extensively amended by Schedule 12 to the [Local Government \(Wales\) Act 1994](#). Both are further amended by the [Local Authorities \(Alteration of Requisite Calculations\) \(Wales\) Regulations 2002](#) (the "2002 regulations") and The Local Authorities (Alteration of Requisite Calculations) (Wales) Regulations 2013. Section 33 is further amended by the [Local Government Reorganisation \(Calculation of Basic Amount of Council Tax\) \(Wales\) Order 1996](#). All necessary legislative and statutory amendments have been taken into account in calculating the following amounts: -

- (a) 45,537.71 being the amount calculated by the Council, in accordance with Section 33 of the Act and The Regulations (as amended by Regulations 1999 no. 2935), as its Council Tax base for the year;

- (b) Part of the Council's Area, being the amounts calculated by the Council, in accordance with Section 34 of the Act, as the amounts of its Council Tax base for the year for dwellings in those parts of the area to which one or more special items relate:

Community	Council Tax Base for 2017/18	Community	Council Tax Base for 2017/18
Abergavenny	4,837.06	Llanhennock	286.80
Caerwent	1,111.08	Llanover	817.16
Caldicot	4,007.55	Llantillio Croesenny	455.07
Chepstow	5,498.79	Llantillio Pertholey	1,623.11
Crucorney	744.70	Llantrissant Fawr	263.78
Devauden	651.81	Magor with Undy	2,899.74
Goetre Fawr	1,182.50	Mathern	625.57
Grosmont	491.73	Mitchell Troy	738.32
Gwehelog Fawr	287.71	Monmouth	5,083.52
Llanarth	492.64	Portskewett	1,021.93
Llanbadoc	475.09	Raglan	1,087.41
Llanelly Hill	1,953.57	Rogiet	732.90
Llanfoist Fawr	1,909.77	Shirenewton	740.19
Llangattock Vibon Abel	673.39	St.Arvens	455.32
Llangwm	273.87	Tintern	495.03
Llangybi	539.17	Trellech	1,690.29
		Usk	1,391.14
		Total	45,537.71

It is recommended that Council resolves:

- 2.3 That the following amounts be now calculated by the Council for the year 2017/18 in accordance with Sections 32 to 36 of the Act and sections 47 and 49 of the [Local Government Finance Act 1988](#) (as amended):

- (a) £148,152,649 being the aggregate of the amounts the Council estimates for the items set out in Section 32(2) (a) to (d) of the Act less the aggregate of the amounts the Council estimates for the items set out in Section 32 (3) (a) and (c) of the Act calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year
- (b) £91,798,934 being the aggregate of the sums which the Council estimates will be payable for the year into its Council fund in respect of redistributed non-domestic rates and revenue support grant in accordance with Section

33 (3)

- (c) £6,000 being the cost to the authority of discretionary non-domestic rate relief anticipated to be granted (under sections 47 and 49 of the [Local Government Finance Act 1988](#) , as amended)
- (d) £1,237.65 being the amount at 2.3(a) and 2.3(c) above less the amount at 2.3(b) above, all divided by the amount at 2.2(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year
- (e) £2,479,952 being the aggregate amount of all special items referred to in Section 34 of the Act (Town and Community Precepts)
- (f) £1,183.19 being the amount at 2.3(d) above less the result given by dividing the amount at 2.3(e) above by the amount at 2.2(a) above calculated by the Council in accordance with Section 34(2) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of the area to which no special item relates.
- (g) Part of the Council's Area, being the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amounts at 2.2(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of the area to which one or more special items relate:

Community Council

**Precept
Band D
Equivalent
£'s**

Abergavenny
Caerwent
Caldicot
Chepstow
Crucorney
Devauden
Goetre Fawr
Grosmont
Gwehelog Fawr
Llanarth
Llanbadoc
Llanelly Hill
Llanfoist Fawr
Llangattock Vibon Abel
Llangwm
Llangybi
Llanhennock

58.03
43.20
82.63
121.81
14.77
12.52
24.10
12.20
15.64
14.21
28.48
39.30
34.04
13.81
16.43
18.55
19.53

Community Council

**Precept
Band D
Equivalent
£'s**

Llanover
Llantillio Croesenny
Llantillio Pertholey
Llantrissant Fawr
Magor with Undy
Mathern
Mitchell Troy
Monmouth
Portskewett
Raglan
Rogiet
Shirenewton
St.Arvens
Tintern
Trellech
Usk

14.07
13.18
24.83
18.20
55.18
25.70
16.25
65.22
20.06
32.97
51.53
28.13
22.60
34.30
20.71
101.39

- (h) The County Council Area, being the amounts given by multiplying the amount at 2.3(f) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

Council Tax Band	A	B	C	D	E	F	G	H	I
Proportion	6	7	8	9	11	13	15	18	21
Council Tax Charge	788.79	920.26	1,051.72	1,183.19	1,446.12	1,709.05	1,971.98	2,366.38	2,760.78

- (i) Part of the Council's Area, being the amounts given by multiplying the amounts at 2.3(g) and 2.3(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands: -

County Council plus Town/Community Council

	A	B	C	D	E	F	G	H	I
Abergavenny	827.48	965.39	1,103.30	1,241.22	1,517.05	1,792.87	2,068.70	2,482.44	2,896.18
Caerwent	817.59	953.86	1,090.12	1,226.39	1,498.92	1,771.45	2,043.98	2,452.78	2,861.58
Caldicot	843.88	984.53	1,125.17	1,265.82	1,547.11	1,828.40	2,109.70	2,531.64	2,953.58
Chepstow	870.00	1,015.00	1,160.00	1,305.00	1,595.00	1,885.00	2,175.00	2,610.00	3,045.00
Crucorney	798.64	931.75	1,064.85	1,197.96	1,464.17	1,730.38	1,996.60	2,395.92	2,795.24
Devauden	797.14	930.00	1,062.85	1,195.71	1,461.42	1,727.13	1,992.85	2,391.42	2,789.99
Goetre	804.86	939.00	1,073.14	1,207.29	1,475.58	1,743.86	2,012.15	2,414.58	2,817.01
Grosmont	796.92	929.75	1,062.56	1,195.39	1,461.03	1,726.67	1,992.31	2,390.78	2,789.25
Gwehelog	799.22	932.42	1,065.62	1,198.83	1,465.24	1,731.64	1,998.05	2,397.66	2,797.27
Llanarth	798.26	931.31	1,064.35	1,197.40	1,463.49	1,729.58	1,995.66	2,394.80	2,793.94
Llanbadoc	807.78	942.41	1,077.04	1,211.67	1,480.93	1,750.19	2,019.45	2,423.34	2,827.23
Llanelly Hill	814.99	950.83	1,086.65	1,222.49	1,494.15	1,765.82	2,037.48	2,444.98	2,852.48
Llanfoist	811.48	946.74	1,081.98	1,217.23	1,487.72	1,758.22	2,028.71	2,434.46	2,840.21
Llangattock V A	798.00	931.00	1,064.00	1,197.00	1,463.00	1,729.00	1,995.00	2,394.00	2,793.00
Llangwm	799.74	933.04	1,066.32	1,199.62	1,466.20	1,732.78	1,999.36	2,399.24	2,799.12
Llangybi	801.16	934.69	1,068.21	1,201.74	1,468.79	1,735.84	2,002.90	2,403.48	2,804.06
Llanhennock	801.81	935.45	1,069.08	1,202.72	1,469.99	1,737.26	2,004.53	2,405.44	2,806.35
Llanover	798.17	931.20	1,064.23	1,197.26	1,463.32	1,729.37	1,995.43	2,394.52	2,793.61
Llantillio Croess	797.58	930.51	1,063.44	1,196.37	1,462.23	1,728.09	1,993.95	2,392.74	2,791.53
Llantillio Pertholey	805.34	939.57	1,073.79	1,208.02	1,476.47	1,744.92	2,013.36	2,416.04	2,818.72
Llantrissant	800.92	934.42	1,067.90	1,201.39	1,468.36	1,735.34	2,002.31	2,402.78	2,803.25
Magor with Undy	825.58	963.18	1,100.77	1,238.37	1,513.56	1,788.75	2,063.95	2,476.74	2,889.53
Mathern	805.92	940.25	1,074.56	1,208.89	1,477.53	1,746.17	2,014.81	2,417.78	2,820.75
Mitchell Troy	799.62	932.90	1,066.16	1,199.44	1,465.98	1,732.52	1,999.06	2,398.88	2,798.70
Monmouth	832.27	970.99	1,109.69	1,248.41	1,525.83	1,803.26	2,080.68	2,496.82	2,912.96
Portskewett	802.16	935.86	1,069.55	1,203.25	1,470.64	1,738.03	2,005.41	2,406.50	2,807.59
Raglan	810.77	945.90	1,081.03	1,216.16	1,486.42	1,756.67	2,026.93	2,432.32	2,837.71
Rogiet	823.14	960.34	1,097.52	1,234.72	1,509.10	1,783.48	2,057.86	2,469.44	2,881.02
Shirenewton	807.54	942.14	1,076.72	1,211.32	1,480.50	1,749.68	2,018.86	2,422.64	2,826.42
St. Arvans	803.86	937.84	1,071.81	1,205.79	1,473.74	1,741.69	2,009.65	2,411.58	2,813.51
Tintern	811.66	946.94	1,082.21	1,217.49	1,488.04	1,758.59	2,029.15	2,434.98	2,840.81
Trelech	802.60	936.37	1,070.13	1,203.90	1,471.43	1,738.96	2,006.50	2,407.80	2,809.10
Usk	856.38	999.12	1,141.84	1,284.58	1,570.04	1,855.50	2,140.96	2,569.16	2,997.36

2.4 That it be noted for the year 2017/18 that the Office of Police and Crime Commissioner for Gwent has notified the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the dwellings shown above: -

Council Tax Band	A	B	C	D	E	F	G	H	I
Proportion	6	7	8	9	11	13	15	18	21
Council Tax Charge	152.56	177.99	203.41	228.84	279.69	330.55	381.40	457.68	533.96

2.5 That, having calculated the aggregate in each case of the amounts at 2.3(i) and 2.4 above, the Council, in accordance with Section 30(2) of the Act, hereby sets the following amounts as the amounts of Council Tax for the year 2017/18 for each of the categories of dwellings shown below: -

County Council plus Town/Community Council plus Police and Crime Commissioner

	A	B	C	D	E	F	G	H	I
Abergavenny	980.04	1,143.38	1,306.71	1,470.06	1,796.74	2,123.42	2,450.10	2,940.12	3,430.14
Caerwent	970.15	1,131.85	1,293.53	1,455.23	1,778.61	2,102.00	2,425.38	2,910.46	3,395.54
Caldicot	996.44	1,162.52	1,328.58	1,494.66	1,826.80	2,158.95	2,491.10	2,989.32	3,487.54
Chepstow	1,022.56	1,192.99	1,363.41	1,533.84	1,874.69	2,215.55	2,556.40	3,067.68	3,578.96
Crucorney	951.20	1,109.74	1,268.26	1,426.80	1,743.86	2,060.93	2,378.00	2,853.60	3,329.20
Devauden	949.70	1,107.99	1,266.26	1,424.55	1,741.11	2,057.68	2,374.25	2,849.10	3,323.95
Goetre	957.42	1,116.99	1,276.55	1,436.13	1,755.27	2,074.41	2,393.55	2,872.26	3,350.97
Grosmont	949.48	1,107.74	1,265.97	1,424.23	1,740.72	2,057.22	2,373.71	2,848.46	3,323.21
Gwehelog	951.78	1,110.41	1,269.03	1,427.67	1,744.93	2,062.19	2,379.45	2,855.34	3,331.23
Llanarth	950.82	1,109.30	1,267.76	1,426.24	1,743.18	2,060.13	2,377.06	2,852.48	3,327.90
Llanbadoc	960.34	1,120.40	1,280.45	1,440.51	1,760.62	2,080.74	2,400.85	2,881.02	3,361.19
Llanelly Hill	967.55	1,128.82	1,290.06	1,451.33	1,773.84	2,096.37	2,418.88	2,902.66	3,386.44
Llanfoist	964.04	1,124.73	1,285.39	1,446.07	1,767.41	2,088.77	2,410.11	2,892.14	3,374.17
Llangattock V A	950.56	1,108.99	1,267.41	1,425.84	1,742.69	2,059.55	2,376.40	2,851.68	3,326.96
Llangwm	952.30	1,111.03	1,269.73	1,428.46	1,745.89	2,063.33	2,380.76	2,856.92	3,333.08
Llangybi	953.72	1,112.68	1,271.62	1,430.58	1,748.48	2,066.39	2,384.30	2,861.16	3,338.02
Llanhennock	954.37	1,113.44	1,272.49	1,431.56	1,749.68	2,067.81	2,385.93	2,863.12	3,340.31
Llanover	950.73	1,109.19	1,267.64	1,426.10	1,743.01	2,059.92	2,376.83	2,852.20	3,327.57
Llantillio Croess	950.14	1,108.50	1,266.85	1,425.21	1,741.92	2,058.64	2,375.35	2,850.42	3,325.49
Llantillio Pertholey	957.90	1,117.56	1,277.20	1,436.86	1,756.16	2,075.47	2,394.76	2,873.72	3,352.68
Llantrissant	953.48	1,112.41	1,271.31	1,430.23	1,748.05	2,065.89	2,383.71	2,860.46	3,337.21
Magor with Undy	978.14	1,141.17	1,304.18	1,467.21	1,793.25	2,119.30	2,445.35	2,934.42	3,423.49
Mathern	958.48	1,118.24	1,277.97	1,437.73	1,757.22	2,076.72	2,396.21	2,875.46	3,354.71
Mitchell Troy	952.18	1,110.89	1,269.57	1,428.28	1,745.67	2,063.07	2,380.46	2,856.56	3,332.66
Monmouth	984.83	1,148.98	1,313.10	1,477.25	1,805.52	2,133.81	2,462.08	2,954.50	3,446.92
Portskewett	954.72	1,113.85	1,272.96	1,432.09	1,750.33	2,068.58	2,386.81	2,864.18	3,341.55
Raglan	963.33	1,123.89	1,284.44	1,445.00	1,766.11	2,087.22	2,408.33	2,890.00	3,371.67
Rogiet	975.70	1,138.33	1,300.93	1,463.56	1,788.79	2,114.03	2,439.26	2,927.12	3,414.98
Shirenewton	960.10	1,120.13	1,280.13	1,440.16	1,760.19	2,080.23	2,400.26	2,880.32	3,360.38
St. Arvans	956.42	1,115.83	1,275.22	1,434.63	1,753.43	2,072.24	2,391.05	2,869.26	3,347.47
Tintern	964.22	1,124.93	1,285.62	1,446.33	1,767.73	2,089.14	2,410.55	2,892.66	3,374.77
Trelech	955.16	1,114.36	1,273.54	1,432.74	1,751.12	2,069.51	2,387.90	2,865.48	3,343.06
Usk	1,008.94	1,177.11	1,345.25	1,513.42	1,849.73	2,186.05	2,522.36	3,026.84	3,531.32

- 2.6 That Mrs J. Robson, Mr M. Howcroft, Miss R. Donovan, Mrs. S. Deacy, Mrs. W. Woods and Mrs. S. Knight be authorised under Section 223 of the Local Government Act 1972 to prosecute and appear on behalf of Monmouthshire County Council in proceedings before a Magistrates Court for the purpose of applying for Liability Orders in respect of Council Tax and Non-Domestic Rates.

3. KEY ISSUES

- 3.1 The final revenue and capital budgets for 2017/18 were considered by Cabinet on 15th February 2017, following consultation on the draft proposals. There have been no changes since that date and therefore the Appendices are reproduced and attached to this report.
- 3.2 Statute requires that Council makes appropriate recommendations to prescribed timescales for setting the Council Tax payable for the coming financial year. The Council must also account for precepts made upon it by the Office of Police and Crime Commissioner for Gwent and by Town and Community Councils. Recommendation 2.5 discharges these obligations.
- 3.3 The Council is also required to authorise officers to undertake advance recovery action through the Courts where necessary. The authorising recommendation appears at 2.6 above.

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REASONS

- 4.1 To approve the summary revenue and capital budget for 2017/18.
- 4.2 To set the Council Tax for the 2017/18 financial year.
- 4.3 To discharge the Responsible Financial Officer's responsibilities under the Local Government Act 2003.

5. RESOURCE IMPLICATIONS:

As identified in the report.

6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

The equality and sustainability considerations on the budget proposals have been identified throughout the budget process and were taken into account by Cabinet when approving the budget on 15th February 2017. The relevant information is contained in the papers for the Final Budget proposals for the 2017/18 Revenue and Capital Budget.

7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS

There are no safeguarding and corporate parenting implications associated with this report.

8. CONSULTEES:

This report arises from Councils approval of the 2017/18 budget proposals and contains the statutory decisions in relation to setting council tax for 2017/18. The budget has undergone considerable consultation to arrive at the recommendations today.

9. BACKGROUND PAPERS:

Revenue and Capital Budget 2017/18 - Final proposals following public consultation: Cabinet 15th February 2017

10. AUTHORS:

Joy Robson – Head of Finance

Ruth Donovan – Assistant Head of Finance: Revenues, Systems & Exchequer

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11. CONTACT DETAILS:

joyrobson@monmouthshire.gov.uk

01633 644270

ruthdonovan@monmouthshire.gov.uk

01633 644592

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Appendix 1 - Revenue Budget Summary 2017/18

	December 2016 Cabinet proposals					Final Settlement Changes		Full Cost MTFP Base Budget Adjustments	January 2017 Cabinet and Final budget recommendations to Council			
	Indicative Base Budget 2017/18	Proposed savings	Identified Pressures	Council Tax Income	Proposed Budget 2017/18	Adjustment to AEF	Settlement pressures / adjustments		Changes to Pressures	Changes to Savings	Final amendments	Final budget recommended
Net Expenditure Budgets												
Children and Young People	49,741	-395			49,346			85	140	0		49,571
Social Care and Health	41,800	-477	2,016		43,339			124	86	-150		43,399
Enterprise	4,777	-84	585		5,278		148	192	194			5,812
Resources	5,405	-266	608		5,747			-20	75	0	-100	5,702
Chief Executive's unit	21,496	-894	784		21,386			119	100	-430		21,175
Corporate Costs & Levies	19,845	-118	678		20,405			-24	40		-40	20,382
Sub Total	143,064	-2,234	4,671	0	145,501	0	148	477	635	-580	-140	146,041
Appropriations	9,015	-1,536			7,479				-52	-160	140	7,407
Contributions to Earmarked reserves	165				165							165
Contributions from Earmarked reserves	-512		-581		-1,093			-474	-86			-1,653
Total Net Proposed Budget	151,732	-3,770	4,090	0	152,052	0	148	3	497	-740	0	151,960
Funding Budgets												
Aggregate External Financing (AEF)	-91,622				-91,622	-29	-148					-91,799
Council Tax (MCC)	-46,859			-885	-47,744							-47,744
Council Tax (Gwent Police)	-10,294				-10,294			28				-10,267
Council Tax (Community Councils)	-2,150				-2,150							-2,150
Total Funding	-150,925	0	0	-885	-151,810	-29	-148	28	0	0	0	-151,960
Headroom/-shortfall	808	-3,770	4,090	-885	243	-29	0	30	497	-740	0	0
	Council Tax 2016/17				2017/18 tax base	Council Tax 2017/18	%age increase					
Council tax recommendations	1,138.23				45,537.71	1,183.19	3.95%					

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Appendix 2 - Capital Budget Summary 2017 to 2021

	Indicative Budget 2017/18	Indicative Budget 2018/19	Indicative Budget 2019/20	Indicative Budget 2020/21
Asset Management Schemes	1,929,277	1,929,277	1,929,277	1,929,277
School Development Schemes	28,258,224	8,560,044	800,000	50,000
Infrastructure & Transport Schemes	2,240,740	2,240,740	2,240,740	2,240,740
Regeneration Schemes	0	0	0	0
County Farms Schemes	300,773	300,773	300,773	300,773
Inclusion Schemes	850,000	850,000	850,000	850,000
ICT Schemes	0	0	0	0
Vehicles Leasing	1,500,000	1,500,000	1,500,000	1,500,000
Other Schemes	253,460	20,000	20,000	20,000
TOTAL EXPENDITURE	35,332,474	15,400,834	7,640,790	6,890,790
Supported Borrowing	(2,402,000)	(2,402,000)	(2,402,000)	(2,402,000)
Unsupported (Prudential) Borrowing	(3,011,693)	(1,343,216)	(1,375,000)	(1,000,000)
Grants & Contributions	(11,018,512)	(3,965,848)	(1,837,000)	(1,462,000)
Reserve & Revenue Contributions	(17,999)	(17,999)	(17,999)	(17,999)
Capital Receipts	(17,382,271)	(6,171,771)	(508,791)	(508,791)
Vehicle Lease Financing	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
TOTAL FUNDING	(35,332,474)	(15,400,834)	(7,640,790)	(6,890,790)
(SURPLUS) / DEFICIT	0	0	0	0

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AGENDA ITEM TBC

REPORT

SUBJECT: Treasury Management Policy Statement & Strategy Statement, MRP Policy Statement and Investment Strategy 2017/18

DIRECTORATE: Resources

MEETING: Council

DATE: 9th March 2017

DIVISION/WARDS AFFECTED: Countywide

1. PURPOSE:

- 1.1 To adopt the annual Treasury Management Policy Statement and the Treasury Management Strategy Statement including the Investment and Borrowing Strategies for 2017/18 to 2020/21 and the Minimum Revenue Provision (MRP) Statement for 2017/18 at Annex C.
- 1.2 This proposed Strategy and Policy will be monitored during the year by Audit Committee.

2. RECOMMENDATIONS:

- 2.1 It is recommended that the proposed Treasury Management Policy Statement for 2017/18 (Appendix 2) and proposed Treasury Management Strategy and Investment & Borrowing Strategies 2017/18 to 2020/21 (Appendix 1), including the Minimum Revenue Provision (MRP) Statement for 2017/18 at Annex C, be approved together with the Treasury Limits as required by section 3 of the Local Government Act 2003.

3. BACKGROUND

Treasury Management Policy Statement and Treasury Management and Annual Investment & Borrowing Strategy

- 3.1 Treasury Management is defined as “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”.
- 3.2 The Authority pays due regard to CIPFA’s Code of Practice for Treasury Management in the Public Services (the “Code”) and accompanying Guidance Notes (as revised in 2011) and the Prudential Code for Capital Finance in Local Authorities (as revised in 2011). The Prudential Code for Capital finance in local authorities outlines requirements for the manner in which capital spending plans are to be considered and approved, and in conjunction with this, the development of an integrated treasury management strategy.
- 3.3 The Prudential Code further requires the Council to set a number of Prudential and Treasury Management indicators. These indicators are submitted with the capital budget proposals that are to be considered at the same meeting, Council 9th March 2017.
- 3.4 The Council also has regard to the WG Guidance on Local Government Investments. This guidance requires the production of an Investment Strategy in addition to a Treasury Management Strategy, and allows Councils to combine these two strategies into one document. Appendix 1 contains the Council’s detailed proposed investment strategy. With regards to investments the Codes and Guidance emphasise an appropriate approach to risk management, particularly in relation to the security and liquidity of invested funds. Authorities are required to demonstrate value for money when borrowing in advance of need and ensure the security of such funds.
- 3.5 The Code requires that Council approve annually a Treasury Management Policy Statement and a Treasury Management Strategy Statement and Investment Strategy. The Council also has regard to the revised Welsh Government (WG) guidance on Local Government Investments issued in April 2010.
- 3.6 Furthermore, as a minimum, the Code requires that the Authority formally report on their treasury activities and arrangements at the mid-year point and after the year-end. Audit Committee is identified as being the committee responsible for reviewing update reports on the treasury function, given its overarching role in assessing the risk management arrangements for the Authority. It received its last such report at its meeting of 17th November 2016, given a cancellation of its meeting on 13th October.
- 3.7 The Council delegates responsibility for the execution and administration of treasury management decisions to the Head of Finance (S151 officer) who will act in accordance with the Treasury Management policy statement (appendix 2) and treasury management practices and CIPFA’s Standard of Professional Practice on Treasury Management.

- 3.8 The Council is also clear that overall responsibility for treasury management remains with the Council.

Annual Minimum Revenue Provision Policy Statement

- 3.9 The annual Minimum Revenue Provision is the mechanism used for spreading the capital expenditure financed by borrowing over the years to which benefit is provided. Regulations state that the authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent. In addition there is the requirement for an Annual Minimum Revenue Provision Policy Statement to be drafted and submitted to full Council.
- 3.10 Authorities are permitted discretion in terms of the charge levied, albeit within certain parameters. A “prudent” period of time for debt repayment is defined as being one which reflects the period over which the associated capital expenditure provides benefits. Annex C of the attached Treasury Management Strategy and Investment Strategy (Appendix 1) incorporates the Council’s Statement in this regard and captures the full extent of changes approved by members as part of their 2016-17 and 2017-18 pre-budget considerations.

Considerations influencing strategy

- 3.11 Bail-in legislation, which ensures that large unsecured investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and European Union and Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes now in force mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with Local Authorities making unsecured bank deposits has therefore increased since early 2015.
- 3.12 These changes have resulted in the loss of Government support for failing banks and have therefore affected the ratings given to these banks by the ratings agencies. Alongside the effects of bail in however, many banks have strengthened their own core capital position and are therefore less likely to fail. Thirdly, the Ratings agencies, Fitch, Moody’s and Standard and Poors have adapted their rating methodologies to give an uplift to institutions which have other factors such as parent companies which could assist them with the absorbency of losses either externally or from within.
- 3.13 As a result of these changes the number of counterparties with a rating of A- or higher which the Authority can invest with is similar to 2016/17. It is recognized however that it is not prudent to invest large sums of money with any one counterparty to reduce the effect of any one bail in affecting the Council disproportionately. Due to the stance that we will maximize internal borrowing and given our investment balances will therefore remain low, this is not expected to be an issue, but in order to be prudent and to encourage diversification across a larger number of counterparties, a prudent limit of the higher of 10% total investments or of £2m per counterparty has been set for unsecured investments with banks and building societies whose rating is A- or above. This category represents the majority of our investments. Other limits have been set (see Appendix 1) for other types of investments.

3.14 The Authority's current account provider is Barclays bank. At the time of writing, Barclays continues to have a minimum rating of (A-). An additional limit of £1m has been set to allow for the total of overnight credit balances held in the Authority's current accounts even if the bank's rating should fall to (BBB) or it should be put on credit watch negative. This is to allow for the total of all credit balances, as the Authority does not have the right to a legal offset of its current account balances that it enjoyed with its previous provider. The total of all positive and negative account balances are reduced to a practical minimum level at the end of each day.

4. PROPOSED STRATEGY CHANGES:

4.1 Whilst the Council's appetite to risk and the rating indicator level we adopt as a standard as a result isn't proposed to change, individual counterparties rating indicators and circumstances do change fairly frequently to reflect their organizational resilience to markets and their reported performance, so it is commonplace for our actual counterparty usage to change during any one year as parties meet our expectations and others fade away.

4.2 Similarly interest rates and growth predictions will continually change over time and rebalance. This has not resulted in a proposed change to either our borrowing or investment strategy which continues to revolve around active management involving short term recurrent investment and borrowing decisions and utilising internal borrowing to mitigate our net borrowing costs and avoid material cost of carry appreciating longer term borrowing costs are invariably above equivalent investment rates.

4.3 The risk of bank bail-in is still a very real consideration for any Council lending function. The result of which is an increase in inter Council lending, we're also starting to see a move away from local authorities lending by way of unsecured bank and building society deposits in favour of covered bonds, gilts, repurchase agreements (repos), supranational securities agencies (SSAs) and asset backed securities (ABS) which represent a much safer more appropriate alternative in this climate. Our historic Council Strategy already provides sufficient flexibility in the use of some of these instruments, but irrespective, our investment trend is on the decline given our strategy and the Liability benchmark graph including in Appendix 1 demonstrates an increasing borrowing need.

4.4 Consequently there is very little active change proposed with 2017-18 strategy, other than re-imposing a percentage limit alongside an absolute £2m investment limit for unsecured investments and the revision to the Supported borrowing minimum revenue provision considered and approved by Members during 2016-17 which is captured in Appendix 1 annex C. The Strategy will be monitored during the year by the Audit committee, however given the minimal changes to the Strategy for 2017/18 it has not been considered by Audit committee prior to being considered by full Council.

5. REASONS:

5.1 The Authority is required to produce a Treasury Management Policy and a Treasury Management and Annual Investment Strategy in order to comply with the Chartered

Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code").

- 5.2 The Authority is required to produce an MRP Policy Statement in order to comply with the Local Authorities (Capital Finance and Accounting) (Wales) Regulations, last amended in 2009.

6. RESOURCE IMPLICATIONS:

- 6.1 There are no resource implications directly arising from this report. The medium-term treasury budgets contained within the 2017-2018 revenue budget proposals to be presented to Council on 9th March 2017, were constructed in accordance with the strategy documents appended to this report.

- 6.2 There are however some key future financial risks on medium-term treasury budgets concerning:

- The number of significant capital receipts in the existing medium-term forecasts, and on which the authority's internal borrowing strategy and budgets are based. There will be an adverse financial impact in the event that such receipts do not materialise or are significantly delayed.
- The strategy states the Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. It presents the option of taking advantage of currently low short-term interest rates possibly at the expense of increasing future borrowing costs. This balance will be monitored regularly in order to decide whether to borrow additional sums at long-term fixed rates in 2017/18 or later with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- It should be noted that as a result of the expenditure plans of the Authority and the forecasts for interest rates in the future, that borrowing costs are expected to rise in the medium/long term.

7. EQUALITY IMPACT ASSESSMENT:

There is no equality impact arising directly from this report.

8. SUSTAINABLE DEVELOPMENT IMPLICATIONS:

None

9. BACKGROUND PAPERS:

Appendix 1 – Treasury Management Strategy Statement & Investment Strategy 2017/18 (including MRP policy statement)

Appendix 2 – Treasury Management Policy Statement 2017/18

Appendix 3 – Prudential Indicators

10. AUTHORS:

Joy Robson Head of Finance (S151 Officer)
Mark Howcroft Assistant Head of Finance (Deputy S151 Officer)

11. CONTACT DETAILS:

Tel: (01633) 644270
Email: joyrobson@monmouthshire.gov.uk

Tel: (01633) 644740
Email: markhowcroft@monmouthshire.gov.uk

Treasury Management Strategy Statement 2017/18

(supplied by Council's Treasury Advisors - Arlingclose)

Introduction

In Mar 2005 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

Revised strategy: In accordance with the WG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of its investment balance.

External Context

Economic background: The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

Credit outlook: Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall.

Interest rate forecast: The Authority's treasury adviser, Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. Arlingclose's central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

A more detailed economic and interest rate forecast provided by Arlingclose at the end of this Appendix.

For the purpose of setting the budget for 2017/18, it has been assumed that new investments will be made at an average rate of 0.15%, and that new long-term loans will be borrowed at an average rate of 1.40%.

Local Context

On 31st December 2016, the Authority currently held £77.9m of borrowing and £9.3m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.16 Actual £m	31.3.17 Estimate £m	31.3.18 Forecast £m	31.3.19 Forecast £m	31.3.20 Forecast £m
General Fund CFR	114	126	134	133	131
Less: Other debt liabilities *	-1	-1	-1	-1	-1
Borrowing CFR	113	125	133	132	130
Less: External borrowing **	-92	-77	-65	-66	-66
Internal/ (over) borrowing	21	48	68	66	64
Less: Usable reserves	-23	-26	-14	-13	-18
Working capital	2	0	0	0	0
New borrowing / (Investments) required	0	22	54	53	46

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

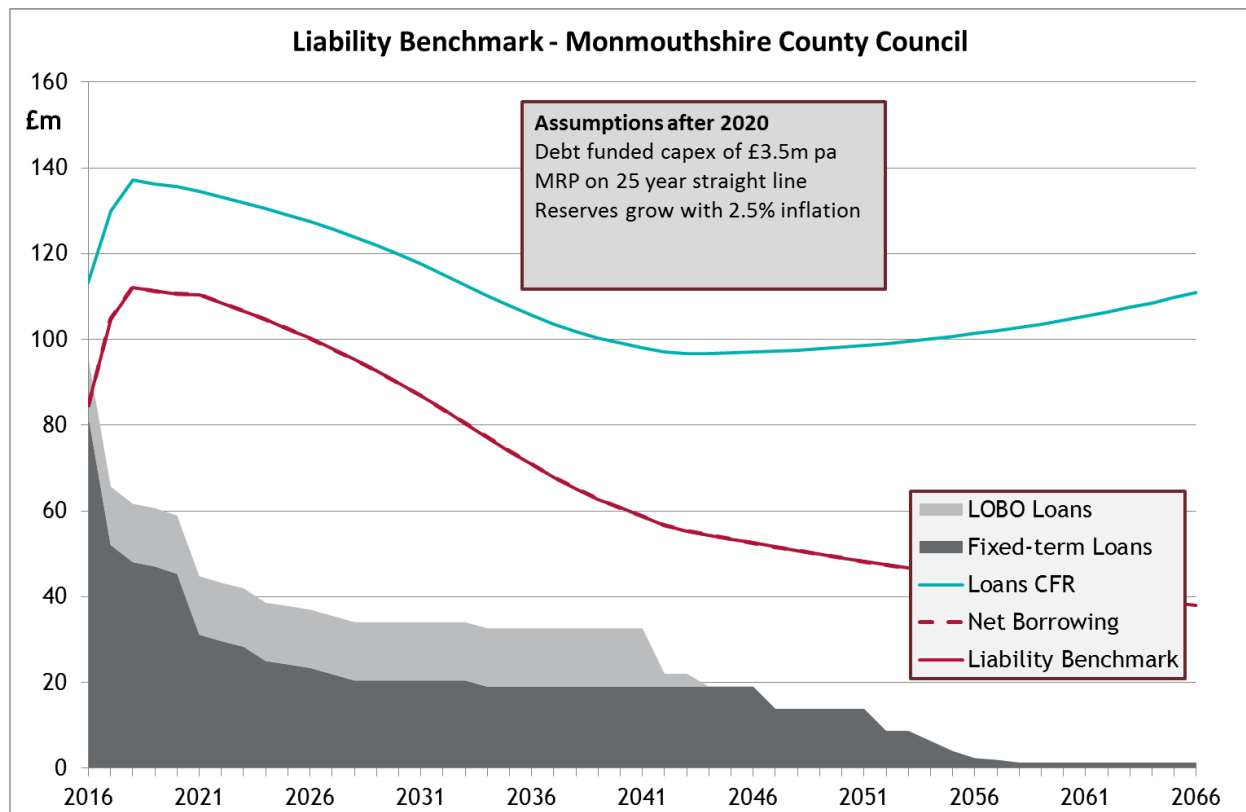
** shows only loans to which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £54m over the forecast period. This includes financing of new borrowing, renewal of current short term borrowing and borrowing required to replace capital receipts previously used for internal borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2017/18.

To assist with its long-term treasury management strategy, the Authority and its advisers have created a liability benchmark, which forecasts the Authority's need to borrow beyond the period described in table 1 above for 50 years.



The level of borrowing required is given by the gap between red, liability benchmark line and the grey areas which denote the level of existing borrowing i.e. there will be a significant level of borrowing required into the foreseeable future.

Borrowing Strategy

The Authority held £78 million of loans at 31st December 2016, a decrease of £14 million from 31st March 2016. This is mainly due to cash coming into the Authority due to a large capital receipt and also grants in advance of need which have not yet been fully utilised, which in turn has allowed the level of internal borrowing to increase temporarily. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to a total of £119m in 2017/18. This includes £5m of 4.5/5 year PWLB loans taken out in February 2017.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more

cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2017/18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except our local Pension Fund the GGPF)
- capital market bond investors
- Special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates. In 2015/16 & 2016/17 the Council was able to access the Project rate from the PWLB, 0.2% lower than the Certainty rate.

LOBOs: The Authority holds £13.6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2017/18, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term and Variable Rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between nil and £41 million. These higher levels are not expected in 2017/18. As borrowing levels are forecast to increase during 2017/18, keeping Investment balances low will reduce the level and costs of borrowing required. In order to keep balances low but sufficient for daily operations, will require working closely with staff running schemes with large cash flows so these can be factored in.

Objectives: Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. As balances are anticipated to be low, these is not expected to be a major factor.

Negative Interest Rates: If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and falling returns from short-term unsecured bank investments, the Authority will continually reassess the need to diversify into more secure and/or higher yielding asset classes during 2017/18. Due to the anticipated low levels of surplus cash, the majority of the Authorities surplus cash remains invested in short-term unsecured bank and building society deposits, certificates of deposit, money market funds, T-bills and the DMO.

Approved Counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown. Any formal recommendations received from the Authority's treasury advisors which places additional restrictions on certain counterparties in terms of eligibility or duration of Investments will supersede the limits set below. Investments classified as Non Specified must obtain further approval before implementation see page 9.

Table 2: Approved Investment Counterparties and Limits

Counterparty / Instrument	Instrument Limit of Portfolio	Counterparty Limit of Portfolio	Country Limit	Other Limits	Time Limit (Over 1 Year = Non Specified)
UK Central Government including Debt Mgt deposit facility, Gilts and T Bills.	100%	100%	N/A	N/A	50 Years
Any investment with UK Local Authorities (irrespective of credit rating)	75%	The higher of £2m or 10% of total investments (at the time of deposit)	N/A	NA	2 Years
‘Unsecured’ investments with Banks, Building Societies, Other Organisations and Securities whose lowest published rating from Fitch, Moody’s and S&P’s is (A-)	75% of total investments at the time of deposit For Non-UK 50% of total investments at the time of deposit	Upper limit of £2m. An additional £1m can be held in the Authority’s bank current account to cover the total of credit balances.	£4m per foreign country	Limit for negotiable instruments held in Brokers nominee accounts: the lower of 50% or £10m per Broker	6 months
As above but (A)					13 months
As above but (A+)					2 years

<p>Secured Investments with Banks, Building Societies, Other Organisations and Securities, (including Repo's) whose lowest published rating from Fitch, Moody's and S&P's is (A-)</p>	<p>75% of total investments at the time of deposit (both secured and unsecured)</p> <p>For Non-UK 50% of total investments at the time of deposit (both secured and unsecured)</p>	<p>£4m per counterparty (both secured and unsecured)</p>	<p>£4m per foreign country for all investment types</p>	<p>N/A</p>	<p>13 months</p>
<p>Deposits with unrated UK Building Societies which have been assessed by our Treasury advisers as comparable with the Building Societies that have an A-credit rating or higher</p>	<p>25% of total investments</p>	<p>£1m per Counterparty</p>	<p>UK only</p>	<p>N/A</p>	<p>100 Days</p>
<p>Money Market Funds with a Constant Net Asset Value (CNAV) or Variable Net Asset Value if assessed by our Treasury advisers as</p>	<p>50% of total investments at the time of deposit increased to 75% if total investments is £10m or less</p>	<p>The lower of £2m and 10% of total investments rounded up to the next £0.5m; not exceeding 0.50% of MMF size or</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

being of high credit worthiness		2% for Government MMFs			
Pooled funds without credit ratings which are not classed as capital expenditure - if assessed by our Treasury advisers as being of high credit worthiness	£4m total investment at the time of deposit	£2m per issuer	N/A	N/A	N/A
Investments with UK Registered Providers (e.g. Housing Associations) where the lowest published credit rating is A- or higher	£4m of total investments at the time of deposit.	£2m per issuer	N/A	N/A	5 years

This table must be read in conjunction with the notes below

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the

bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.
 -

The Authority defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or in a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore comprise long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; those that are defined as capital expenditure by legislation, such as shares in pooled funds; and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£5m
Total shares in pooled funds excluding MMF's	£4m
Total investments without credit ratings or rated below [A-]	£3m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [A-]	£0m
Total non-specified investments	£10m

Investment Limits: The Authority's revenue reserves available to cover investment losses are forecast to be £14 million on 31st March 2017. In order that no more than 30% of the average available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) is £4.0m for secured investments or £2.0 million for unsecured investments to banks & building societies. The amount that is put at risk in the case of a single default should therefore be no more than 30% (secured) or 15% (unsecured) of average reserves, levels which are considered prudent. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors in table 2 above. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Liquidity Management: The Authority uses an excel based cash flow forecasting tool to determine the maximum period for which funds may prudently be committed. Amounts are held on an ongoing basis in instant access accounts to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit [rating] or [score]	e.g. [A-] or [5.0]

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk. Where cash is forecast to drop below £2m in the following 5 working days, additional short term borrowing should be taken out. Where cash falls below £1m this should be reported to the S151 officer or deputy.

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be as follows:

	Existin g Level 31.12.1 6	2016/17 Approv ed £m	2017/18 £m	2018/19 £m	2019/20 £m
Upper limit on fixed interest rate exposure	46.9	100.0	100.0	100.0	100.0
Upper Limit on Net Variable Interest Rate Exposure	21.2	50.0	58.0	50.0	50.0

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

In the table above, LOBO loans have been classed as fixed rate instruments. The Authority is currently paying a fixed rate of interest. They may be called at each 6 monthly interval, but this outcome is not expected in the current interest rate climate and they could be replaced with a PWLB loan at a lower rate of interest if this did occur.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Level at 31/12/16 % - £m	Lower Limit for 2017/18 %	Upper Limit for 2017/18 %
Under 12 months – LOBO's	27% - £13.6m	0	50
Under 12 months – Other	6% - £3.0m	0	
12 months and within 24 months	0% - £0.0m	0	25
24 months and within 5 years	10% - £4.9m	0	45
5 years and within 10 years	15% - £7.7m	0	30
10 years and above	42% - £20.7m	0	100
TOTAL	100% - £49.9m		

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£5m	£5m	£5m

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or WG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives: In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Investment Training: The needs of the Authority's treasury management staff for training in investment management are assessed on an ongoing basis as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Investment Advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is assessed at the contract tender stage by comparing to other market leaders and their historical track record. It is then monitored by on-going interaction with treasury personnel. The Authority maintains the quality of the service with its advisors by holding quarterly meetings and tendering periodically.

Investment of Money Borrowed in Advance of Need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £147 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2017/18 is £8,600, based on an average investment portfolio of £5.7 million at an interest rate of 0.15%. The budget for debt interest paid in 2017/18 is £3.0 million, based on an average debt portfolio of £102 million at an average interest rate of 2.9% being made up of a mixture of long and short term debt. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of finance/S151 officer, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of lower risk counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties including some which may have higher risk and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow at long-term fixed interest rates instead of short term	Debt interest costs will rise in the short term but may level out in the medium term; this is unlikely to be offset by higher investment income in the short term	Long-term interest costs may be more certain
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise in the short term and medium term; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow more / even shorter-term or variable loans instead of long-term fixed interest rates	Debt interest costs will initially be lower but this is more time consuming for the treasury team	Debt interest costs will reduce in the short term but the benefit will reduce in the medium / long term; long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income; But there is a minimum level of cash that can sensibly be managed due to the uncertainty of cash flow requirements. Emergency loans at high costs may need to be taken out.	Reduced investment balance leading to a lower impact in the event of a default OR the Authority could run out of cash required to carry out its day to day activities. Long-term interest costs may be less certain

Annex A- Arlingclose Economic & Interest Rate Forecast November 2016

Assumptions underpinning the proffered strategy:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.
- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.
- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.
- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.
- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.
- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.
- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.
- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.
- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec -16	Mar -17	Jun -17	Sep -17	Dec -17	Mar -18	Jun -18	Sep -18	Dec -18	Mar -19	Jun -19	Sep -19	Dec -19	Ave rage
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.12
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.40
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.18
Arlingclose Central Case	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.29
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.34
1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.60	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.70	0.85	0.90	0.90	0.90	0.65
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.24
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	0.50	0.40	0.35	0.35	0.35	0.40	0.40	0.40	0.45	0.50	0.55	0.60	0.65	0.45
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.47
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.15	0.95	0.85	0.85	0.85	0.85	0.85	0.90	0.95	1.00	1.05	1.10	1.15	0.96
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.47

20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.70	1.50	1.40	1.40	1.40	1.40	1.40	1.45	1.50	1.55	1.60	1.65	1.70	1.75
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.60	1.40	1.30	1.30	1.30	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.60	1.41
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57

Annex B - Existing Investment & Debt Portfolio Position

	31 st Dec 2016 Actual Portfolio £m
External Borrowing:	
Public Works Loan Board Fixed rate	33.3
Public Works Loan Board Variable rate	13.5
Local authorities (S/T)	17.0
Welsh Government Loans	0.5
LOBO loans from banks	<u>13.6</u>
Total External Borrowing	77.9
Other Long Term Liabilities:	
PFI	0.8
Other deferred liabilities	0.4
Total Gross External Debt	79.1
Investments:	
Banks & building societies (unsecured)	5.9
Government (incl. local authorities)	0.0
Money Market Funds	3.4
Total Investments	9.3
Net Debt	69.8

Annex C – MRP Statement 2017/18

The Welsh Government's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

Note: This does not preclude other prudent methods.

MRP in 2017/18:

Options 1 and 2 can only be used for supported Non-HRA capital expenditure funded from borrowing (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government). Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses).

The MRP Statement will be submitted to Council before the start of the 2017/18 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

MRP on Supported Borrowing funded Expenditure

The Authority's current policy is to apply Option 2 in respect of supported capital expenditure funded from borrowing. A report received by Council on 17th November 2016 approved a change from a 4% reducing balance approach to a 2% straight line basis.

MRP on Unsupported Borrowing funded Expenditure

The Authority's policy is to apply Option 3 (asset lives basis) in respect of unsupported capital expenditure funded from borrowing. A report received by Council on 17th December 2015 approved a change to the annuity method – whereby the MRP element increases over time to reflect a consistent charge over the assets life taking into account the real value of money

MRP in respect of leases and PFI

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the CIPFA Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

The 2017-18 budget proposals reflect these 3 positions.

TREASURY MANAGEMENT POLICY STATEMENT 2017/18

1 INTRODUCTION AND BACKGROUND

- 1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.
- 1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-
- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and a semi-annual report and an annual report after its close.
- 1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Audit Committee and for the execution and administration of treasury management decisions to Head of Finance (S151 officer), who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 1.5 The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies and they will receive the mid-year report on Treasury Management activities.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

- 2.1 The Council defines its treasury management activities as:
- “The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore

committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

As CIPFA states the policy statement should also include the Council's high level policies for borrowing and investments:

- 2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
- 2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

3. Approach to Risk Management

- 3.1 This section identifies the risks that the Council faces as a result of it undertaking treasury management activities.

Liquidity risk
Credit (or counterparty) risk
Interest rate risk
Inflation rate risk
Exchange rate risk
Market risk
Refinancing risk
Procedural risk
Legal and regulatory risk

The Council manages these down to an acceptable level within the regulatory framework through the consideration and application of its Treasury Strategy and appropriate monitoring against agreed prudential indicators and limits.

Prudential Indicators for Capital Programme Proposals 2017/2021

Local Authorities determine their own programmes for capital investment in fixed assets. The Prudential Code is the code of practice supporting local authorities in taking decisions and underpins the system of capital finance. The key objectives of the Prudential Code are to ensure, within the Prudential Framework, that capital investment plans of the Authority are affordable, prudent and sustainable.

To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. These indicators are reported below based on actual, current and planned capital budget proposals as in the proposed 2017/2021 capital medium term financial plan.

Importantly, it should be noted that the proposed supported and unsupported borrowing results from the current and future capital budget proposals:

Borrowing budgeted in the capital budget proposals 2017/18 to 2020/21 is as follows: The 2017/18 figures are inclusive of slippage from 2016/17 as identified and reported as part of the month 6 capital monitoring process.

- General Unsupported borrowing of £1,000,000 2017/18 to 2020/21.
- 21st Century Schools – budgeted unsupported borrowing of £12,453,000 and £8,155,000 (adjusted for slippage) in 2016/17 and 2017/18.
- The solar farm – budgeted unsupported borrowing of £4,805,000 in 2016/17.
- £2,400,000 of supported borrowing in 2016/17 and £2,402,000 in 2017/18 to 2020/21 which assists in financing the core capital programme and is funded through Revenue Support grant from the Welsh Government.

Capital Expenditure

The actual capital expenditure and financing (excluding vehicle leasing) that was incurred in 2015/16 and the estimates of capital expenditure and financing for the current year and future years that are recommended for approval are:

	2015/16 Actual £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Capital Expenditure	18,845	50,911	41,029	13,900	6,141	5,391

The estimate of capital expenditure for the 2016/17 and 2017/18 financial years includes allowance for slippage of expenditure from the 2016/17 capital programme that was forecast at month 6 capital monitoring.

As stated in the Capital programme budget proposals the medium term programme has been drafted, and a programme constructed for the next four years. There will be opportunity for the programme to be reviewed annually.

Ratio of financing costs to net revenue stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2014/15 are:

	2015/16 Actual %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
Ratio of financing costs to net revenue stream	6.08	4.40	4.70	6.32	6.23	6.20

The estimates of financing costs include current commitments and the proposals in this budget report and are based on the actual and anticipated borrowing, net of investments.

Capital Financing Requirement

Estimates of the end of year Capital Financing Requirement for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2016 are:

	2015/16 Actual £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Capital Financing Requirement	114,077	126,429	134,256	132,576	130,947	128,942

The Capital Financing Requirement measures the authority's underlying need to borrow for capital purposes. In accordance with best professional practice, Monmouthshire County Council does not associate borrowing with particular items or types of expenditure, other than under its current policy for determining its Minimum Revenue Provision. The authority has an integrated treasury management strategy (last approved on 10th March 2016 by Council) and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

The Council manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day-to-day cash management, no distinction can be drawn between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the authority's underlying need to borrow for a capital purpose.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes a key indicator of prudence where Gross External Borrowing does not, except in the short term exceed the total of Capital Financing Requirement. This is the case for the preceding year plus

the estimates of any Capital Financing Requirement for the current and next two financial years.

Net external borrowing is the borrowing budgeted to finance the capital programme (Gross External borrowing) offset by the levels of cash and investments.

	2015/16 Actual £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Net External borrowing	83,411	84,811	111,811	103,811	96,811	95,811
Gross External borrowing	94,811	84,811	111,811	103,811	96,811	95,811
Capital Financing Requirement	114,077	126,429	134,256	132,576	130,947	128,942

The Head of Finance, as the Authority's S151 officer, reports that the Authority had no difficulty meeting this requirement in 2015/16, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Authorised Limit for External Borrowing

In respect of external debt, it is recommended that the Council approves the following Authorised Limit for its total external debt gross of investments for the next four financial years.

	2015/16 Actual £000	2016/17 Limit set £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Borrowing	123,811	119,012	147,423	144,816	143,311	142,311
Other long term liabilities	2,737	2,707	2,677	2,647	2,617	2,587
Total	126,548	121,719	150,100	147,463	145,928	144,898

These limits separately identify borrowing from other long-term liabilities. The Council is asked to approve these limits and to delegate authority to the Head of Finance, within the total limit for any year, to effect movement between the separately agreed limits of borrowing and other long-term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Audit Committee or Council at the next opportunity following the change.

These limits are consistent with the authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of the most likely, prudent but not worse case scenario, with sufficient headroom over and above this to allow for operational management, for example unusual cash movements.

Operational Boundary for External Debt

The Council is also asked to approve the following Operational Boundary for external debt for the same period.

	2015/16 Actual £000	2016/17 Limit Set £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020 Estimate £000
Borrowing	102,811	98,812	127,233	124,616	123,111	122,111
Other long term liabilities	1,237	1,207	1,177	1,147	1,117	1,087
	104,048	100,019	128,400	125,763	124,228	123,198

The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the Authorised Limit to allow, for example, for unusual cash movements and equates to the maximum of external debt projected by this estimate.

The Operational Boundary represents a key management tool for in-year monitoring by the Head of Finance. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is asked to delegate authority to the Head of Finance, within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the Authorised Limit. Any such changes will be reported to the Audit Committee or Council at the next opportunity following the change.

The Council's actual external debt at 31 March 2016 was £96.0 million, comprising £94.8 million borrowing and £1.2 million other long-term liabilities. It should be noted that the actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.

In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2017/18 would be the statutory limit determined under section 3(1) of the local Government Act 2003.

Incremental impact of new capital investment decisions on Council Tax

A key measure of affordability is the incremental impact on the Council Tax, and the Council should consider different options for its capital investment programme in relation to their differential impact on the Council Tax.

The incremental impact works on the basis that supported borrowing is funded through Revenue Support Grant. The calculation is therefore determined by establishing the revenue impact of:

- Unsupported borrowing – in terms of interest payments and the statutory Minimum Revenue Provision (MRP)
- Any revenue savings or costs that have been identified and that will result from capital schemes being delivered

The current capital budget proposals, using current information available, would have the following impact:

	2015/16 Actual £ p	2016/17 Estimate £ p	2017/18 Estimate £ p	2018/19 Estimate £ p	2019/20 Estimate £ p	2020/21 Estimate £ p
Effect on Band D Council Tax	2.03	36.85	17.17	2.52	2.58	1.88

The notable incremental impact in 2016/17 is due to the high level of borrowing required to fund the 21C schools programme.

Joy Robson
Responsible Financial Officer

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