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To: All Members of the Council

30 November 2016

Dear Councillor

You are invited to attend a meeting of the Flintshire County Council which will be held at 2.00 pm on Tuesday, 6th December, 2016 in the Council Chamber, County Hall, Mold CH7 6NA to consider the following items:

A G E N D A

1 APOLOGIES FOR ABSENCE

Purpose: To receive any apologies.

2 COUNCIL MINUTES (Pages 3 - 10)

Purpose: To confirm as a correct record the minutes of the previous meeting held on 15 November 2016.

3 DECLARATIONS OF INTEREST

Purpose: To receive any Declarations and advise Members accordingly.

4 PETITIONS

Purpose: To receive any Petitions.

5 PUBLIC QUESTION TIME

Purpose: To receive any Public Questions.

6 QUESTIONS

Purpose: To note the answers to any questions submitted in accordance with County Council Standing Order No. 9.4(A).

7 NOTICE OF MOTION

Purpose: To consider any Notices of Motion.

8 2017/18 COUNCIL FUND BUDGET STAGE 2 (Pages 11 - 50)

Report of Chief Executive and Corporate Finance Manager

Purpose: To approve the Corporate Financial Stewardship options following consideration of feedback from Corporate Resources Overview and Scrutiny Committee on 30/11/16 and set out the next stages in the budget process for 2017/18

9 LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES (LDBCW) ELECTORAL REVIEW – POLICY AND PRACTICE (Pages 51 - 90)

Report of Chief Executive

Purpose: The Local Democracy and Boundary Commission for Wales have published their Electoral reviews: Policy and practice which sets out how they will be reviewing all 22 principal councils in time for the 2022 council elections – the report of the chief executive provides opportunity for Members to consider the review proposals and process.

Yours sincerely



Robert Robins
Democratic Services Manager

WEBCASTING NOTICE

This meeting will be filmed for live broadcast on the Council's website. The whole of the meeting will be filmed, except where there are confidential or exempt items, and the footage will be on the website for 6 months.

Generally the public seating areas are not filmed. However, by entering the Chamber you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and / or training purposes.

If you have any queries regarding this, please contact a member of the Democratic Services Team on 01352 702345

FLINTSHIRE COUNTY COUNCIL
15th NOVEMBER 2016

Minutes of the meeting of Flintshire County Council held in the Council Chamber, County Hall, Mold on Tuesday, 15th November 2016

PRESENT: Councillor Peter Curtis (Chairman)

Councillors: Bernie Attridge, Glyn Banks, Marion Bateman, Haydn Bateman, Helen Brown, Derek Butler, Clive Carver, David Cox, Paul Cunningham, Ron Davies, Adele Davies-Cooke, Alan Diskin, Glenys Diskin, Ian Dunbar, Andy Dunbobbin, Brian Dunn, David Evans, Veronica Gay, Robin Guest, Ron Hampson, George Hardcastle, David Healey, Cindy Hinds, Ray Hughes, Joe Johnson, Rita Johnson, Christine Jones, Kevin Jones, Richard Jones, Brian Lloyd, Richard Lloyd, Mike Lowe, Dave Mackie, Nancy Matthews, Hilary McGuill, Ann Minshull, Billy Mullin, Mike Peers, Neville Phillips, Gareth Roberts, Ian Roberts, David Roney, Aaron Shotton, Paul Shotton, Ian Smith, Nigel Steele-Mortimer, Carolyn Thomas, David Williams, David Wisinger, Arnold Woolley, and Matt Wright

APOLOGIES:

Councillors: Alex Aldridge, Chris Bithell, Chris Dolphin, Rosetta Dolphin, Carol Ellis, Jim Falshaw, Alison Halford, Dennis Hutchinson, Hilary Isherwood, Colin Legg, Phil Lightfoot, Tim Newhouse, Sara Parker, Vicky Perfect, Mike Reece, Tony Sharps, Owen Thomas and Sharon Williams.

IN ATTENDANCE:

Chief Executive, Chief Officer (Governance), Chief Officer (Organisational Change 1), Chief Officer (Organisational Change 2), Chief Officer (Community & Enterprise), Chief Officer (Streetscene & Transportation), Chief Officer (Social Services), Chief Officer (Education & Youth), Corporate Finance Manager, Finance Manager (Technical Accountancy), Finance Manager, and Committee Officers

57. PRESENTATIONS

Recognition of RIO Paralympics success

The Chief Executive introduced and welcomed Sabrina Fortune and Beverley Jones. He commented on the success of the RIO Paralympic 2016 games and the outstanding achievements which had been gained by paralympic athletes. He gave background information and said that Great Britain had achieved a total of 147 medals in the Games including 64 Gold and 1 Bronze. The Chief Executive paid tribute to the outstanding achievements and invited the Chairman to express his congratulations.

The Chairman reported that Beverley was a seasoned athlete and that Rio was her fifth consecutive Games. Her paralympic achievements had started in Sydney in 2000 and she competed in Athens in 2004, Beijing 2008, and had won Bronze in London 2012. During the Paralympic Games in Rio, Beverley had finished fifth in the Women's Discus Throw F37/38.

The Chairman advised that Sabrina was a former Argoed High School pupil. Rio 2016 was Sabrina's first Paralympics Games and she achieved a personal best of 12.94m in the Women's F20 Shot Putt which had secured her a Bronze medal. Sabrina was the first Welsh Athlete to win a medal and now had her sights set on Tokyo 2020.

The Chairman expressed his admiration and thanks to Beverley and Sabina for their achievements on behalf of Wales and Flintshire.

Councillor Hilary McGuill said both athletes were excellent ambassadors for disability sports and congratulated them on their personal achievements. She commented on the work Beverley and Sabrina had undertaken in local schools to inspire and encourage the younger generation and thanked them for their support.

Councillor Kevin Jones also paid tribute to Beverley and Sabrina for the achievements they had gained on behalf of their families, Flintshire, Wales, and all paralympians. He thanked them for their attendance and wished them well in their future aspirations.

Councillor Ron Davies reiterated the sentiments which had been expressed by Members and spoke of the associated pride of local residents in the Shotton Ward.

58. COUNCIL MINUTES

The minutes of the meeting held on 19th October 2016 had been circulated with the agenda.

Accuracy

The following Members stated that they were present at the meeting but their attendance had been recorded under apologies: Councillors Robin Guest, Richard Jones, and Nigel Steele-Mortimer.

Councillor Mike Peers referred to his request on page 10 that the call in meeting which related to car park changes could be included within the Annual Report and said the date of the call in meeting was 14 May 2015 not 2016 as stated.

Matters arising

Councillor Hilary McGuill said she had not yet had a response to her question on page 9 concerning whether the Council had any consultants which were incentive led. The Chief Officer (Governance) advised that the Procurement Service was compiling the information required and apologised that it had not been provided yet. He explained that it was being progressed and that he would chase the matter further. The Chief Executive advised that it was the exception rather than the rule for consultants to be incentive-led in Flintshire and said it was normally flat fee based work on a task and finish basis.

RESOLVED:

That subject to the above amendments, the minutes be approved as a correct record.

59. DECLARATIONS OF INTEREST

There were no declarations of interest.

60. PETITIONS

The Chief Officer (Governance) advised that none had been received.

61. PUBLIC QUESTION TIME

The Chief Officer (Governance) advised that none had been received.

62. QUESTIONS

The Chief Officer (Governance) advised that none had been received.

63. NOTICE OF MOTION

The Chief Officer (Governance) advised that none had been received.

64. WELSH LOCAL GOVERNMENT PROVISIONAL SETTLEMENT 2017/18

The Chief Executive introduced the report to provide a summary of the Provisional Welsh Local Government Financial Settlement announced as part of the Welsh Government budget for 2017/18. He advised that the figures were provisional at this stage and the Final Settlement was expected on 21 December 2016. Consultation on the provisional settlement was open until 30 November 2016. The Chief Executive explained that he and the Leader would produce a formal response to the Welsh Government (WG) on the Provisional Settlement consultation.

The Chief Executive provided background information and context and commented on the slight increase in funding which had been made to the Welsh Government budget and the significant priority and investment which had been given to the NHS in Wales which included funding for winter pressures and additional funding to support the Health Boards in deficit. He also commented on the Council's campaign for an improved settlement than that forecasted and had pressed for a 'flat line' or 'cash flat' settlement for 2017/18 with no reduction in core grant, and the collective local government case on cost pressures with specific emphasis on social services. He reported that Welsh Government Ministers had listened to the cases put forward and there had been some positive improvement to the Settlement, however, the pressures continued in social care and workforce costs.

The Chief Executive gave a presentation which covered the following areas:

- Welsh Government Budget
- State of the Nation

- Local Impacts of the Settlement
- The Flintshire Case
- Responding to the Consultation

Councillor Aaron Shotton thanked the Chief Executive for his presentation and the information on the impacts of the draft provisional local government settlement. He said the purpose was to keep Members fully informed of the impact of the Settlement and to formulate the Council's consultation response to Welsh Government (WG). He took the opportunity to thank all Members, Council employees, and members of the community who had given their assistance and support to the lobbying case for funding to the WG. He spoke of the Council's consistent and resolute stance in not accepting austerity and passport cuts year on year to front line services. He advised that service business plans were now 'maxed out' in terms of the efficiencies that could be found and therefore the broadly 'flat lined' Settlement which had brought some improvement to Flintshire's forecasted position was welcomed and to be acknowledged in the consultation response. Councillor Shotton emphasised the need for the Council to continue to be consistent in its 'asks' to the WG for assistance specifically social care.

Councillor Shotton thanked Members for their attendance at the recent public engagement events which had been held across Flintshire and spoke of the public responses which had indicated support for the Council's lobbying case to both the National and Welsh Government for some relief to protect front line services and a change in the national fiscal policy. He commented on the need for a fair funding formula and said that whilst Flintshire had the 6th largest population in Wales it was 19th out of 22 local authorities in terms of its funding position by the WG. He continued that Flintshire was a low funded Council per capita. He asked Members to support the proposals and feed any further concerns they had into the final consultation response to the WG.

Councillor Kevin Jones referred to the Single Environment Grant. He explained that during a recent meeting with the Minister and Welsh Local Government Association he had been informed that there would be a 6.7% to 6.8% reduction in the grant. He explained that the grant, which had previously been the Waste Management Strategic Grant, had suffered significant cuts for a number of years and he had previously expressed fears that failure to incorporate the grant within the Revenue Support Grant (RSG) would leave it susceptible to further cuts. He said he had been particularly concerned that it had been announced as a Single Environment Grant. He explained that a number of areas of work which had previously been undertaken by the Environment Agency and had since been incorporated into a new body, had left a number of elements of work to be passported to local authorities. At a further meeting he had been informed of proposed further reductions (50%) to section environment grants and waste management grants and that from next year any capital that may be available for grant aid from the WG would be concentrated on flood risk management. He commented on the significant cost of flood management and schemes and said that the majority of funding available would be used for this purpose and leave little to continue the work for waste management and recycling charges. He advised that Flintshire had made good progress on waste and recycling management and commented on the efficiencies, improvements, and continued investment that had been achieved in the service to date. He asked that his concerns around any further

proposed cuts in funding to the grant be included in the consultation response to the Welsh Government.

Councillor Mike Peers concurred with the views expressed by Councillor Aaron Shotton concerning the disparity between what local authorities received under the current funding formula system for local government. He also commented on the need to question how the WG managed its funding from national government and whether some capital/infrastructure plans could be deferred in view of the present levels of austerity being imposed on local government.

Councillor Richard Jones emphasised that although Flintshire had received a 0.1% increase in the Provisional Settlement this was the Welsh average, and expressed the view that the WG had not yet accepted the case that Flintshire was a low funded Council. He commented on the amount of funding which had been passported by the WG to support the NHS. The Chief Executive commented that the Council had achieved the objective of a 'flat-line' Settlement, and on the need to continue to lobby the case on the funding formula and how it was distributed to local government.

Councillor Gareth Roberts suggested that the Council might wish to consider the merits of introducing a scheme of local income tax which he felt was a fairer system of raising local government funding and would be simpler to implement.

Councillor Paul Shotton commented on the impact of the Settlement on the Communities First programme. He suggested that the work of the Communities First team be recognised by the Council and spoke of the help and support given by Communities First to entrepreneurial projects.

The Chief Executive advised that the written response to the consultation which would be produced by himself and the Leader, would be shared with Members for reference.

RESOLVED:

- (a) That the Provisional Settlement be noted;
- (b) That the impact on the budget for 2017/18, as set out in the agenda item on the Council Fund Budget 2017/18 - Stage 1 and 2, be noted; and
- (c) That the comments raised by Members be included in the Council response to the WG on the Provisional Settlement consultation.

65. COUNCIL FUND BUDGET 2017/18 – Stages 1 and 2

The Corporate Finance Manager introduced the report to provide an update on planning the 2017/18 Council Fund Budget and closing the significant 'gap', to recommend for adoption the Service Portfolio Business Plan proposals for 2017/18, and to seek endorsement on the Corporate Financial Stewardship proposals for review

by the Corporate Resources Overview and Scrutiny on 30 November 2016 prior to submission to County Council on 6 December 2016 for formal approval.

The Chief Executive commented on the clear and purposeful three year financial strategy and gave a joint presentation with the Corporate Finance Manager which covered the following areas:

- the on-going strategy
- critical point for Flintshire
- the projected 'budget gap' 2017/18
- where we left off in September
- Service portfolio Business Plans – Part 1
 - service reform – business plans
 - final changes to proposals
- Corporate financial stewardship - Part 2
 - conclusions of work to date
 - new and emerging pressures
 - ongoing work
- working with Welsh Government – Part 3
 - key national discussion points
 - impact of the provisional settlement
 - Domiciliary Care – charging levels
 - summary of overall budget position
- budget closing stages
- the medium term

Councillor Aaron Shotton formally moved the recommendations to the report and thanked the Chief Executive and Corporate Finance Manager for their comprehensive overview of Stage 1 of the budget proposals. He referred to the recommendation to endorse the strategy for Stage 2 of the budget and advised that a number of further corporate finance options to close the budget gap had been agreed at the meeting of Cabinet which had been held prior to County Council this afternoon. He said these proposals would be subject to further scrutiny at the meeting of the Corporate Resources Overview & Scrutiny meeting on 30 November 2016.

Councillor Shotton also spoke of the need to protect frontline services against the impacts of austerity. He commented on the further work to be done to bridge the 'gap' and set a balanced budget and took the opportunity give an assurance to Members, residents of Flintshire and service users, that the Council did not intend to bring forward any further proposals which would effect its services.

Councillor Richard Jones thanked the Chief Executive for his clarification during the presentation around the information provided on equalities impact assessments/statements received. However, he expressed concern that the information which Members had requested was a report on the consequences of the efficiencies and decisions that had been made regarding front line services. He raised a number of concerns around the level of efficiencies to be achieved, the financial process, and the information which had been provided so far.

In response to the concerns raised by Councillor Jones the Chief Executive advised that a commitment had been given to look at what impact assessment work was available and this had been shared with Members. He also explained that Members had been advised that if they had concerns regarding any specific budget proposals they would be provided with information in response to those enquiries, however, there had been no such requests as far as he was aware. Regarding the concern that the Council should be aiming for a higher level of efficiencies the Chief Executive emphasised that there were no further efficiencies to be found in the business plans and reiterated that it had been previously agreed with Members that the business plans were now 'maxed out'.

Councillor Mike Peers endorsed the views expressed by Councillor Richard Jones and said there was a need for Members to be provided with a report on the consequences of the efficiencies proposed to services. Referring to page 46 of the report, Councillor Peers asked for an explanation of the information provided in paragraph 1.27 regarding the £0.400m lower funding for the primary sector. He raised further concerns around pressures and commented on the need and the cost to comply with the new Welsh Language Standards. He suggested that as the Welsh Government had introduced and required that the Council be compliant with the Standards it should be asked to provide the funding to meet the need. He also asked for further explanation to be provided relating to the electricity generated on solar farm sites, the car parking strategy and car parking charges. Officers responded in detail to the questions raised.

Councillor Robin Guest referred to the additional information which had been requested by members of the Corporate Resources Overview & Scrutiny Committee. He said it was the detail of what the consequences of the amendments to the budget and reductions in services would be, that was required. In addition an explanation of why the figures had changed from previous years was requested. He sought an assurance that the information requested by the members of the Committee would be provided before the next meeting on 30 November 2016. The Chief Executive agreed that the further information requested on consequences and mitigation would be provided to all Members for the meeting of the Corporate Resources Overview & Scrutiny Committee on 30 November 2016. He asked that Members forward any additional questions to the Corporate Finance Manager in advance of the meeting.

Councillor Richard Jones proposed an amendment to the recommendation to approve Stage 1 of the Budget proposals. He proposed that approval be provisional pending acceptance of the additional information to be provided to Members at the meeting of the Corporate Resources Overview and Scrutiny Committee on 30 November 2016. Members were asked to vote on the amendment and when put to the vote the amendment was lost.

Councillor Aaron Shotton acknowledged the request from Members for further information and assurance, however, he emphasised the need to progress and deliver the proposed efficiencies as early as possible. Commenting on the question concerning the Education budget which had been raised by Councillor Peers, Councillor Shotton gave an assurance that the Council would do its utmost to protect and increase schools budgets as much as possible.

RESOLVED:

- (a) That the Stage 1 budget proposals for 2017/18 be approved; and
- (b) That the strategy for Stage 2 of the budget for referral to Corporate Resources Overview & Scrutiny prior to presentation to Council on 6 December 2016, be endorsed.

66. MEMBERS OF THE PRESS AND PUBLIC IN ATTENDANCE

There was one member of the press and no members of the public present.

(The meeting started at 2.00pm and ended at 3.55pm)

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Chairman



FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 6 December 2016
Report Subject	2017/18 Council Fund Budget Stage 2
Report Author	Chief Executive and Corporate Finance Manager

EXECUTIVE SUMMARY

The annual Council Fund budget for 2017/18 is being developed in two stages:

- Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio plans; and
- Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) – corporate financial stewardship and working with Welsh Government.

Stage Two proposals on corporate financial stewardship were considered by Corporate Resources Overview and Scrutiny Committee on 30 November 2016 and the feedback from the meeting is to be considered by Cabinet on 6 December 2016.

Details of the options are included in Appendix 1 which is attached to this report.

RECOMMENDATIONS

1	Council to receive and determine the final recommendations of Cabinet on Stage 2 of the annual budget.
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REPORT DETAILS

1.00	EXPLAINING THE PROGRESS MADE ON THE 2017/18 BUDGET
1.01	<p>The annual budget for 2017/18 is being developed in two stages:</p> <ul style="list-style-type: none">• Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio plans; and• Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) – corporate financial stewardship and working with Welsh Government. <p>Stage One of the budget was concluded at the Council meeting in November.</p> <p>Cabinet and Council gave first consideration to the Stage Two developing proposals in November.</p> <p>Detailed review of the Corporate Financial Stewardship options was given by the Corporate Resource Overview and Scrutiny Committee on 30 November. Their considerations are to be presented to Cabinet on the morning of 6 December. The Cabinet report is attached at Appendix 1.</p> <p>A verbal update on from the Cabinet meeting this morning will be given at Council this afternoon.</p>
2.00	RESOURCE IMPLICATIONS
2.01	<p>As set out in the report to Corporate Resource Overview and Scrutiny Committee which is appended to this report.</p>
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>Consultation with Group Leaders, Overview and Scrutiny Committees, senior officers and service teams, and external partners have been held in the development of the business plans, budget proposals and financial resilience assessments. Specialist external advisors and our external auditors were specifically consulted on the review of Minimum Revenue Provision (MRP). Their advice was reported to the Overview and Scrutiny Committee. Council formally adopted Stage One of the budget, and was given an overview of the developing Stage Two proposals in November.</p>

4.00	RISK MANAGEMENT
4.01	The budget proposals have been risk assessed stage by stage. Statements of risk and mitigation are included in the respective reports over the process of budget development and approval. Specific risk statements on each of the Stage Two proposals are included within the appended report.

5.00	APPENDICES
5.01	Appendix 1. Report to Cabinet 6 December 2016

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Colin Everett, Chief Executive and Gary Ferguson, Corporate Finance Manager Telephone: 01352 702121 E-mail: Chief.executive@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p>Central Loan and Investment Account (CLIA): brings together the revenue costs of all Council's borrowing and investment activity. Contains; interest on debt, MRP (see below), Treasury Management costs (staff, advisors, software etc., charges for debt rescheduling undertaken in earlier years and income generated from investments. Also referred to as Capital Financing Charges.</p> <p>Minimum Revenue Provision (MRP): method for charging (debt-funded) capital expenditure to the revenue account in local authority accounts. Full Council sets an MRP policy annually selecting from a range of options contained with Welsh Regulations set by Welsh Government.</p>

Supported Borrowing: funding is provided by Welsh Government through the Revenue Support Grants to cover the revenue debt financing costs of interest and provision for debt repayment.

Council Tax Premium: The introduction of the Housing (Wales) Act 2014 now gives local authorities in Wales the discretion to charge up to a 100% council tax premium on long term empty properties and/or second homes/holiday homes from April 2017 (in addition to the standard level of Council Tax paid). For the purpose of charging the Premium, long term empty properties are defined as those which are both unoccupied and unfurnished for a continuous period of at least one year. Second homes are defined as properties which are not a person's sole or main residence and substantially furnished.

Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.

CABINET

Date of Meeting	Tuesday, 6 December 2016
Report Subject	2017/18 Council Fund Budget – Stage 2
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The annual Council Fund budget for 2017/18 has been developed in two stages:

- Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio plans; and
- Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) – corporate financial stewardship and working with Welsh Government.

The Stage One proposals were approved by Council in November.

The Stage Two proposals on corporate financial stewardship were to be considered by Corporate Resources Overview and Scrutiny Committee on 30 November 2016. Written feedback will be provided from the Overview and Scrutiny Committee prior to this meeting.

RECOMMENDATIONS

1	That Cabinet consider the feedback from the Special Corporate Resources Overview and Scrutiny meeting held on 30 November.
2	That Cabinet recommend to Council a final set of detailed proposals for Stage Two of the budget.

REPORT DETAILS

1.00	EXPLAINING THE PROGRESS MADE ON THE 2017/18 BUDGET
1.01	<p>The annual council fund budget for 2017/18 is being developed in two stages:</p> <ul style="list-style-type: none">• Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio plans; and• Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) – corporate financial stewardship and working with Welsh Government. <p>Stage One of the budget was concluded at the Council meeting in November.</p> <p>Cabinet and Council gave first consideration to the Stage Two developing proposals in November. The proposals were referred to the Corporate Resources Overview and Scrutiny Committee for detailed review. The feedback of the Committee which met on 30th November 2016 will be provided for the Cabinet meeting. The detailed Stage Two report presented to the Overview and Scrutiny Committee is appended.</p>
2.00	RESOURCE IMPLICATIONS
2.01	<p>As set out in the report to Corporate Resource Overview and Scrutiny Committee which is appended to this report.</p>
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>Consultation with Group Leaders, Overview and Scrutiny Committees, senior officers and service teams, and external partners were held in the development of the business plans, budget proposals and financial resilience assessments. Specialist external advisors and our external auditors were specifically consulted on the review of Minimum Revenue Provision (MRP). Their advice was reported to the Overview and Scrutiny Committee. Council formally approved Stage One of the budget, and was given an overview of the developing Stage Two proposals in November.</p>
4.00	RISK MANAGEMENT
4.01	<p>The budget proposals have been risk assessed stage by stage. Statements of risk and mitigation are included in the respective reports</p>

	over the process of budget development and approval. Specific risk statements on each of the Stage Two proposals are included within the appended report.
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5.00	APPENDICES
5.01	Report to Corporate Resource Overview and Scrutiny Committee on 30 th November.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Colin Everett, Chief Executive and Gary Ferguson, Corporate Finance Manager</p> <p>Telephone: 01352 702121</p> <p>E-mail: Chief.executive@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p>Central Loan and Investment Account (CLIA): brings together the revenue costs of all Council's borrowing and investment activity. Contains; interest on debt, MRP (see below), Treasury Management costs (staff, advisors, software etc., charges for debt rescheduling undertaken in earlier years and income generated from investments. Also referred to as Capital Financing Charges.</p> <p>Minimum Revenue Provision (MRP): method for charging (debt-funded) capital expenditure to the revenue account in local authority accounts. Full Council sets an MRP policy annually selecting from a range of options contained with Welsh Regulations set by Welsh Government.</p> <p>Supported Borrowing: funding is provided by Welsh Government through the Revenue Support Grants to cover the revenue debt financing costs of</p>

interest and provision for debt repayment.

Council Tax Premium: The introduction of the Housing (Wales) Act 2014 now gives local authorities in Wales the discretion to charge up to a 100% council tax premium on long term empty properties and/or second homes/holiday homes from April 2017 (in addition to the standard level of Council Tax paid). For the purpose of charging the Premium, long term empty properties are defined as those which are both unoccupied and unfurnished for a continuous period of at least one year. Second homes are defined as properties which are not a person's sole or main residence and substantially furnished.

Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.



CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Wednesday, 30 November 2016
Report Subject	2017/18 Council Fund Budget – Stage 2
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The annual Council Fund budget for 2017/18 is being developed in two stages:

- Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio plans; and
- Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) - corporate financial stewardship and working with Welsh Government.

On the recommendation of Cabinet, the Council at its recent meeting (15 November) approved Stage One of the budget in advance of the completion and presentation of the full and final budget in February 2017.

Both Cabinet and Council considered, in the same series of November meetings, the working proposals for Stage Two of the budget. These working proposals have been referred to the Corporate Resources Overview and Scrutiny Committee for review, scrutiny and comment.

This report sets out the Stage Two proposals in more detail and provides a statement of risk on each proposal. The commentary of the Committee will be reported back to Cabinet for consideration on 6 December. Cabinet will make recommendations on Stage Two, having taken into account the comments and advice of the Committee, to Council later that day.

RECOMMENDATIONS

1	To review, scrutinise and comment on the Corporate Financial Stewardship proposals.
2	To offer any other options for consideration for balancing the budget as part of Stage Two.

REPORT DETAILS

1.00	Financial Strategy and Forecast
1.01	The Council has recently updated its three year Medium Term Financial Strategy (MTFS) for the period 2016/17 – 2018/19 The new summary is available in hard copy on request and can be accessed by following the hyperlink: http://www.flintshire.gov.uk/en/PDFFiles/Medium-Term-Financial-Strategy/2016-19-summary-document/Medium-Term-Financial-Strategy-Summary-2016-2019.pdf
1.02	<p>In April this year the Cabinet re-adopted the three part approach for financial planning set out within the MTFS. This three part strategy forms the basis for planning the annual budget for 2017/18 and the financial years immediately thereafter:-</p> <ul style="list-style-type: none">• Service Reform (Part 1)• Corporate Financial Stewardship (Part 2)• Working with Welsh Government (Part 3)
1.03	<p>The annual budget is being developed in two stages:</p> <ul style="list-style-type: none">• Stage One: which covers Part 1 of our Medium Term Financial Strategy (MTFS) – service reform based on the service portfolio plans; and• Stage Two: which covers Parts 2 and 3 of our Medium Term Financial Strategy (MTFS) - corporate financial stewardship and working with Welsh Government.
1.04	<p>The Financial Forecast</p> <p>The original forecast for the 2017/18 financial year, the third and final year of this edition of MTFS, set a likely 'gap' of £13.7m. This forecast was updated and reported to the Overview and Scrutiny Committees in July 2016 as set out in Table 1 below.</p>

1.05	<p>Table 1: Financial Forecast 2017/18-2018/19</p> <table border="1" data-bbox="359 181 1345 640"> <thead> <tr> <th></th> <th>2017/18</th> <th>2018/19</th> </tr> <tr> <th>Expenditure</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>National Pressures</td> <td>0.7</td> <td>0.3</td> </tr> <tr> <td>Local Pressures</td> <td>6.2</td> <td>1.6</td> </tr> <tr> <td>Inflation</td> <td>3.1</td> <td>3.2</td> </tr> <tr> <td>Workforce Pressures</td> <td>4.1</td> <td>0.7</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <th>Income</th> <td></td> <td></td> </tr> <tr> <td>Reduction in Revenue Support Grant</td> <td>2.8</td> <td>2.7</td> </tr> <tr> <td>Council Tax increase</td> <td>(2.5)</td> <td>(2.3)</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>Projected Gap</td> <td>14.40</td> <td>6.20</td> </tr> </tbody> </table> <p>Footnotes to Table 1:</p> <ol style="list-style-type: none"> 1. Revenue Support Grant for 2017/18 and 2018/19 is modelled on an illustrative reduction of 1.5% 2. National and local pressures are working estimates based on latest information. The latest revision includes initial estimates of the sizeable increase in care sector costs, and insurance costs 3. Pay inflation is assumed at 1% for 2017/18 and 2018/19 4. Limited provision is made for price inflation 5. Workforce pressures include the ongoing impact of Single Status, Auto-enrolment, the Apprentice Tax Levy and the outcome of the Clwyd Pension Fund Actuarial Review 6. Council Tax is illustrated at a 3% annual increase for 2017/18 and 2018/19 		2017/18	2018/19	Expenditure	£m	£m	National Pressures	0.7	0.3	Local Pressures	6.2	1.6	Inflation	3.1	3.2	Workforce Pressures	4.1	0.7				Income			Reduction in Revenue Support Grant	2.8	2.7	Council Tax increase	(2.5)	(2.3)				Projected Gap	14.40	6.20
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1.06	<p>Stage 1 – Service Reform</p> <p>This part of the budget planning for 2017/18 is now complete following the resolution passed by Council on 15 November.</p>																																				
1.07	<p>Stage 2 - Part 2 Corporate Financial Stewardship</p> <p>As the second part of the budget strategy, detailed work has been undertaken to offset or reduce cost pressures through corporate financial stewardship. The outcomes of this work is summarised in Table 2 below.</p>																																				
1.08	<p>Table 2: Corporate Financial Stewardship</p> <table border="1" data-bbox="311 1608 1393 2063"> <thead> <tr> <th>Description</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Council Tax Base Increase</td> <td>0.345</td> </tr> <tr> <td>Independent Living Fund (ILF)</td> <td>0.412</td> </tr> <tr> <td>Transition to Adulthood</td> <td>0.162</td> </tr> <tr> <td>Flint Extra Care Scheme</td> <td>0.170</td> </tr> <tr> <td>Schools Investment</td> <td>0.400</td> </tr> <tr> <td>Apprentice Tax Levy</td> <td>0.470</td> </tr> <tr> <td>Central Loans and Investment Account (CLIA)</td> <td>2.690</td> </tr> <tr> <td>Total</td> <td>4.649</td> </tr> </tbody> </table>	Description	£m	Council Tax Base Increase	0.345	Independent Living Fund (ILF)	0.412	Transition to Adulthood	0.162	Flint Extra Care Scheme	0.170	Schools Investment	0.400	Apprentice Tax Levy	0.470	Central Loans and Investment Account (CLIA)	2.690	Total	4.649																		
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	<p>Each of these budget proposals is explained in detail in the paragraphs which follow.</p>
1.09	<p><u>Council Tax Base</u></p> <p>The original forecast for 2017/18 estimated an increase in the Tax Base of 0.75% in growth. Latest projections on number of new builds coupled with the requirement to build into the Tax Base the number of households that will be liable for the Council Tax Premium (bringing Council Tax on these properties to 150%) results in Tax Base growth of 1.25%.</p> <p>The change in the forecast to the tax base has resulted in an increased level of income of £0.345m.</p> <p>Risk statement: The level of risk to achieving this income target is low. Treatment is in accordance with guidance issued in October and a report on the Council Tax base was reported to Cabinet in November.</p>
1.10	<p><u>Independent Living Fund (ILF)</u></p> <p>UK Government had previously announced that the ILF would cease and that the responsibility for service users in the future would rest with devolved administrations.</p> <p>Flintshire supports a number of clients whose living care and support needs are funded via the ILF. This represents around 8.3% of the total ILF recipients living in Wales. The Social Services budget does not have the capacity to cater for this need in the event of there being no other alternative funded service framework to meet the ongoing needs of Flintshire residents who are current ILF clients.</p> <p>An amount of £0.412m had previously been included as a pressure to reflect the negative impact of this specific grant transferring into the main revenue support grant and the direct funding being lost. It has since been confirmed that the specific grant will continue at the same level for a further year. This means that the pressure can now be removed.</p> <p>Risk statement: The level of risk is low for 2017/18 with the continuation of specific funding for an additional year. The risk remains that the grant will be withdrawn in future years.</p>
1.11	<p><u>Transition to Adulthood</u></p> <p>Each year an assessment is made of the future pressures on Adult Social Services budgets based on the numbers of clients who are expected to have ongoing Social Care needs as they enter adulthood from childhood support. Such clients, who will become future school leavers, are assessed individually for future care needs.</p> <p>The original forecast for 2017/18 included a budget pressure of £0.640m for transition costs of social care clients moving into adulthood from Children's Services.</p>

	<p>A detailed and rigorous review of current client information has identified a reduction in the previous estimate. This results in a saving of £0.162m in 2017/18 with the overall pressure for transition being revised to £0.478m.</p> <p>Risk statement: The level of risk is low as the current estimate is based on a rigorous review of the care needs of current clients. However, any changes to the specific needs of clients, or any increase in the number of clients presenting for support, could increase the costs pressures.</p>
1.12	<p><u>Flint Extra Care Scheme</u></p> <p>The 2017/18 forecast currently includes a six month pressure of £0.250m for the costs of the above scheme together with a further pressure of £0.250m in 2018/19 - bringing the total pressure included in the MTFS to £0.500m.</p> <p>The cost pressure is based on the running costs of an new extra care facility, mainly employee and premises costs.</p> <p>The opening of the new facility is now set to be in early 2018. Therefore, the pressure for 2017/18 has been reduced by £0.170m to reflect the revised project timeframe.</p> <p>Risk Statement: The level of risk for 2017/18 is low. However, there will be a need to increase the amount required in the 2018/19 base budget to reflect the full annual operating costs of the new facility. Extra care is an improvement objective priority of the Council.</p>
1.13	<p><u>Schools Investment</u></p> <p>A full review of the level of school investment, including the levels of reserves held in the primary and secondary sector has been completed. The outcome of this work is that an uplift of 1.34% has been included for the overall schools budget. The level of uplift is £0.400m lower than first set out in the budget forecast.</p> <p>The options for distributing this funding to schools will need to take account of changes in demography, identified cost pressures, and the level of balances held across each sector.</p> <p>The level of reserves held by schools at the end of the 2015/16 financial year was as follows; primary schools £2.6m, secondary schools in deficit by £0.455m, and specialist schools £0.197m. The current forecasts for secondary schools shows a worsening financial position. The method for distributing the funding across schools is currently being worked through. The aim is to provide a base level of funding across all three sectors with a proportion of funding targeted to meet the identified need. There is ongoing consultation with the Heads Federations and the Schools Budget Forum.</p> <p>Risk Statement: The level of risk for 2017/18 is medium as the Council cannot meet the inflationary pressure being faced by schools in full. The ongoing sustainability of school budgets remains a concern.</p>

1.14	<p><u>Apprentice Tax Levy</u></p> <p>The Apprenticeship Levy will be a levy on UK employers to fund new apprenticeships. In England, control of apprenticeship funding will be put in the hands of employers through the Digital Apprenticeship Service.</p> <p>Welsh Government is yet to confirm arrangements for the use of the new levy which is due to be implemented at UK level from 1st April 2017. Use of the levy will be devolved in Wales. Updated guidance of the levy was received in October. This set out in more detail the basis on which the levy is to be calculated. This in turn led to further detailed modelling of the potential impact.</p> <p>The outcome of this calculation is that the levy of the Council, based on its workforce size, will be £0.699m. This is £0.229m higher than the original forecast of £0.470m following the publication of the guidance.</p> <p>In view of the Council's commitment to apprenticeships it is reasonable to press for full or part cost recovery through any distribution methodology set up by Welsh Government.</p> <p>For 2017/18 it is recommended that the levy is paid from reserves. A future funding strategy will be needed from 2018/19. For 2017/18 temporary funding from reserves will have a positive impact on the budget forecast of £0.470m.</p> <p>Risk Statement: The level of risk is low for 2017/18 due to the planned use of reserves. The risk level for future years is, in the absence of any working proposals for the use of the levy funds in Wales, high.</p>
1.15	<p><u>Central Loans and Investment Account (CLIA)</u></p> <p>The CLIA is the budget that brings together the costs and income generated from all the Council's borrowing and investing activity. Two of the biggest features are interest on debt, and provision for debt repayment called the Minimum Revenue Provision (MRP).</p> <p>Regulations require a local authority to each year set aside some of their revenue resources, as provision for the repayment of debt. This should be done in a way which is considered to be 'prudent'. There is a requirement to prepare an annual statement on the authority's policy for making minimum provision (MRP Policy). The Regulations do not define 'prudent' provision. Whilst Welsh Government have issued guidance - it is a judgement for the authority to make.</p> <p>A review of the Council's MRP Policy has been completed with advice from a standing external and independent advisor with wide experience of similar reviews with other authorities across England and Wales. The advice has centred on the options for accounting for this annual charge. A comprehensive report detailing all of the considerations was given to Cabinet in the last meeting cycle. This is attached as Appendix 1.</p>

	<p>The report recommends that the MRP Policy broadly remains the same - with a change in the provision made for outstanding capital expenditure funded from supported borrowing. The prudence of all options was critically appraised with the tests of affordability and sustainability applied. The 'straight line' method of calculation is considered to be the most prudent option.</p> <p>The recommendation is twofold:</p> <ul style="list-style-type: none"> • To fix the balance of outstanding capital expenditure funded from supported borrowing at the 31st March 2016, and transfer the method for calculating the MRP to a straight line method over a 50 year period. (The asset register was used to calculate, broadly, the useful life of assets as at 31st March as a proxy.) • For capital expenditure funded from supported borrowing incurred from the 1st April 2016 onwards change to a straight line method of calculating MRP over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits for the tax payer. <p>The impact will provide an initial benefit to the 2016/17 budget of £2.924m, and a net impact on the 2017/18 forecast of £2.520m. The benefits gradually reduce each year and the difference in charges for the next 100 years are outlined in full in Appendix 1. The change would result in a net annual benefit for the next two five year terms of the Council.</p> <p>Risk Statement: The level of is risk is low for 2017/18 as the bulk of the provision charged to revenue has been transferred to a fixed amount (for the next 50 years). Whilst there will be greater provision required for some years of the 50 year planning period the variations are reasonable in scale, and therefore affordable. The recommended method will lead to an eventual settlement of all historic debt and is a more sustainable method than the current method. The risk to the revenue budget in future year's centres around how the Council utilises its supported borrowing allocation from Welsh Government. When used to fund capital expenditure with a short period of benefit the charge to the revenue account will be higher than if used to fund capital expenditure with a longer period of benefit - for example, ICT equipment depreciates quicker and has a shorter asset life compared with a newly constructed school building.</p>
1.16	<p>The projected costs of interest on debt has also been reviewed. Interest rates, and the timing of borrowing was considered, with the impact of changing the MRP policy included. This has resulted in a reduction of £0.170m on the forecast previously included, mainly due to the interest rate on new debt being lower than originally forecast as a result of the UK's decision to leave the European Union.</p> <p>Risk Statement: The level of risk is medium for 2017/18, as interest on prior years debt is charged at fixed rates which forms the bulk of the interest costs. However, the interest rates on new debt is difficult to predict due to the level of volatility in financial markets that Brexit is causing.</p>

1.17	<p>New and Emerging Pressures</p> <p>As reported to Cabinet and Council in November, new and emerging pressures totalling £0.597m are now included in the budget proposals and further details on these are included in section 1.18 – 1.22.</p>
1.18	<p><u>Non – Domestic Rates Revaluation</u></p> <p>The Valuation Office Agency (VOA) has recently published the national results of a National Domestic Rates revaluation of rateable values for business properties which takes effect from 1st April 2017.</p> <p>The financial impact for the Council has been analysed as many of our own commercial properties are seeing rateable value increases particularly, schools, car parks and Council buildings. Overall, this has resulted in additional costs of £0.127m for Council properties.</p>
1.19	<p><u>Welsh Language Standards</u></p> <p>In order to comply with the new Welsh Language Standards an additional cost requirement of £0.035m is required for translation services.</p>
1.20	<p><u>Members’ Allowances</u></p> <p>Each year, the Independent Remuneration Panel for Wales (IRPW) determines the rates of payment which are to be made to elected and co-opted members of Welsh Local Authorities for the following municipal year.</p> <p>The recommended annual increase from Independent Remuneration Panel for member allowances requires additional budgetary provision of £0.007m (an increase of 0.75%)</p>
1.21	<p><u>Landfill Sites - Gas Engine Income</u></p> <p>Due to the reducing level of methane gas at the former landfill sites at Standard and Brookhill, the level of electricity generated has reduced further and income targets can no longer be achieved. This has caused an additional pressure (through loss of planned income) of £0.150m.</p>
1.22	<p><u>Workforce costs– unachieved efficiency</u></p> <p>An efficiency of £0.500m was included in the 2016/17 budget to reflect a managed further round of voluntary redundancies and other workforce costs.</p> <p>As reported in the budget monitoring report an amount of £0.222m has been achieved.</p> <p>The remaining £0.278m can no longer be achieved. All service business plans have maximised their workforce reduction cost targets. As reported previously to Cabinet and Overview and Scrutiny Committees the resilience of many services is rated as an ‘amber’ risk as a result of the reduction of workforce size and capacity. There is limited scope for further workforce reductions without compromising service resilience and continuity.</p>

1.23	<p>Further ongoing considerations – Corporate Financial Stewardship</p> <p>Work is ongoing in the following areas as detailed in paragraphs 1.24 to 1.28 below. This work, when complete, will need to form part of the final balancing considerations for the annual budget.</p>
1.24	<p><u>Actuarial Review</u></p> <p>As part of the triennial review of the Clwyd Pension Fund work is ongoing with the actuary to agree the employer pension contributions over the next three years. This work is nearing its conclusion. An increase in employer contributions costs of £1.3m has already been provided within the MTFs.</p>
1.25	<p><u>Auto Enrolment</u></p> <p>The Council's staging date for auto enrolment to the Pension Fund has been set as October 2017. A cost pressure of £0.558m is currently included in the forecast based on an assumption that 60% of eligible employees will remain in the scheme. There is an option to take a more risk based approach to this estimate and assume a lower level of take up and this will be subject to further consideration.</p>
1.26	<p><u>Income Strategy</u></p> <p>Work is also continuing on developing a corporate income policy covering all potential fees and charges, and the levels at which they are set. External expertise has been commissioned to guide this work with access to extensive information on charging policy and practice in other local authorities across the UK.</p>
1.27	<p><u>Local Taxation levels</u></p> <p>The forecast already assumes a Council Tax increase of 3% for 2017/18. The final level of Council Tax increase will be a decision for Members and will need to be considered in the context of the wider financial position at that time, including any changes proposed by other bodies such as the North Wales Fire and Rescue Authority whose levy is funded from Council Tax.</p>
1.28	<p><u>Use of Reserves</u></p> <p>There is the option for the prudent use of reserves to assist in the budget for 2017/18. The use of any reserves will only provide a one year solution.</p>

1.29	<p>Part 3 – Working with Welsh Government</p> <p>The Council continues to be actively involved in national discussions over the Welsh Government Budget for 2017/18 with the key issues under debate including:-</p> <ul style="list-style-type: none"> • the need for medium term financial planning at national level; • sufficient and sustainable levels of Revenue Support Grant (RSG) • reform of specific grants and retention of sufficient current grant funding levels to maintain services; • relaxing charging levels for services including domiciliary care; • meeting cost pressures of national legislative and public demand in key services such as social care; • recognition of the workforce cost impacts of the Living Wage in both directly provided services and commissioned services; and • local retention of Non Domestic Rate Relief (NNDR) growth by the collecting authority. (Growth is defined as the annual inflation in the NNDR yield for existing businesses plus additional contributions from new or expanding businesses within a County. <p>The areas under debate are a mixture of short-term or (immediate) issues and longer term issues. An update follows in 1.31 – 1.35.</p>
1.30	<p><u>Welsh Local Government Provisional Settlement 2017/18</u></p> <p>The Provisional Settlement was received on 19 October and a separate report to update Council which set out all of the details and the impact on our overall budget position was considered on 15th November.</p>
1.31	<p>In headline terms the settlement was broadly ‘flatline’ when taking account of adjustments which has a positive impact on the forecast reduction of 1.5% of £2.8m.</p>
1.32	<p>The provisional settlement received from Welsh Government was welcomed and is in line with the lobbying expectations of both the Council and the Welsh Local Government Association.</p>
1.33	<p>The Settlement amount included an additional amount of £25m across Wales in recognition of increasing pressures in social care.</p>
1.34	<p><u>Domiciliary Care - Charging Levels</u></p> <p>There has been no confirmation from Welsh Government of policy intentions for raising the charging cap from the current amount of £60 per week. An announcement is expected shortly with an expectation that the cap may be raised to in the region of £80 per week. For Flintshire this would generate additional income in the region of £0.500m.</p>

1.35 The table below summarises the projected closing budget position taking into account the updates included in the report:

Table 4. Projected Budget Closing Position for 2017/18

Description	£m
Projected Budget "gap"	14.4
Less:	
Portfolio Business Plans	(5.7)
Corporate Financial Stewardship	(4.6)
Provisional Settlement	(2.8)
Add:	
New and Emerging Pressures	0.6
Remaining Budget "Gap"	1.9

1.36 **Budget Setting Process and Timetable**

Cabinet 15 November	Stage 1 and 2 Budget Proposals
Council 15 November	Approval of Stage 1 Proposals
Corporate Resources Overview & Scrutiny Committee 30 November	Review of corporate financial stewardship (Stage 2) proposals
Council 6 December	Approval of corporate financial stewardship proposals (Stage 2)
Cabinet / Council Feb 2017	Final Approval of Budget 2017/18
March 2017	Formal council tax setting

1.37 **Conclusions**

The report summarises the significant progress made to date to close the annual budget process and achieve a balanced budget, whilst continuing to ensure service continuity and investing in Council priorities (as set out in the Improvement Plan), through the Three Part Strategy adopted by the Cabinet. The Stage One service reform proposals from the service portfolio business plans were considered and approved by Cabinet and Council on 15 November.

This report sets out the Stage Two proposals on Corporate Financial Stewardship which will, if approved, contribute an additional £4.6m of efficiencies at low and manageable levels of risk. Stage Two is a major step forward in closing in on eliminating the budget gap.

Work continues on the projected budget position which shows a remaining gap of £1.9m. The remaining corporate financing options, income and taxation levels, recovering a higher proportion of the cost of domiciliary care (subject to national agreement) and the final level of investment to be made in the local schools funding formula, are the only issues under active consideration. All other avenues have been closed.

1.38	<p>The Future</p> <p>The Council has published a summary of an updated Medium Term Financial Strategy (MTFS) for the current three year term. The Welsh Government has not been in a position to provide an indicative three year Provisional Settlement at such an early stage of its new term and in advance of the new Chancellor's first budget statement. Detailed work on a new version of the MTFS cannot be completed until there is more national information and guidance. In the meantime the forecast for 2018/19 onwards is being updated, with initial work on the scope which remains for local efficiencies and budget options.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	As set out in the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Consultation with Group Leaders, Overview and Scrutiny Committees, senior officers and service teams, and external partners have been held in the development of the business plans, budget proposals and financial resilience assessments.

4.00	RISK MANAGEMENT
4.01	All parts of the budget planning process are risk assessed stage by stage. An overall risk assessment and risk management statement will be produced for the annual budget for 2017/18. Services have already been assessed against efficiency, value for money and resilience with the assessment reported to the Overview and Scrutiny Committees in July 2016.

5.00	APPENDICES
5.01	Appendix 1: Report to Cabinet on 15 th November 2016 – Review of Minimum Revenue Provision

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Council Fund Budget 2017/2018 Stages 1 and 2 – Agenda Item 10</p> <p>http://committeemeetings.flintshire.gov.uk/ieListDocuments.aspx?CId=143&Mid=3964&LLL=0</p>

Contact Officer: Colin Everett, Chief Executive and Gary Ferguson, Corporate Finance Manager
Telephone: 01352 702121
E-mail: Chief.executive@flintshire.gov.uk

7.00 GLOSSARY OF TERMS

7.01 **Medium Term Financial Strategy (MTFS):** a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.

Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.

Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.

Central Loan and Investment Account (CLIA): brings together the revenue costs of all Council's borrowing and investment activity. Contains; interest on debt, MRP (see below), Treasury Management costs (staff, advisors, software etc., charges for debt rescheduling undertaken in earlier years and income generated from investments. Also referred to as Capital Financing Charges.

Minimum Revenue Provision (MRP): method for charging (debt-funded) capital expenditure to the revenue account in local authority accounts. Full Council sets an MRP policy annually selecting from a range of options contained with Welsh Regulations set by Welsh Government.

Supported Borrowing: funding is provided by Welsh Government through the Revenue Support Grants to cover the revenue debt financing costs of interest and provision for debt repayment.

Council Tax Premium: The introduction of the Housing (Wales) Act 2014 now gives local authorities in Wales the discretion to charge up to a 100% council tax premium on long term empty properties and/or second homes/holiday homes from April 2017 (in addition to the standard level of Council Tax paid). For the purpose of charging the Premium, long term empty properties are defined as those which are both unoccupied and unfurnished for a continuous period of at least one year. Second homes are defined as properties which are not a person's sole or main residence and substantially furnished.

Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.

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CABINET

Date of Meeting	Tuesday 15 th November 2016
Report Subject	Review of Minimum Revenue Provision
Portfolio Holder	Leader of the Council and Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

Local Authorities are required each year to set aside some of their revenue resources as provision for the repayment of debt.

Regulations require an authority to each year make an amount of Minimum Revenue Provision (MRP) which it considers to be 'prudent'. The Regulations themselves do not define 'prudent' provision. Welsh Government (WG) has provided guidance which makes recommendations to local authorities on the interpretation of the term and authorities are required to prepare an annual statement of their policy on making minimum provision.

As part of the budget strategy for 2017/18 officers have critically reviewed the Council's MRP policy along with our treasury management advisors. The report outlines this review in detail. The review recommends that changes are made to the MRP calculation for past and outstanding capital expenditure which is funded from supported borrowing.

RECOMMENDATIONS

1	<p>Members approve and recommend to County Council for Council Fund (CF) outstanding debt that:-</p> <ul style="list-style-type: none">• Option 3 (Asset Life Method) be used for the calculation of the MRP in financial years 2016/17 and 2017/18 for the balance of outstanding capital expenditure funded from supported borrowing as at 31st March 2016. The calculation will be the 'straight line' method over 50 years. This represents an in year change of the approved and adopted policy for 2016/17 which was previously to use Option 1 (Regulatory Method);-• Option 3 (Asset Life Method) be used for the calculation of the MRP in 2017/18 for all capital expenditure funded from supported borrowing from 1st April 2016 onwards. The calculation will be the 'straight line' method over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits. This represents a change of policy which was previously to use Option 1 (Regulatory Method); and-• Option 3 (Asset Life Method) be used for the calculation of the MRP in 2017/18 for all capital expenditure funded from unsupported (prudential) borrowing or credit arrangements. This represents a continuation of the approved and adopted policy for 2016/17.
2	<p>That members approve and recommend to the County Council for Housing Revenue Account (HRA) outstanding debt:-</p> <ul style="list-style-type: none">• Option 2 (Capital Financing Requirement Method) be used for the calculation of the HRA's MRP in 2017/18 for all capital expenditure funded by debt. This represents a continuation of the approved and adopted policy for 2016/17.
3	<p>Members approve and recommend to County Council that MRP on loans (which qualify as capital expenditure) from the Council to NEW Homes to build affordable homes be as follows:-</p> <ul style="list-style-type: none">• No MRP is made during the construction period. The first loan to NEW Homes to be a short term loan of approximately 18 months which will be refinanced once construction is completed. This represents a continuation of the approved and adopted policy for 2016/17.• MRP is equal to the repayments made by NEW Homes once capital repayments are being made. The second loan to NEW Homes to be a long term loan which will be repaid from rent from the affordable homes. The repayments made by NEW Homes will be classed, in accounting terms, as capital receipts, which can only be used to fund capital expenditure or repay debt which is a form of MRP. It is proposed to set aside the capital receipts (the capital repayments) made by NEW Homes to repay debt, being the Council's MRP policy for repaying the loan. This represents a continuation of the approved and adopted policy for 2016/17.

REPORT DETAILS

1.00	EXPLAINING THE REVIEW OF MINIMUM REVENUE PROVISION
	<p>Background to Capital Expenditure and Financing</p>
1.01	<p>Capital expenditure is defined as expenditure to acquire, enhance or prolong the useful life of non-current assets, those which have a useful life of more than one year e.g. buildings or infrastructure improvements.</p> <p>Capital expenditure is funded from a combination of capital receipts, revenue contributions, specific grants and debt in the form of borrowing or other long term financing arrangements such as leasing.</p> <p>Borrowing can be either:</p> <ul style="list-style-type: none"> • Supported borrowing - funding is provided by Welsh Government through the Revenue Support Grant to cover the revenue debt financing costs of interest and repayment costs; or. • Unsupported borrowing (commonly referred to as prudential borrowing) – Councils have the freedom to determine the level of borrowing considered affordable in revenue debt financing costs with no support from Welsh Government.
1.02	<p>The annual charge to the revenue account for repaying debt is known as the Minimum Revenue Provision (MRP).</p> <p>Local Authorities are required each year, under the Capital Finance and Accounting Wales Amendment Regulations 2008, to set aside some of their revenue resources as provision for the repayment of debt.</p> <p>Regulation 22 of the 2008 Regulations requires an authority to, make an amount of MRP each year which it considers to be ‘prudent’, though the Regulations themselves do not define ‘prudent’ provision.</p> <p>Regulation 21(B) of the 2008 Regulations requires local authorities to have regard to guidance issued by Government.</p>
1.03	<p>The Welsh Government has issued guidance for the setting of MRP policy. It states that the broad aim of prudent provision is to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by the Welsh Government, reasonably commensurate with the period implicit in the determination of that grant.</p> <p>The WG guidance provides 4 options for making ‘prudent provision’ outlined below but states in its informal commentary that:-</p> <p><i>‘The options are those likely to be most relevant for the majority of</i></p>

	<p><i>authorities but other approaches are not meant to be ruled out, provided they are fully consistent with the statutory duty to make prudent revenue provision. Authorities must always have regard to the guidance, but having done so, may in some cases consider that a more individually designed MRP approach is justified.</i></p> <p><i>The decision on what is prudent is for the Authority and it is not for the Welsh Government to say in particular cases whether any proposed arrangement is consistent with the statutory duty.'</i></p>
1.04	In a recent letter to all local authorities the Auditor General for Wales concurred that it is for each authority to determine what is a 'prudent' policy.
1.05	<p>Options for Prudent Provision within WG Guidance</p> <p>Option 1 - Regulatory Method</p> <p>For capital expenditure funded from supported borrowing which is supported through funding in the Revenue Support Grant (RSG), authorities may continue to use the formula specified in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (the regulations which preceded the 2008 Regulations).</p> <p>Under this method the outstanding capital expenditure (known as the Capital Financing Requirement CFR) funded from supported borrowing less Adjustment A is written down annually by 4% on a reducing balance basis. Adjustment A is a commutation adjustment, a fixed value determined by changes to statutory regulations referred to above (which all Welsh Council's will have).</p> <p>For Flintshire the current 2016/17 calculation is (Council Fund):</p> <p>$MRP = (CFR - Adj A) \times 4\% = (£150m - £1.7m) \times 4\% = £5.9m$</p>
1.06	<p>Option 2 - Capital Financing Requirement Method</p> <p>The same as Option 1 without adjusting for Adjustment A, which results in a higher charge.</p> <p>$MRP = CFR \times 4\% = £150m \times 4\% = £6.0m$</p>
1.07	<p>Option 3 - Asset Life Method</p> <p>Provision is made over the estimated life of the asset for which debt is undertaken.</p> <p>This can be calculated using the 'straight line' method or the 'annuity' method. To illustrate the difference, as an example an asset which is purchased at a cost of £4m which has an estimated useful life of 50 years;-</p> <ul style="list-style-type: none"> • Straight line method - equal annual MRP charge $£4m / 50 \text{ years} = £0.080m$ • Annuity or inflation method – annual MRP charge that takes the time

	<p>value of money in the form of inflation into consideration</p> <p>Year 1 = £0.047m</p> <p>Year 2 = £0.048m</p> <p>Year 3 = £0.049m</p> <p>Year 4 = £0.050m</p> <p>Year 5 = £0.051m</p>
1.08	<p>Option 4 - Depreciation Method</p> <p>Alternatively, provision is made in accordance with the standard rules for depreciation accounting. The method is similar to option 3 above</p>
1.09	<p>Welsh Government guidance requires that either option 3 or 4 be used for all capital expenditure which is to be financed by unsupported borrowing or other long term liabilities. Options 1 and 2 are not permitted for this use.</p>
1.10	<p>Housing Revenue Account (HRA)</p> <p>Following the introduction of self-financing for the HRA and the voluntary exit from the negative subsidy system on 31st March, 2015, from 1st April 2015 the calculation of the HRA MRP is now similar to the Council Fund as set out in 1.02 above, with the following modifications:</p> <ul style="list-style-type: none"> • Options 1 and 2 - the percentage is 4% for the Council Fund and 2% for the HRA; and • Options 1 and 2 can be used in relation to capital expenditure incurred before 1st April 2021. After that date only Options 3 and 4 may be used.
1.11	<p>The Council approved loans to its wholly owned subsidiary NEW Homes for the purpose of building affordable homes. The loans qualify as capital expenditure and therefore need to be part of the MRP policy. At its meeting on 14th June 2016 the Council approved the MRP calculation for loans to NEW Homes as outlined in recommendation 3 above.</p>
1.12	<p>The Council's current MRP policy is as follows:</p> <ul style="list-style-type: none"> • Council Fund capital expenditure funded by supported borrowing on the basis of Option 1 - Regulatory Method calculation. • Council Fund capital expenditure funded by unsupported (prudential) borrowing or credit arrangements on the basis of Option 3 - Asset Life Method calculation. • HRA capital expenditure funded by debt, on the basis of Option 2 - Capital Financing Requirement Method calculation; and • Loans to NEW Homes – as outlined in recommendation 3 above.
1.13	<p>It is important to note the capital financing position on outstanding capital expenditure and the Council's external borrowing. The table below shows the position as at the 31st March 2016:</p>

	£m
Outstanding capital expenditure funded by supported borrowing (Council fund and HRA)*	254.156
Outstanding capital expenditure funded by unsupported (prudential) borrowing (Council Fund and HRA)	19.637
Total outstanding capital expenditure – Capital Financing Requirement (Council Fund and HRA)	273.793
Total External Borrowing	251.496
Capital expenditure funded by internal cash resources	22.297

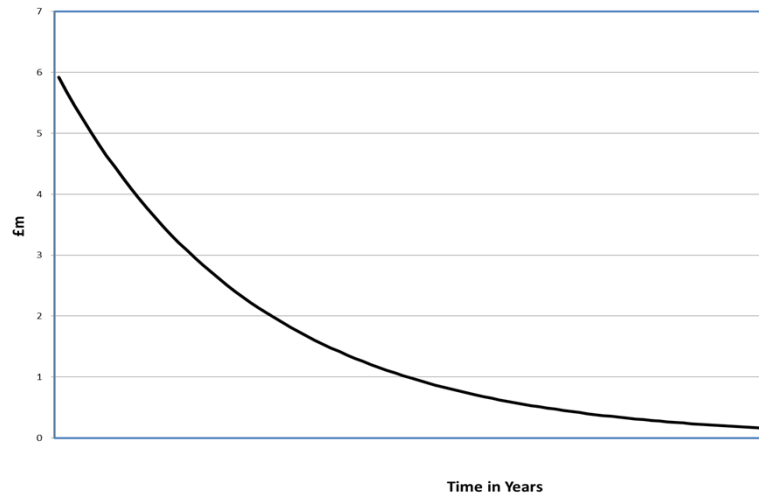
£22.297m of internal cash is being used to fund capital expenditure. This cash would otherwise have been invested at very low rates of return. External borrowing would also be that much more, at higher borrowing interest rates than any returns on cash invested.

** Council Fund total = £149.650m HRA total = £104.506m*

1.14	<p>The MRP annual charge to the revenue account is based on the Capital Financing Requirement (the outstanding capital expenditure). It is not the same as the cash repayment of external borrowing.</p> <p>The simplified example below illustrates the difference: Assume a 10 year maturity loan of £15m is taken out to fund capital expenditure of £15m on an asset with a life of 20 years.</p> <p>The annual MRP charge to the revenue account on straight line asset life basis is £15m / 20 years = £0.750m.</p> <p>At year 10, the loan is repaid from cash on the balance sheet at £15m, but only £0.750m x 10 = £7.5m has been charged through the Council's revenue account. A decision would need to be made, either to take out another 10 year loan, or fund from internal cash resources for that 10 year period, dependent on the Council's position at that time.</p>
	Review of the Council's MRP Policy
1.15	The review of the Council's MRP Policy has been considered as part of the overall Councils financial context and the Corporate Financial Stewardship part of the three-part budget strategy.
1.16	The Council last reviewed its MRP policy in the autumn of 2014 when setting the 2015/16 budget and adjusted its policy on capital expenditure funded by unsupported (prudential) borrowing by delaying the charge until the asset is in use.
1.17	Up until the last financial year, most local authorities in Wales had adopted a similar MRP policy as Flintshire as set out in 1.12 above. Recently, Welsh local authorities have begun to review and amend their MRP policies following discussions with their treasury management advisors, and their external auditors.
1.18	It was therefore appropriate that Flintshire undertook a more critical review

	of its MRP policy and engaged its treasury management advisors, Arlingclose, who have completed similar MRP reviews for English and Welsh Councils.
1.19	<p>The options under consideration included:</p> <ul style="list-style-type: none"> • 4% reducing balance (options 1 and 2 in 1.05 and 1.06 above), • straight line – equal repayment (options 3 and 4 in 1.07 above), and • annuity / inflationary method (options 3 and 4 in 1.07 above), <p>for both supported and unsupported (prudential) borrowing funded capital expenditure.</p> <p>The differences of each option were explored with the concentration being on agreeing which would be the most prudent option.</p>
1.20	<p>Capital expenditure incurred by the HRA was not included in the review. When self-financing was introduced for the HRA and the negative housing subsidy system ended on 31st March 2015 considerable debate took place across Wales on a suitable MRP calculation for HRA assets. As landlord councils were implementing the Welsh Housing Quality Standard (WHQS) and investing in assets a 2% reducing balance method was considered appropriate and affordable and therefore agreed until 2021 when WHQS will be achieved. MRP on any capital expenditure after 2021 must be calculated in relation to asset lives. There is no proposal to amend the MRP policy for the HRA.</p>
1.21	<p>Given that the policy for calculating the MRP on loans made to NEW Homes was set in June 2016 and all options were thoroughly considered at the time, the method is still considered to be the most appropriate and therefore was not included in the review.</p>
1.22	<p>4% Reducing Balance Method</p> <p>The method implies that borrowing will be repaid over a 25 year period (in that $100\% / 4\% = 25$), however as the calculation applies the 4% to the reducing balance it takes much more than 25 years to fully repay the borrowing.</p> <p>The table and graph below shows the MRP repayment profile of the £149.7m council fund capital expenditure funded by supported borrowing outstanding as at 31st March 2016:</p>

Annual MRP charge - 4% Reducing Balance (£m)



Year	Annual MRP £m	Outstanding Capital Expenditure £m
2016/17	5.917	142.011
2017/18	5.680	136.331
2018/19	5.453	130.877
2019/20	5.235	125.642
2020/21	5.025	120.616

In 50 years' time from now £19m of capital expenditure will still be outstanding, and in 100 years' time £2.5m is still outstanding. It would take 179 years before the balance is below £0.100m and over 300 years to get to nil.

Using option 1, the regulatory method also means that there will always be £1.7m of capital expenditure outstanding, the equivalent of permanent Adjustment A.

1.23 The method is commensurate with the methodology used in the Revenue Support Grant to allocate revenue funding from WG to finance debt, as it also uses the 4% reducing balance method on notional outstanding debt. Any change in methodology would therefore break the link between costs charged to revenue (MRP) and the Revenue Support Grant funding received from WG. However, decisions around levels of expenditure on individual services are local decisions for each council to determine, with no part of the Revenue Support Grant being earmarked for particular services.

1.24 **Straight Line Method**

The method calculates an equal annual MRP charge to the revenue account over the useful estimated life of an asset.

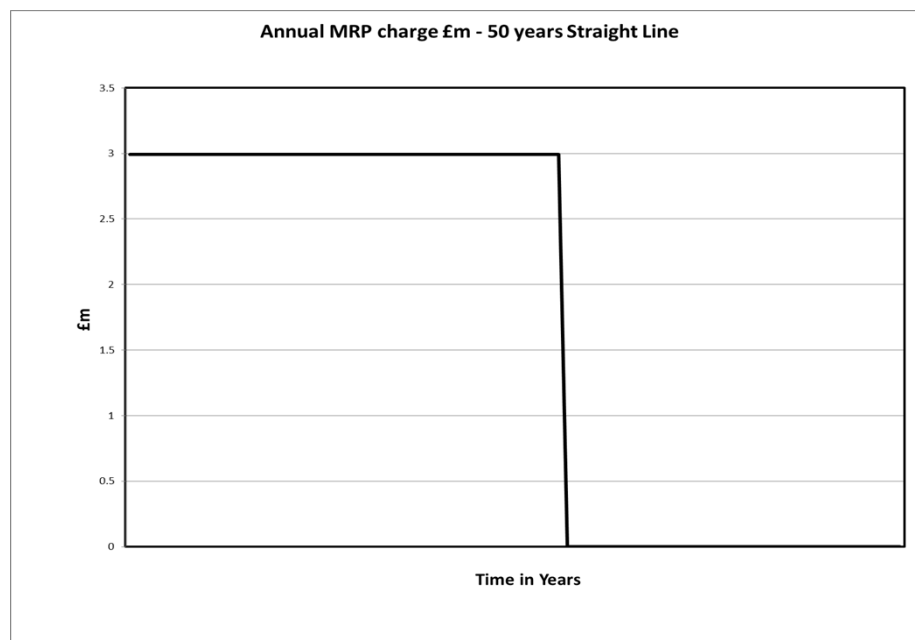
For individual assets, funded from unsupported (prudential) borrowing, such as a newly built school building, the task of allocating an estimated useful

is straight forward.

For historic capital expenditure funded from supported borrowing, the task of allocating an estimated useful life is not so straight forward. The balance of outstanding capital expenditure has built up over a very long period of time. It will have increased for capital expenditure varying from, short lives for equipment and vehicles, to an infinite life for land, with limited records available of what expenditure was incurred. There will also be expenditure on assets that the Council does not own, for example, works at private properties where there is no asset life. It will have decreased every year for annual MRP charges made, but these would not have been allocated to specific capital expenditure and assets. There will also be a proportion of unfinanced capital expenditure that transferred from Clwyd County Council in 1996 during local government reorganisation, where the Council will simply have taken on a percentage of Clwyd County Council's outstanding capital expenditure based on population.

The asset register has been used to calculate, broadly, the useful life of assets as at 31st March 2016 as a proxy for outstanding capital expenditure funded from supported borrowing at the same date. The weighted average life of Council fund assets as at 31st March 2016 was in excess of 50 years, and therefore 50 years has been used and is considered reasonable.

The MRP repayment of the £149.7m council fund capital expenditure funded by supported borrowing outstanding as at 31st March 2016 would be £2.993m for the next 50 years. After 50 years the balance will have been fully repaid. The graph below illustrates:

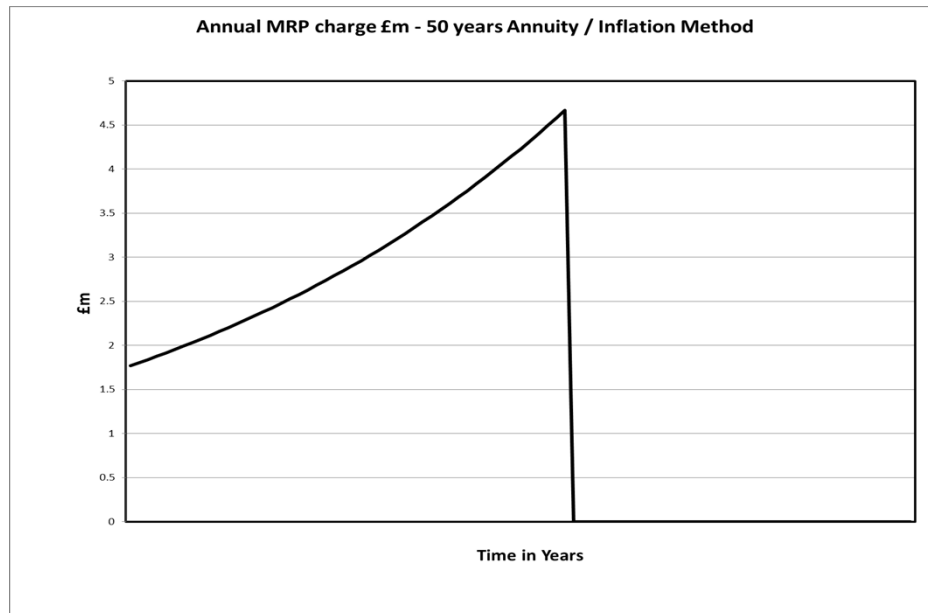


1.25

Annuity / Inflation Method

The method is similar to straight line in that MRP is charged to revenue over the assets useful life and fully repaid at the end of the useful life. An annuity rate is set for the period to reflect that over time the value of money decreases due to inflation. This produces a consistent and 'real' charge to the tax payer of using the asset over its life, however, at today's prices it is an increasing charge. 2% is the rate commonly used being the Bank of England's target rate for inflation.

The table and graph below shows the MRP repayment profile of the £149.7m council fund capital expenditure funded by supported borrowing outstanding as at 31st March 2016:



Year	Annual MRP £m
2016/17	1.769
2017/18	1.805
2018/19	1.841
2019/20	1.878
2020/21	1.915

1.26

Conclusions

'Prudence' is a subjective judgement. None of the options or methods described can be assessed as being the absolute correct method – this is a matter of judgement. Rather all options must be considered with the Council's particular circumstances borne in mind and a preferred option selected. The option must be first and foremost prudent but also sustainable and affordable over the long term.

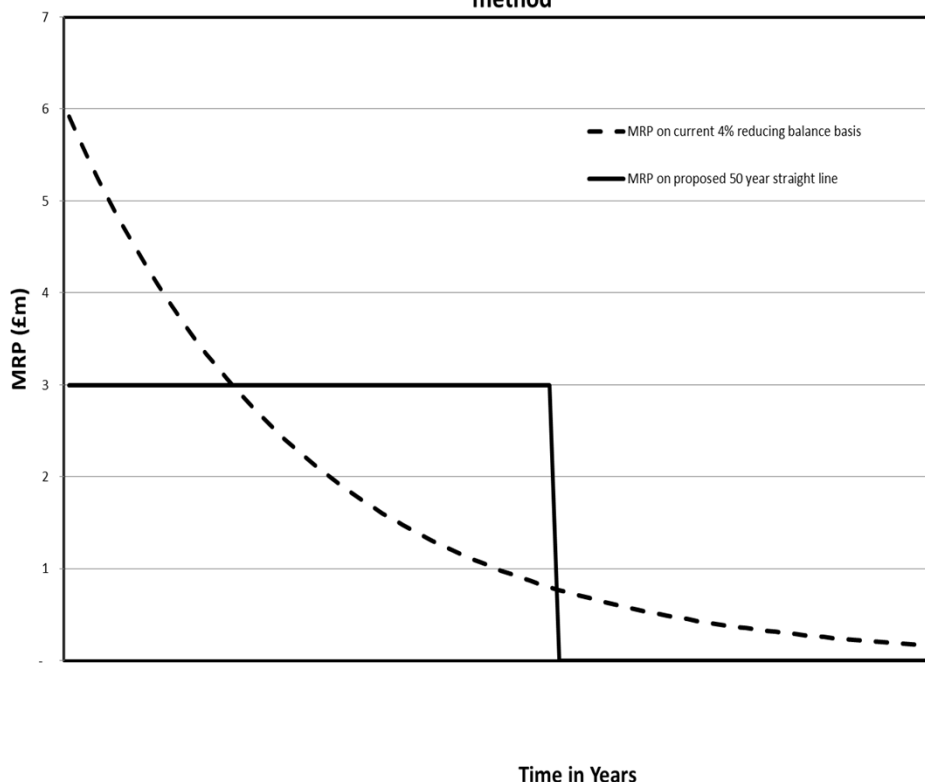
1.27

As the MRP charge rises over time using the annuity / inflation method, from a budgetary perspective this isn't desirable and is therefore ruled out for this practical reason.

1.28	<p>This then leaves 2 options under consideration – ‘reducing balance’ and ‘straight line’.</p> <p>For outstanding capital expenditure funded from unsupported (prudential) borrowing the regulations require a method based on the asset’s life and therefore using the straight line method represents a continuance of the existing policy.</p>
1.29	<p>For outstanding capital expenditure funded from supported borrowing under the reducing balance method it takes a considerably longer period of time to repay the debt in full than the straight line method, where the debt is fully repaid in 50 years’ time.</p> <p>The straight line method is more closely aligned to the life of the Council’s assets and the costs are spread more evenly among tax payers who will benefit from the capital expenditure / assets. All things considered the straight line method is viewed as more prudent when compared with the reducing balance method.</p> <p>The straight line method is not without its flaws as outlined in para 1.23. The recommendation therefore is to transfer the balance of outstanding council fund capital expenditure funded from supported borrowing of £149.7m as at 31st March 2016 to an MRP repayment profile of straight line over 50 years.</p> <p>To address the issues outlined in paragraph 1.23 any new capital expenditure funded from supported borrowing incurred from 2016/17 onwards would be grouped appropriately into assets with similar useful lives and the MRP calculation built up from each separate group of asset.</p> <p>This represents an in year change to the MRP policy from option 1 regulatory method to option 3 asset life method.</p>

2.00	RESOURCE IMPLICATIONS																												
2.01	<p>The table below shows the difference in the MRP charge for outstanding council fund capital expenditure funded from supported borrowing as at 31st March 2016 using the current reducing balance method and the recommended revised straight line method for the next 5 years.</p> <table border="1" data-bbox="384 1619 1321 1957"> <thead> <tr> <th>Year</th> <th>MRP - 4% Reducing Balance (£m)</th> <th>MRP – Straight Line 50 years (£m)</th> <th>Variance – Cost / (Savings) (£m)</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>5.917</td> <td>2.993</td> <td>(2.924)</td> </tr> <tr> <td>2017/18</td> <td>5.680</td> <td>2.993</td> <td>(2.687)</td> </tr> <tr> <td>2018/19</td> <td>5.453</td> <td>2.993</td> <td>(2.460)</td> </tr> <tr> <td>2019/20</td> <td>5.235</td> <td>2.993</td> <td>(2.242)</td> </tr> <tr> <td>2020/21</td> <td>5.025</td> <td>2.993</td> <td>(2.032)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>(12.345)</td> </tr> </tbody> </table> <p>The table shows the significant savings that result from changing the MRP method in the earlier years, and the graph below plots the differences in MRP charges between the 2 methods over time.</p>	Year	MRP - 4% Reducing Balance (£m)	MRP – Straight Line 50 years (£m)	Variance – Cost / (Savings) (£m)	2016/17	5.917	2.993	(2.924)	2017/18	5.680	2.993	(2.687)	2018/19	5.453	2.993	(2.460)	2019/20	5.235	2.993	(2.242)	2020/21	5.025	2.993	(2.032)				(12.345)
Year	MRP - 4% Reducing Balance (£m)	MRP – Straight Line 50 years (£m)	Variance – Cost / (Savings) (£m)																										
2016/17	5.917	2.993	(2.924)																										
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2019/20	5.235	2.993	(2.242)																										
2020/21	5.025	2.993	(2.032)																										
			(12.345)																										

Annual MRP charge £m - Comparing 'reducing balance' with 'straight line' method



A full 100 year analysis of the implications is shown at appendix 1. This demonstrates that there are savings in years 1 – 17, additional costs in years 18 - 50 and further savings in years 51 – 100. It also takes into account that £4.217m of debt which would still remain outstanding under the current method at year 100. When all of these savings and costs are discounted to allow for the time value of money it results in a positive Net Present Value of £5.019m.

2.02 The savings in the earlier years will result in lower cash balances than currently forecast in the MTFs and therefore there will be an additional interest cost pressure to be considered. Conversely in later years, the higher MRP results in interest savings. The implications of which will be factored into future cash-flow and interest cost computations within the central loans and investment account.

The estimated additional interest costs for the next 3 years are shown in the table below:

Year	Estimated additional interest costs (£m)
2016/17	0.018
2017/18	0.106
2018/19	0.170

2.03 For future capital expenditure incurred from 1st April 2016 onwards which is funded from supported borrowing, the MRP calculation will involve splitting into groups with similar useful lives which are then used to calculate the MRP charge on a straight line basis. This means that the MRP charge for each year will vary dependent on what the useful life of the expenditure is.

	The table below shows the differences in MRP charges for both methods and varying useful lives, based on the 2016/17 supported borrowing allocation of £4.183m from Welsh Government:				
	MRP Charge	4% Reducing Balance (£m)	Straight Line 25 year life (£m)	Straight Line 35 year life (£m)	Straight Line 50 year life (£m)
	2017/18	0.167	0.167	0.120	0.084
	2018/19	0.161	0.167	0.120	0.084
	2019/20	0.154	0.167	0.120	0.084
	2020/21	0.148	0.167	0.120	0.084
	Going forward for each financial year a recurring pressure for MRP will be built into the MTFs dependent on; the supported borrowing allocation from Welsh Government for the previous year and the useful life of that capital expenditure.				
2.04	There are no resource implications other than financial.				

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>The proposed changes have been recommended following detailed discussions with the Council's treasury management advisors, senior internal officers and key Cabinet members.</p> <p>Wales Audit Office is also being consulted as external auditors.</p>
3.02	The proposed changes will be referred to the Corporate Resources Overview and Scrutiny Committee for comment before being discussed at County Council as part of Stage 2 of the budget in December.

4.00	RISK MANAGEMENT
4.01	<p>The impacts of a change in MRP policy has long term effects that cannot be readily undone and therefore carries a significant amount of associated risk for future generations.</p> <p>The Well-being of Future Generations (Wales) Act 2015, when fully enacted, will put in place a requirement to;</p> <p><i>“act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs”.</i></p> <p>It also requires that authorities take account of, amongst other things;</p> <p><i>“the importance of balancing short term needs with the need to safeguard the ability to meet long term needs”.</i></p>

	The recommendation to change the MRP policy for supported capital expenditure from reducing balance to straight line ensures that the costs are spread more evenly amongst the taxpayers benefiting from the capital expenditure. This is not considered as compromising the ability of future generations to meet their own needs merely that future generations pay for assets from which they benefit from using.
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5.00	APPENDICES
5.01	Appendix 1 – MRP 100 year analysis

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various Welsh Government papers. Contact Officer: Liz Thomas – Finance Manager, Technical Accountancy Telephone: (01352) 702289 E-mail: liz.thomas@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Capital Expenditure: Expenditure on the acquisition of non-current assets or expenditure that extends the life or value of an existing asset</p> <p>Capital Financing Requirement (CFR): A measure of the capital expenditure incurred historically by an authority that has yet to be financed from capital receipts, capital grants or revenue financing.</p> <p>Council Fund (CF): The fund to which all the Council’s revenue and capital expenditure is charged.</p> <p>Housing Revenue Account (HRA): The fund to which all the Council’s revenue and capital expenditure relating to its housing stock is charged.</p> <p>Minimum Revenue Provision (MRP): A charge made to the Council Fund to repay borrowing taken out for capital expenditure. Authorities must determine their own prudent MRP charge each year, taking into consideration statutory guidance issued by the Government.</p> <p>Prudential Code: The code of practice drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA) to underpin the requirements of the Local Government Act 2003 in respect of an authority’s duty to determine the affordability, prudence and sustainability of its capital investment needs.</p> <p>Revenue Expenditure: All expenditure incurred by an authority that cannot be classified as capital expenditure</p> <p>Revenue Support Grant (RSG): Is paid to each authority to cover the cost of providing standard services less the Council Tax income at the standard</p>

level.

Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing: Each year Welsh Government provide Council's with a Supported Borrowing allocation. Council's borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent.

Unsupported Prudential Borrowing: Borrowing administered under the **Prudential Code**, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.

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MRP 100 YEAR ANALYSIS - 4% REDUCING BALANCE AND 50 YEAR STRAIGHT LINE

CFR @ 31/03/2016 - CAPITAL EXPD (COUNCIL FUND) FUNDED FROM SUPPORTED BORROWING
Adjustment A

149,649,776
1,721,525

147,928,251

Year	CFR	MRP on current 4% reducing balance basis	MRP on proposed 50 years straight line	Additional Cost/ (Saving)	Total Additional Cost / (Saving)	NPV Additional Cost / (Saving)
1	2016/17	147,928,251	5,917,130	2,992,996	(2,924,135)	
2	2017/18	142,011,121	5,680,445	2,992,996	(2,687,449)	
3	2018/19	136,330,676	5,453,227	2,992,996	(2,460,232)	
4	2019/20	130,877,449	5,235,098	2,992,996	(2,242,102)	
5	2020/21	125,642,351	5,025,694	2,992,996	(2,032,699)	
6	2021/22	120,616,657	4,824,666	2,992,996	(1,831,671)	
7	2022/23	115,791,991	4,631,680	2,992,996	(1,638,684)	
8	2023/24	111,160,311	4,446,412	2,992,996	(1,453,417)	
9	2024/25	106,713,899	4,268,556	2,992,996	(1,275,560)	
10	2025/26	102,445,343	4,097,814	2,992,996	(1,104,818)	
11	2026/27	98,347,529	3,933,901	2,992,996	(940,906)	
12	2027/28	94,413,628	3,776,545	2,992,996	(783,550)	
13	2028/29	90,637,083	3,625,483	2,992,996	(632,488)	
14	2029/30	87,011,599	3,480,464	2,992,996	(487,468)	
15	2030/31	83,531,135	3,341,245	2,992,996	(348,250)	
16	2031/32	80,189,890	3,207,596	2,992,996	(214,600)	
17	2032/33	76,982,294	3,079,292	2,992,996	(86,296)	(23,144,324)
18	2033/34	73,903,003	2,956,120	2,992,996	36,875	(21,070,637)
19	2034/35	70,946,883	2,837,875	2,992,996	155,120	
20	2035/36	68,109,007	2,724,360	2,992,996	268,635	
21	2036/37	65,384,647	2,615,386	2,992,996	377,610	
22	2037/38	62,769,261	2,510,770	2,992,996	482,225	
23	2038/39	60,258,491	2,410,340	2,992,996	582,656	
24	2039/40	57,848,151	2,313,926	2,992,996	679,069	
25	2040/41	55,534,225	2,221,369	2,992,996	771,627	
26	2041/42	53,312,856	2,132,514	2,992,996	860,481	
27	2042/43	51,180,342	2,047,214	2,992,996	945,782	
28	2043/44	49,133,128	1,965,325	2,992,996	1,027,670	
29	2044/45	47,167,803	1,886,712	2,992,996	1,106,283	
30	2045/46	45,281,091	1,811,244	2,992,996	1,181,752	
31	2046/47	43,469,847	1,738,794	2,992,996	1,254,202	
32	2047/48	41,731,053	1,669,242	2,992,996	1,323,753	
33	2048/49	40,061,811	1,602,472	2,992,996	1,390,523	
34	2049/50	38,459,339	1,538,374	2,992,996	1,454,622	
35	2050/51	36,920,965	1,476,839	2,992,996	1,516,157	
36	2051/52	35,444,127	1,417,765	2,992,996	1,575,230	
37	2052/53	34,026,362	1,361,054	2,992,996	1,631,941	
38	2053/54	32,665,307	1,306,612	2,992,996	1,686,383	
39	2054/55	31,358,695	1,254,348	2,992,996	1,738,648	
40	2055/56	30,104,347	1,204,174	2,992,996	1,788,822	
41	2056/57	28,900,173	1,156,007	2,992,996	1,836,989	
42	2057/58	27,744,166	1,109,767	2,992,996	1,883,229	
43	2058/59	26,634,400	1,065,376	2,992,996	1,927,620	
44	2059/60	25,569,024	1,022,761	2,992,996	1,970,235	
45	2060/61	24,546,263	981,851	2,992,996	2,011,145	
46	2061/62	23,564,412	942,576	2,992,996	2,050,419	
47	2062/63	22,621,836	904,873	2,992,996	2,088,122	
48	2063/64	21,716,962	868,678	2,992,996	2,124,317	
49	2064/65	20,848,284	833,931	2,992,996	2,159,064	
50	2065/66	20,014,352	800,574	2,992,996	2,192,421	44,079,628
						21,265,301

51	2066/67	19,213,778	768,551	-	(768,551)		
52	2067/68	18,445,227	737,809	-	(737,809)		
53	2068/69	17,707,418	708,297	-	(708,297)		
54	2069/70	16,999,121	679,965	-	(679,965)		
55	2070/71	16,319,156	652,766	-	(652,766)		
56	2071/72	15,666,390	626,656	-	(626,656)		
57	2072/73	15,039,735	601,589	-	(601,589)		
58	2073/74	14,438,145	577,526	-	(577,526)		
59	2074/75	13,860,619	554,425	-	(554,425)		
60	2075/76	13,306,195	532,248	-	(532,248)		
61	2076/77	12,773,947	510,958	-	(510,958)		
62	2077/78	12,262,989	490,520	-	(490,520)		
63	2078/79	11,772,469	470,899	-	(470,899)		
64	2079/80	11,301,571	452,063	-	(452,063)		
65	2080/81	10,849,508	433,980	-	(433,980)		
66	2081/82	10,415,528	416,621	-	(416,621)		
67	2082/83	9,998,906	399,956	-	(399,956)		
68	2083/84	9,598,950	383,958	-	(383,958)		
69	2084/85	9,214,992	368,600	-	(368,600)		
70	2085/86	8,846,392	353,856	-	(353,856)		
71	2086/87	8,492,537	339,701	-	(339,701)		
72	2087/88	8,152,835	326,113	-	(326,113)		
73	2088/89	7,826,722	313,069	-	(313,069)		
74	2089/90	7,513,653	300,546	-	(300,546)		
75	2090/91	7,213,107	288,524	-	(288,524)		
76	2091/92	6,924,583	276,983	-	(276,983)		
77	2092/93	6,647,599	265,904	-	(265,904)		
78	2093/94	6,381,695	255,268	-	(255,268)		
79	2094/95	6,126,428	245,057	-	(245,057)		
80	2095/96	5,881,370	235,255	-	(235,255)		
81	2096/97	5,646,116	225,845	-	(225,845)		
82	2097/98	5,420,271	216,811	-	(216,811)		
83	2098/99	5,203,460	208,138	-	(208,138)		
84	2099/00	4,995,322	199,813	-	(199,813)		
85	2100/01	4,795,509	191,820	-	(191,820)		
86	2101/02	4,603,689	184,148	-	(184,148)		
87	2102/03	4,419,541	176,782	-	(176,782)		
88	2103/04	4,242,759	169,710	-	(169,710)		
89	2104/05	4,073,049	162,922	-	(162,922)		
90	2105/06	3,910,127	156,405	-	(156,405)		
91	2106/07	3,753,722	150,149	-	(150,149)		
92	2107/08	3,603,573	144,143	-	(144,143)		
93	2108/09	3,459,430	138,377	-	(138,377)		
94	2109/10	3,321,053	132,842	-	(132,842)		
95	2110/11	3,188,211	127,528	-	(127,528)		
96	2111/12	3,060,682	122,427	-	(122,427)		
97	2112/13	2,938,255	117,530	-	(117,530)		
98	2113/14	2,820,725	112,829	-	(112,829)		
99	2114/15	2,707,896	108,316	-	(108,316)		
100	2115/16	2,599,580	103,983	-	(103,983)	(16,718,181)	(4,619,906)
	CFR O/S	2,495,597			(2,495,597)	(2,495,597)	(351,364)
	Adj A	1,721,525			(1,721,525)	(1,721,525)	(242,380)
					(0)	(0)	(5,018,986)



FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 6 December 2016
Report Subject	Local Democracy and Boundary Commission for Wales (LDBCW) Electoral Review – Policy and Practice
Report Author	Chief Executive

EXECUTIVE SUMMARY

The attached policy and practice document sets out how The Local Democracy and Boundary Commission for Wales (LDBCW) intends to conduct its review of all 22 principal Councils in Wales.

The objective of an electoral review is to ensure that within each local authority area electoral arrangements achieve parity of representation. This means having the same number of electors in each division, as far as is possible and practical. Utilising the existing community structure within a local authority, an electoral review will take into account community identities, electoral equality and consultation feedback to ensure that the Commissions proposals uphold the interests of effective and convenient local government for the electorate within Wales.

The Commission's review of the County of Flintshire will commence in Quarter 4 2018 and conclude in Quarter 2 2020.

RECOMMENDATIONS

1	Members are requested to note the details of the revised Policy and Practice Document and that the review for Flintshire will commence in Quarter 4 2018 and conclude in Quarter 2 2020.
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REPORT DETAILS

1.00	EXPLAINING THE LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES (LDBCW) ELECTORAL REVIEW – POLICY AND PRACTICE DOCUMENT
1.01	The Local Government (Democracy) (Wales) Act 2013 requires the Local Democracy and Boundary Commission for Wales (LDBCW) to publish a 10 year programme of electoral reviews.
1.02	In December 2013 the Commission published its first Electoral Reviews: Policy and Practice document setting out the Commission intended timetable for conducting the reviews of the 22 principal councils in Wales, the Council Size policy; and, the policies and procedures that it would apply in the conduct of the reviews.
1.03	In January 2014 the Commission on Public Service Governance and Delivery reported to the First Minister recommending changes to the make-up and operation of Welsh principal councils. Following this the Commission suspended its electoral review programme.
1.04	On 23 June 2016 the Cabinet Secretary for Finance and Local Government published a Written Statement asking the Commission to restart its 10 year programme with a new prioritised timetable with an expectation that all 22 electoral reviews be completed in time for the new arrangements to be put into place for the 2022 Local Government Elections.
1.05	The revised Electoral Reviews: Policy and Practice sets out the Commission's intended timetable and approach for conducting the reviews of Wales' principle councils.
1.06	As part of the review approximately three months prior to the planned start of a review, Commission officials will meet with officers of the Council.
1.07	The Council will provide specific data including five year forecasts of electorate. The requirements is outlined in the technical note attached in Appendix 3.
1.08	The Commission has adopted a methodology to determine the number of elected members appropriate for each council. This is explained in Appendix 2 - Council Size Policy. Flintshire has been given a category allocation number 2 (Table 2). The Councillor to population ratio is 1:3,000 (Table 3). Our current divisions have electorates between 995 and 4,519. The 'target' number of Councillors determine for Flintshire is 63 (Table 5).
1.09	The assessment and timetable for the programme of reviews can be found in Appendix 1. The Commission's review of the County of Flintshire will commence in Quarter 4 2018 and conclude in Quarter 2 2020.

2.00	RESOURCE IMPLICATIONS
2.01	There are no specific resource implications within this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The Commission will consult with all members of the Council, Town and Community councils and other interested parties.

4.00	RISK MANAGEMENT
4.01	No risk management issues have been identified during the preparation of this report.

5.00	APPENDICES
5.01	<p>Electoral Reviews: Policy And Practice Document 2016</p> <p>Appendix 1 - Electoral Review Programme 2017: Assessment and Timetable</p> <p>Appendix 2 - Electoral Reviews: Council Size Policy</p> <p>Appendix 3 - Technical Note: Requirements for each principal area for the provision of statistical data to the Local Democracy and Boundary Commission for Wales.</p> <p>Appendix 4 - Written Statement by Mark Drakeford, Cabinet Secretary For Finance and Local Government</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Electoral Reviews: Policy and Practice document (March 2012)</p> <p>Consultation Paper on Council size (May 2012).</p> <p>Preferred Methodology Consultation Paper (March 2013)</p> <p>Contact Officer: Lynn Phillips, Team Leader – Democratic Services Telephone: 01352 702329 E-mail: lyn.phillips@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	Local Democracy and Boundary Commission for Wales: The role of the Commission is to keep under review all local government areas in Wales, and the electoral arrangements for the principal areas, and to make

such proposals to the Welsh Government as seem desirable in the interests of effective and convenient local government.

Local Government (Democracy) Wales Act 2013: An Act of the National Assembly for Wales to make provision about the constitution and functions of the Local Democracy and Boundary Commission for Wales; to make various provisions relating to local government; and for connected purposes.

Electoral Review: A review of electoral arrangements for a local authority area.

Council Size Methodology: A model the Commission has adopted for determining the size of Councils.

Assessment: The programme is based upon the base data in the assessment table but moving principal councils up or down the order to take into consideration the Cabinet Secretary's desire for review of certain council's to be undertaken first.

Timetable: Order of when the review will take place.

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES



Comisiwn Ffiniau a
Democratiaeth Leol
Cymru



Local Democracy and
Boundary Commission
For Wales

**ELECTORAL REVIEWS:
POLICY AND PRACTICE 2016**

FOREWORD

This is a revised version of our Electoral Reviews: Policy and Practice document that has been updated in preparation of a new programme of electoral reviews. This new programme is as a result of the statement made by the Welsh Government's Cabinet Secretary for Finance and Local Government on 23 June 2016.

The Commission is required, before conducting the review, to consult the mandatory consultees on its intended procedure and methodology for the review and in particular, on how it proposes to determine the appropriate number of members for any principal council in the principal area or areas under review.

The Commission has produced this booklet which reaffirms the procedures and methodology we have adopted in respect of electoral reviews the Commission conducts. The booklet also explains how we will be considering the issue of the appropriate number of elected members identified for each principal council.

Owen Watkin OBE DL
Chair

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The Commission welcomes correspondence and telephone calls in Welsh
or **Page 57**

Background

- 1 The Commission, in order to make recommendations to Welsh Ministers, is required to carry out periodic reviews of the electoral arrangements of principal areas in Wales. The way the Commission conducts a review is defined by legislation and may be guided by directions issued by Welsh Ministers.
- 2 In December 2013 the Commission published its first *Electoral Reviews: Policy and Practice* document, setting out the Commission intended timetable for conducting the reviews of Wales' principal councils; its Council Size policy; and, the policies and procedures that it would apply in the conduct of the reviews.
- 3 On 20 January 2014 the Commission on Public Service Governance and Delivery reported to the First Minister recommending changes to the make-up and operation of Wales' 22 principal councils. In order to avoid any nugatory work the Commission suspended its electoral review programme.
- 4 On 23 June 2016 the Cabinet Secretary for Finance and Local Government published a Written Statement asking the Commission to restart its 10 year programme with a new prioritised timetable with an expectation that all 22 electoral reviews be completed in time for the new arrangements to be put into place for the 2022 local government elections. The Written Statement can be found in full at Appendix 4.
- 5 This revised Electoral Reviews: Policy and Practice document sets out the Commission's new prioritised timetable, updated council size policy and the policies and procedures that will be applied in order to meet the obligations as set out in legislation and in the Written Statement.

Statutory Requirements

The Local Government (Democracy) (Wales) Act 2013

- 6 The provisions of the Local Government (Democracy) (Wales) Act 2013 (the Act) in respect of local government reviews, including electoral reviews, replace the provisions of earlier legislation.
- 7 Section 21(3) of the Act provides that the Commission in carrying out its duties must seek to ensure effective and convenient local government. This is the paramount and primary function of the Commission. One of the duties provided for by the Act is to conduct reviews of the electoral arrangements of principal areas.
- 8 Section 29 of the Act lays upon the Commission the duty to review the electoral arrangements for each principal area at least once every ten years.
- 9 The "electoral arrangements" of a principal area are defined in Section 29 (9) of the Act as:
 - (a) the number of members of the council for the principal area;

- (b) the number, type and boundaries of the electoral wards into which the principal area is for the time being divided for the purpose for the election of members;
- (c) the number of members to be elected for any electoral ward in the principal area; and
- (d) the name of any electoral ward.

Considerations for a Review of Principal Area Electoral Arrangements

10 The Commission are required by Section 30 of the Act to:

- (a) seek to ensure that the ratio of local government electors to the number of members of the council to be elected is, as nearly as may be, the same in every electoral ward of the principal area; and
- (b) have regard to:
 - (i) the desirability of fixing boundaries for electoral wards which are and will remain easily identifiable; and
 - (ii) the desirability of not breaking local ties when fixing boundaries for electoral wards.

11 For the purposes of (a) above, account is to be taken of:

- (a) any discrepancy between the number of local government electors and the number of persons that are eligible to be local government electors (as indicated by relevant official statistics); and
- (b) any change to the number or distribution of local government electors in the principal area which is likely to take place in the period of five years immediately following the making of any recommendation.

Consequential Changes

12 Section 29(7) provides that as part of a principal area electoral review the Commission may recommend the following consequential changes:

- (a) such community boundary changes it considers appropriate in relation to any community in the principal area;
- (b) such community council changes and changes to the electoral arrangements for such a community as it considers appropriate; and
- (c) such preserved county changes as it considers appropriate.

Balance

- 13 The legislation requires the Commission to exercise a balanced judgement taking on board all relevant considerations, with a view to making recommendations for electoral arrangements that are to achieve effective and convenient local government. The Commission has a degree of discretion in the way that it attaches weight to the factors that aid it in making its decisions.
- 14 In an ideal situation, it would be possible to devise a pattern of electoral ward boundaries in which all councillors (and electoral wards) in an authority had an equal electoral ratio; brought together people in clearly identifiable communities; demonstrated clearly how local government would be both effective and convenient; *and* had the appropriate number of councillors.
- 15 The geographical, social, economic and administrative make-up of Wales is however not so straightforward as to facilitate the drawing up of such ideal electoral patterns. It means that the Commission must consider all of the factors together, and exercise a judgement in which, taken all together, the pattern of electoral wards which they devise demonstrates as close a pattern as possible to the ideal described above.
- 16 This document details the Commission's approach to resolving this challenge: it sets out below the issues to be considered and gives some understanding of the broad approach which the Commission take towards each of the statutory considerations to be made when addressing a review's particular circumstances.

Timetable

- 17 As noted at 8 above, Section 29 of the Act lays upon the Commission the duty to review the electoral arrangements for each principal area at least once every ten years. In light of the Written Statement, the Commission has prepared and published an amended programme for the period and sent a copy to Welsh Ministers, as required by the Act. The timetable for the programme of reviews can be found at Appendix 1.

Procedure

Procedure

- 18 The procedure for conducting local government reviews, including electoral reviews, is set out in Chapter 4 of the Act.

Pre-review Procedure

- 19 Before conducting a review the Commission is required to take such steps as it considers appropriate to bring the review to the attention of the mandatory consultees and any other person it considers likely to be interested in the review. If any directions are given by Welsh Ministers then the Commission is also required to make the mandatory consultees and such other interested persons aware of these.

- 20 In respect of principal area electoral reviews Section 34(3) of the Act defines 'mandatory consultees' as:
- any local authority affected by the review;
 - the police and crime commissioner for any police area which may be affected by the review;
 - any organisation representing the staff employed by local authorities which has asked to be consulted; and
 - such other persons as may be specified by order made by the Welsh Ministers.
- 21 Approximately three months prior to the planned start of a review Commission officials will meet with officers of the council under review. This meeting will set out the general practices and procedures of the review. Commission officials will discuss what the expectations of the Commission are for the review, how we intend to undertake consultation and how we expect the council to support the review, in terms of providing information, making proposals and in relation to publicising the review. The Commission will also request specific data at this meeting including five year forecasts of the electorate (the information required that it will request is outlined in the technical note attached at Appendix 2).
- 22 It will be for the principal council to decide which of their officers attend this meeting. However, the Commission recommends that the council consider the following officers (or their equivalents) attending: The Chief Executive Officer (or equivalent), the Electoral Services Officer, a legal services representative and a planning officer to manage the electorate forecast requirement. The Commission consider that these officers will all have a different role to play in ensuring the review is conducted efficiently and effectively with a greater likelihood of a successful review outcome.
- 23 Following the officials' meeting, officials of the Commission and the designated Lead Commissioner will meet with the principal council Chief Executive Officer and Group Leaders. The Commission will set out its expectations for the review, the appropriate number of elected members for the council under review (see 29 below and Appendix 3) and will emphasise the importance of receiving locally generated proposals for the area and will also set out its timetable and consultation procedures.
- 24 At around the same time, the Commission will also brief the full council with similar information, emphasising the need for quality representations to help inform the Commission's decisions. The Commission will seek to speak at a scheduled council meeting so as to avoid councils having additional meetings for the purposes of the electoral review. The Lead Commissioner will attend this briefing.
- 25 The Commission wishes to encourage principal councils to use the knowledge of their respective areas to suggest a scheme for electoral arrangements to the Commission when a review is being undertaken. A council should be in a position to respond to the

review by the Commission by suggesting electoral wards that meet the requirements of communities and which do not sever local ties.

- 26 At around this time, the Commission will also meet representatives of community and town councils and will give a similar briefing. We would welcome meeting at least one representative of each community and town council in the area under review as their presence would be especially beneficial. This may be on the same day as the full council briefing. This community and town council briefing will emphasise the Commission's view on the role of communities as part of the electoral review and explain the kind of information that is helpful to the Commission when deciding what draft proposals to consult on. The Commission will ask the principal council under review to help co-ordinate these meetings.
- 27 The Commission consider that these meetings will facilitate a review which generates the greatest amount of participation from those individuals and groups that it thinks will have the most impact on the review. At the official start of the review the Commission will write to the principal council under review, all the community councils in the area, the Members of Parliament and Assembly Members for the local constituencies and other interested parties to inform them of its intention to conduct the review, to request their preliminary views. The Commission will also issue press releases about the review and seek to conduct radio interviews where it can to publicise the review to the media and will seek to facilitate interviews when required to publicise the review. The Commission will also provide publicity material that it will request both the principal council and town and community councils distribute in appropriate places, such as public libraries, town and community notice boards, websites and council newsletters etc.
- 28 The Commission has adopted a methodology to determine the number of elected members appropriate for each Council. An explanation of the methodology and the resultant numbers of councillors identified for the principal councils can be found at Appendix 3. The Commission consider the statement of the numbers of councillors determined by its methodology as an aim that the Commission will work towards and can be used to put forward locally generated schemes. The Commission may, however, consider varying from this aim if provided with cogent reasons for doing so and if the variation is able to provide effective electoral arrangements.

The considerations to be made during an electoral review

- 29 Typically, reviews present a range of issues and challenges which require a judgement on balance, taking into account matters, in addition to statutory requirements, that include the following:
- effective and convenient local government;
 - electoral equality;
 - community tie arguments that justify atypical levels of electoral equality;
 - topography of the land, hills and rivers creating natural boundaries and motorways/railways forming man-made boundaries;
 - rural/urban divide;

- community area and community ward (where community areas are warded) boundaries being used as primary building blocks; and,
- single versus multi-member electoral wards.

30 The Commission will take into account all of these factors when making recommendations and invite respondents to consider each of these when submitting schemes and commenting on the draft proposals.

Effective and convenient local government

31 It is a duty of the Commission to recommend to Welsh Ministers electoral arrangements that are to achieve effective and convenient local government for principal councils.

32 In seeking to ensure effective and convenient local government, the Commission, when considering proposed electoral arrangements, ensures that electoral wards are internally coherent. That is to say, that there are reasonable road links across the electoral ward so that it can be easily traversed, and that all electors in the ward can engage in the affairs and activities of all parts of it without having to travel through an adjoining ward. This situation may arise, for example, when a potential electoral ward boundary amalgamates two communities where a feature such as a mountain or river divides them.

33 Factors including the convenient access to elected members by the electors and people they represent, patterns of settlements and ease of communications within electoral areas will be taken into account.

Electoral equality and Numbers of Councillors

34 The number of electors within electoral wards represented by elected members indicates the electoral ratios for those wards. As mentioned at paragraph 28 above, the Commission will consider for each review the appropriate number of elected members for the council under review according to the methodology set out in Appendix 3.

35 Setting the number of elected members enables the average electoral ratio for the council to be calculated. Although the Commission will seek to achieve ratios close to the council average, the Commission acknowledge, however, that there will be variances. When considering what variance is acceptable, the Commission must comply with the considerations set out in the legislation that state that the Commission must seek to ensure that *“the ratio of local government electors to the number of members of the council to be elected is, as nearly as may be, the same in every electoral ward of the principal area”*.

36 While it could be helpful to have a percentage variance from the council average that will be acceptable in terms of electoral equality, the Commission takes the view that each council is different and that some councils and electoral wards will be able to provide for a better level of electoral equality than others. The Commission will seek to provide the best level of electoral equality for each area under review and will take

each case on its merit. The Commission takes the view that departing from the average ratio for the council can only be justified by clear evidence of other balancing factors, such as local ties or other relevant considerations.

- 37 Many principal councils have both urban and rural electoral wards. In previous reviews the Commission have received comments to the effect that urban areas should have proportionately more councillors than rural areas because urban areas present the more complex issues. Others argued that rural areas should have proportionately more councillors because rural populations are more dispersed, and therefore harder to contact. There is no provision in legislation for such proportionality. Increasing use of electronic communication methods generally makes no distinction between urban and rural areas. However, there may be exceptions where local characteristics, including topography and the availability of high-speed broadband, lead to an acceptance of a particular variance in electoral ratio for one or more electoral wards.
- 38 The Local Government (Democracy) (Wales) Act 2013 places a further requirement on the Commission, Section 30 (2) (a) which states that account must be taken of “...*any discrepancy between the number of local government electors and the number of persons eligible to be local government electors (as indicated by relevant official statistics)*...”. The Commission is reliant on the Office for National Statistics (ONS) to provide this information. The information will not always be available to the level of detail required to make proposals which are conducive to effective and convenient local government. The Commission will utilise the available statistics as best it can and where it is appropriate to do so. The Commission will consider representations which use the discrepancy between electors and those eligible to vote in its considerations of electoral arrangements but only where the statistics have been provided by the ONS at the outset of the review.
- 39 The Commission’s general intent is to improve electoral equality as a result of a review. This will be informed by the data provided by councils as to current electors as well as five year electoral forecasts and to respond to the implications of changes in the number and distribution of electors. The Commission looks to councils to provide realistic estimates of population changes supported by appropriate evidence. In the experience of the Commission the projected figures are often at significant variance with the actual change in number of electors. In general terms, all councils will project an increase in the number of electors, often in every electoral ward. The reality however, is that there is a degree of population shift away from rural communities and councils and towards more urban areas. When making five year forecasts, the Commission caution against making overly ambitious projections.

The appropriate number of councillors in an electoral ward

- 40 The Commission takes the view that in the first instance; it is desirable that each electoral ward should return a single member. The Commission may, however, recommend that wards be represented by up to three members in cases supported by evidence as to the character of the ward and in the interests of electoral parity. The Commission believes that it is desirable to not have more than three members in a ward as having four or more members is not appropriate in a first-past-the-post electoral system and that this many members would dilute accountability to an

excessive amount. Furthermore, from an administrative point of view, an election is increasingly difficult for electoral administrators and returning officers to administrate where there are more than three members. Accordingly, the Commission will not recommend any new multi-member wards with more than three members.

- 41 Where a four and five member ward is present in the existing arrangements, the Commission would consider alternative arrangements providing for wards with three members or fewer. If the Commission received substantial evidence that there is local support for the existing arrangement from members and their electorate and that it can be evidenced that it is working effectively and is convenient for local government then the Commission may consider recommending maintaining the existing arrangement.
- 42 The Commission considers that multi-member electoral wards are more likely to be effective and convenient in urban areas than in rural areas. In areas of denser population, such as is found in urban areas, it is possible that many of the issues which a councillor may be called upon might be broadly similar in nature and would allow multiple councillors to deal with similar issues.
- 43 The Commission supports the principle that each electoral ward should reflect the requirements of the community or communities it covers and will endeavour to recommend this but recognises that sometimes multi-member wards are the most effective means of balancing the criteria and therefore may also recommend them in rural areas.

Communities

- 44 There can be some confusion over what is meant by the word community. It means different things to different people. Some may consider it to be the street in which they live, others a more broad village area, others much larger areas. All of these are entirely accurate and reflect the lives of people and the differences and similarities of places where we live, work and interact. However, in Wales there is an additional and more technical meaning to the word as the whole of Wales is divided into community areas.
- 45 Many community areas have community or town councils. Where a community area has a community or town council then these areas may be divided into wards for electoral purposes. Over two-thirds of Wales' population is covered by town and community councils. The Commission will use communities and community wards as the primary building blocks making up electoral wards. The 2013 Act makes provision for the Commission to recommend changes to community and community ward boundaries as a consequence of changes to the electoral ward boundaries. This provision allows the Commission some flexibility when creating electoral wards.
- 46 Accordingly, the Commission has flexibility as to how it uses the existing communities and community wards as building blocks to create electoral wards. The Commission recognises however that in creating electoral wards it must have regard to the desirability of fixing boundaries for electoral wards which are and will remain easily identifiable; and the desirability of not breaking local ties when fixing boundaries for electoral wards (these requirements are considered at paragraphs 47 and 49

respectively below). The Commission will ensure that proposals for consequential changes to community and community ward boundaries are normally subject to consultation and proposals for significant changes to boundaries will be included in a draft proposals report. The Commission will welcome representations relating to proposals for changes to boundaries that are supported by clear and relevant evidence in the initial consultation period. Any new changes of this type will only be considered at final proposals stage following substantial evidence submitted in representations made in respect of the draft proposals.

Easily identifiable boundaries

- 47 As considered at paragraph 46 above, in general the Commission will use the community areas and, where they exist, community wards as the primary building blocks for electoral wards. This in effect means that the boundaries of any proposed electoral wards are formed from the boundaries of existing local government areas and as such should be easily identified. This does however depend on the community area and community ward boundaries being regularly reviewed by the principal council to take account of new developments that cross existing boundaries. Where changes to community or community ward boundaries are considered as a consequence of changes proposed to electoral ward boundaries, the Commission will seek to ensure that these new boundaries are easily identifiable.
- 48 Roads can be seen to be the focus of an area if they are the location of shops or community facilities which people visit regularly and where they interact. They may themselves be the subject of issue for communities, perhaps when safety, environmental or economic considerations are a catalyst to community interaction. Alternatively, major highways, rivers or railway lines are often physical barriers marking the boundary between different communities.

Local ties

- 49 The legislation requires that the Commission must have regard to the desirability of not breaking local ties when fixing boundaries for electoral wards. This may occur when proposals are made for new arrangements that divide into two electoral wards, communities (or community wards) that are currently together in the same electoral ward. However, such is the complexity of the term "local ties" that people may consider that their area has ties to a number of other areas. It can also be the case that those sharing an interest in the physical maintenance and management of their immediate living environment may consider that their local ties are within quite confined boundaries. For example, the Commission has received comments from those who consider that their individual community ward is separate and distinct from another community ward of the same community and they adamantly oppose being placed in an electoral ward containing another community ward from the same community.
- 50 However, the Commission may also receive representations from those who may have an interest in the way their general hospital or secondary school provides services or in the continuation of a large-scale employer and thus identify themselves as also part of a community much wider in extent. This often leads to suggestion of

local ties between multiple community areas (whether they have a community or town council or not) and can often bring deep opposition to dividing community areas into two (or more) electoral wards where they were previously contained within one.

- 51 Another example of local ties could be that an area identifies itself as a Welsh-speaking area. We will give recognition to the Welsh language characteristics of a community when conducting a review. The Commission will utilise the census data to attempt to ensure that it does not put forward proposals which would undermine the use of the Welsh language.
- 52 The Commission often only hear from respondents who oppose the draft proposals on the basis that it has broken local ties. The Commission also ask that respondents tell it when proposals do reflect local ties so that the Commission knows that it has got its proposals right and do not change them on the basis of other information.
- 53 In some areas an electoral ward will be greater in physical extent than an identifiable community (or community ward): sometimes the Commission have to combine two or more distinct and separate communities within an electoral ward. This is particularly so in rural areas.

Electoral ward names

- 54 Where the Commission proposes to form new electoral wards the Commission will also suggest names for the new wards. Where appropriate the Commission will propose alternative English and/or Welsh names for the new wards. In the creation of the names the Commission will consult with the Welsh Language Commissioner on the suitability of the Welsh language names proposed prior to the publication of draft or final proposals.
- 55 During consultation periods the Commission welcomes suggestions for alternative names in Welsh and/or English as appropriate. The Commission favours names linked to the area under consideration but does not favour names that merely list the names of every community within a proposed electoral ward.

Representations

- 56 The Commission wishes to encourage principal councils to use the knowledge of their respective areas to suggest a scheme for electoral arrangements to the Commission when a review is being undertaken. Having conducted a review of its communities, and being aware of the appropriate number of members to be elected for the principal council area, that council should be in a position to respond to the review by the Commission by suggesting electoral wards that meet the requirements of communities having identifiable boundaries and which do not break local ties.
- 57 The Commission encourages town and community councils, members, interested parties and the general public to make representations and suggestions as part of the process of review. The Commission welcomes representations that are based on evidence and facts which are relevant to the electoral arrangements under consideration. The Commission will consider, acknowledge and summarise every

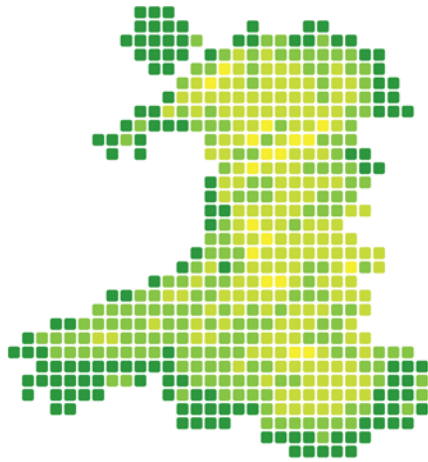
representation made. If any person or body makes a representation to the Commission and do not receive an acknowledgment, they should contact the Commission to ensure it has received the representation. If your representation is not acknowledged then it is highly likely the Commission has not received the representation and it will not be considered in the Commission's deliberations.

- 58 A summary of every representation the Commission receives is published in an appendix in the Commission's Draft Proposals and Final Proposals Reports. The Commission has a policy that members of the public will not be named in the summaries of representations that will be published in the reports. The Commission will ascribe the locale of their residence to the representation summary.

Conclusion

- 59 An electoral review is an exercise of the discharge of statutory responsibility, the application of powers given to the Commission, and the display of judgement which the legislation calls for. The Commission's policies are intended to give others confidence in how it will approach the challenges in any review, but do not preclude its striking of the right balance in the particular circumstances of the communities and principal council under review. The Commission exercises a collective judgment in determining the issues leading to the proposals in the reviews and the considerations given to the issues and the reasoning adopted will be explained in the reports.

October 2016



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Local Democracy and
Boundary Commission
For Wales

ELECTORAL REVIEW PROGRAMME 2017

ASSESSMENT AND TIMETABLE

Introduction

1. The Local Government (Democracy) (Wales) Act 2013 requires the Commission to publish a ten year programme of electoral reviews.
2. In February 2013 the Commission set about analysing the information it had obtained from principal councils and the relevant factors considered necessary to develop a 10 year programme of electoral reviews for the 22 principal councils of Wales.
3. On 20 January 2014 the Commission on Public Service Governance and Delivery reported to the First Minister recommending changes to the make-up and operation of Wales' 22 principal councils. In order to avoid any nugatory work the Commission suspended its electoral review programme.
4. On 23 June 2016 the Cabinet Secretary for Finance and Local Government published a Written Statement asking the Commission to restart its 10 year programme with a new prioritised timetable with an expectation that all 22 electoral reviews be completed in time for the new arrangements to be put into place for the 2022 local government elections. In the Cabinet Secretary's Statement, he requested that the reviews for Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Monmouthshire, Pembrokeshire, Powys and Torfaen be the first nine reviews in the programme.
5. This revised Electoral Review Programme, utilising the latest local government electorates, sets out the Commission's new prioritised timetable and how it came to the decision.

Assessment

6. As with the previous electoral review programme, it was decided that the factors used in the consideration of a programme of reviews would be:
 - i. Divergence from the Commission's Council Size Policy aim;
 - ii. Last electoral review Order;
 - iii. Last community review Order;
 - iv. Timing of the next planned/ongoing community review;
 - v. The electoral ward variance from the county average, with specific reference to;
 - vi. those above +/-50%;
 - vii. those between +/-25% and +/-50%;
 - viii. those below +/-25%; and,
 - ix. The number of existing electoral wards with more than 3 members.
7. In order to make an assessment based on these factors the Commission contacted the principal councils to gather data on electorates and their planning on future community reviews.
8. The information collected was collated in a spreadsheet. In order to develop a formula whereby an order of priority could be determined a points based RAG (red-amber-green) system was used. The factors where RAG was used and the determining parameters were as follows:

Appendix 1

Factor	R		A		G	
	Points	Parameter	Points	Parameter	Points	Parameter
i.	3	Greater than +/-25%	2	Between +/-10% and +/-25%	1	Less than +/-10%
ii.	3	Pre 2000	2	Between 2000 and 2011	1	Post 2011
iii.	3	Pre 2007	2	Between 2007 and 2013	1	Post 2013
vi.	3	Greater than 10%	2	Between 1% and 10%	1	No wards
vii.	3	Greater than 30%	2	Between 15% and 30%	1	Less than (and equal to) 15%
viii.	3	Less than 70%	2	Between 70% and 85%	1	Greater than (and equal to) 85%
ix.	3	Greater than 10%	2	Between 1% and 10%	1	No wards

Note. Factor iv. does not appear in the above table as a planned/ongoing community review is taken into consideration in the timing of a review, not priority. Principle councils undertaking community reviews can be found in the programme at Appendix B.

9. A completed assessment table can be found at Appendix A. It should be noted that for Cardiff, Flintshire, Neath Port Talbot and Rhondda Cynon Taf these areas have conducted community reviews and recommendations have been submitted to Welsh Government but no Order has yet been made. It has been assumed that these Orders will be made before the Commission undertakes its electoral reviews.

Electoral Review Programme 2017 (ERP 2017)

10. The ERP 2017 can be found at Appendix B.
11. The programme is based upon the base data in the assessment table but moving principal councils up or down the order to take into consideration the Cabinet Secretary's desire for Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Monmouthshire, Pembrokeshire, Powys and Torfaen to be completed first and where a community review is underway or in the planning. The programme also reflects provision we have made to provide enough time for WG to produce a community Order before an electoral review can commence.
12. The only principal council which has indicated it is to conduct or complete a full community review prior to the 2022 local government election is Monmouthshire. They have communicated their intention to complete their suspended community review following the local government election in 2017. The Monmouthshire electoral review is however one of the nine reviews the Cabinet Secretary has requested to be the first to be undertaken within the programme. The Commission is of the view that the review of electoral arrangements in Monmouthshire would be substantially enhanced by allowing the completion of the community review before work begins on the electoral review. This is in line with the views of Monmouthshire County Council and the Cabinet Secretary has agreed that for this reason the Monmouthshire electoral review be scheduled at the end of the programme.

Appendix A - Timetable Assessment

Principal Council	Members	Council Size Aim	Divergence from Council Size Aim %	Last electoral Order	Last community change	Electoral Wards	EWs variance > 50%	EWs % variance > 50%	EWs variance 25-50%	EWs % variance 25-50%	EWs variance 0-25%	EWs % variance 0-25%	No. EWs with >3 members	% EWs with >3 members	R	A	G	Formula	Overall Review Priority	Note
Isle of Anglesey	30	35	-14%	2012	2009	11	0	0%	0	0%	11	100%	0	0%	0	2	5	9	22	
Blaenau Gwent	42	30	40%	n/c	2010	16	0	0%	3	19%	13	81%	1	6%	2	4	2	16	1	
Bridgend	54	46	17%	1998	2009	39	3	8%	11	28%	25	64%	1	3%	2	5	0	16	1	
Caerphilly	73	60	22%	1998	2012	33	0	0%	2	6%	31	94%	2	6%	1	3	3	12	17	
Cardiff	75	75	0%	1998	2016*	29	2	7%	1	3%	26	90%	5	17%	2	1	4	12	17	* Awaiting Community Order
Carmarthenshire	74	75	-1%	1998	2016	58	1	2%	12	21%	45	78%	0	0%	1	3	3	12	17	Priority given by Cabinet Secretary - cancelled order
Ceredigion	42	38	11%	2002	2000	40	1	3%	16	40%	23	58%	0	0%	3	3	1	16	1	Priority given by Cabinet Secretary - cancelled order
Conwy	59	46	28%	1998	2015	38	0	0%	9	24%	29	76%	1	3%	2	3	2	14	8	Priority given by Cabinet Secretary - cancelled order
Denbighshire	47	47	0%	1998	2003	30	0	0%	4	13%	26	87%	0	0%	2	0	5	11	21	Priority given by Cabinet Secretary - cancelled order
Flintshire	70	61	15%	1998	2016*	57	1	2%	13	23%	43	75%	0	0%	1	4	2	13	13	* Awaiting Community Order
Gwynedd	75	61	23%	2002	2007	71	6	8%	26	37%	39	55%	0	0%	3	3	1	16	1	Priority given by Cabinet Secretary - cancelled order
Merthyr Tydfil	33	30	10%	n/c	n/c	11	0	0%	2	18%	9	82%	3	27%	3	2	2	15	5	
Monmouthshire	43	46	-7%	2002	2002	42	1	2%	7	17%	34	81%	0	0%	1	4	2	13	13	Priority given by Cabinet Secretary - cancelled order
Neath Port Talbot	60	56	7%	n/c	2016*	42	2	5%	13	31%	27	64%	0	0%	3	1	3	14	8	* Awaiting Community Order
Newport	50	49	2%	2002	2002	20	0	0%	4	20%	16	80%	1	5%	1	4	2	13	13	
Pembrokeshire	60	61	-2%	1998	2011	60	2	3%	17	28%	41	68%	0	0%	2	3	2	14	8	Priority given by Cabinet Secretary - cancelled order
Powys	73	67	9%	1998	2008	73	6	8%	25	34%	42	58%	0	0%	3	2	2	15	5	Priority given by Cabinet Secretary - cancelled order
Rhondda Cynon Taf	75	75	0%	1998	2016*	52	5	10%	17	33%	30	58%	0	0%	3	1	3	14	8	* Awaiting Community Order
Swansea	72	75	-4%	1998	2011	36	2	6%	6	17%	28	78%	6	17%	2	4	1	15	5	
The Vale of Glamorgan	47	51	-8%	2002	2010	23	0	0%	5	22%	18	78%	2	9%	0	5	2	12	17	
Torfaen	44	30	47%	2002	2013	24	1	4%	5	21%	18	75%	0	0%	1	4	2	13	13	Priority given by Cabinet Secretary - cancelled order
Wrexham	52	54	-4%	1998	2009	47	2	4%	10	21%	35	74%	0	0%	2	3	2	14	8	

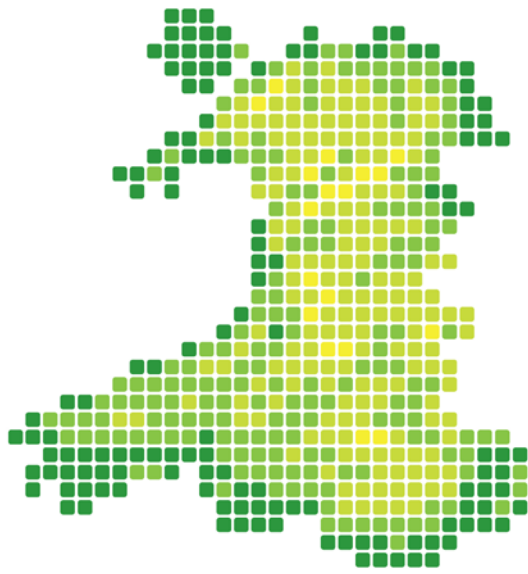
0-10%	within 5 years	within 3 years	0%	0-15%	85-100%	0%
10-25%	5-15 years	3-10 years	0-10%	15-30%	70-85%	0-10%
>25%	>15 years	>10 years	>10%	>30%	<70%	>10%

ELECTORAL REVIEW PROGRAMME 2017

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	2017				2018				2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Ceredigion	S			D			F																	
Gwynedd	S			D			F																	
Powys	S				D			F																
Conwy		S				D		F																
Pembrokeshire			S			D			F															
Torfaen			S			D			F															
Carmarthenshire				S			D			F														
Denbighshire				S			D			F														
Blaenau Gwent					S			D			F													
Bridgend					S			D			F													
Merthyr Tydfil						S			D			F												
Swansea						S			D			F												
Neath Port Talbot							S			D			F											
Rhondda Cynon Taf							S			D			F											
Wrexham								S			D			F										
Flintshire								S			D			F										
Newport									S			D			F									
Caerphilly									S			D			F									
Cardiff										S			D			F								
Vale of Glamorgan										S			D			F								
Isle of Anglesey											S			D			F							
Monmouthshire											S			D			F							

- S - Start of review
- D - Draft Proposals
- F - Final Proposals
- E - Local Government Election
- Electoral Review
- Community Review under old legislation
- Period whereby recommendations may not be made by the Commission - August to May



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Local Democracy and
Boundary Commission
For Wales

Electoral Reviews: Council Size Policy

October 2016

1. Introduction

- 1.1 The Local Democracy and Boundary Commission for Wales is required to carry out periodic reviews of the electoral arrangements of principal areas in Wales. The way the Commission conducts an electoral review is defined by legislation, our *Electoral Reviews: Policy and Practice* document and by Directions that may be issued by Welsh Ministers.
- 1.2 The Commission published its original *Electoral Reviews: policy and practice* document on 12 March 2012. That document did not include the Commission's approach to council size. Accordingly, in May 2012, we produced a consultation paper setting out a preliminary view of how council size may be determined as a precursor to an electoral review.
- 1.3 At the end of the initial consultation period we had received responses from the majority of principal councils, the Welsh Local Government Association (WLGA), political parties and individuals, including former councillors. The general response was in favour of an approach based on the identification of the number of councillors that would be appropriate to ensure the provision of effective and convenient local government for councils. The specific methodology proposed by the paper was, however, not generally supported. It was clear that there were some concerns about the suggested banding approach. The view was expressed that the methodology used and justification for establishing council sizes should be based upon wider factors than socio-geographical characteristics alone, and may need to include population density factors. There was also the view that the ratios of elector per councillor adopted in the consultation paper need to be justified.
- 1.4 Representatives of the Commission met with representatives of the WLGA in July 2012 to discuss the outcome of the consultation. At the meeting it was agreed that the Commission would work with the Local Government Data Unit ~ Wales to consider further the methodology used for determining council size and to investigate alternative data sets and methodologies. Further meetings were held with the WLGA and the Data Unit and, following detailed analysis work by the Data Unit, the Commission were able to consider alternative methodologies that utilised data that was both current and readily available. We considered methodologies which variously took account of electorate numbers, population size and measures of population density and urbanisation. We have arrived at a preferred methodology that is broadly based on the method in place in Scotland at the time.
- 1.5 The preferred methodology was published as a consultation paper on 27 March 2013. We received responses from over half of the principal councils, the Welsh Local Government Association (WLGA), two political parties and individuals. The general response was in favour of the methodology and that it was appropriate to ensure the provision of effective and convenient local government for councils.
- 1.6 In light of the restarted electoral review programme and policy and practice the Commission has updated the policy reflecting the latest Office for National Statistics data.

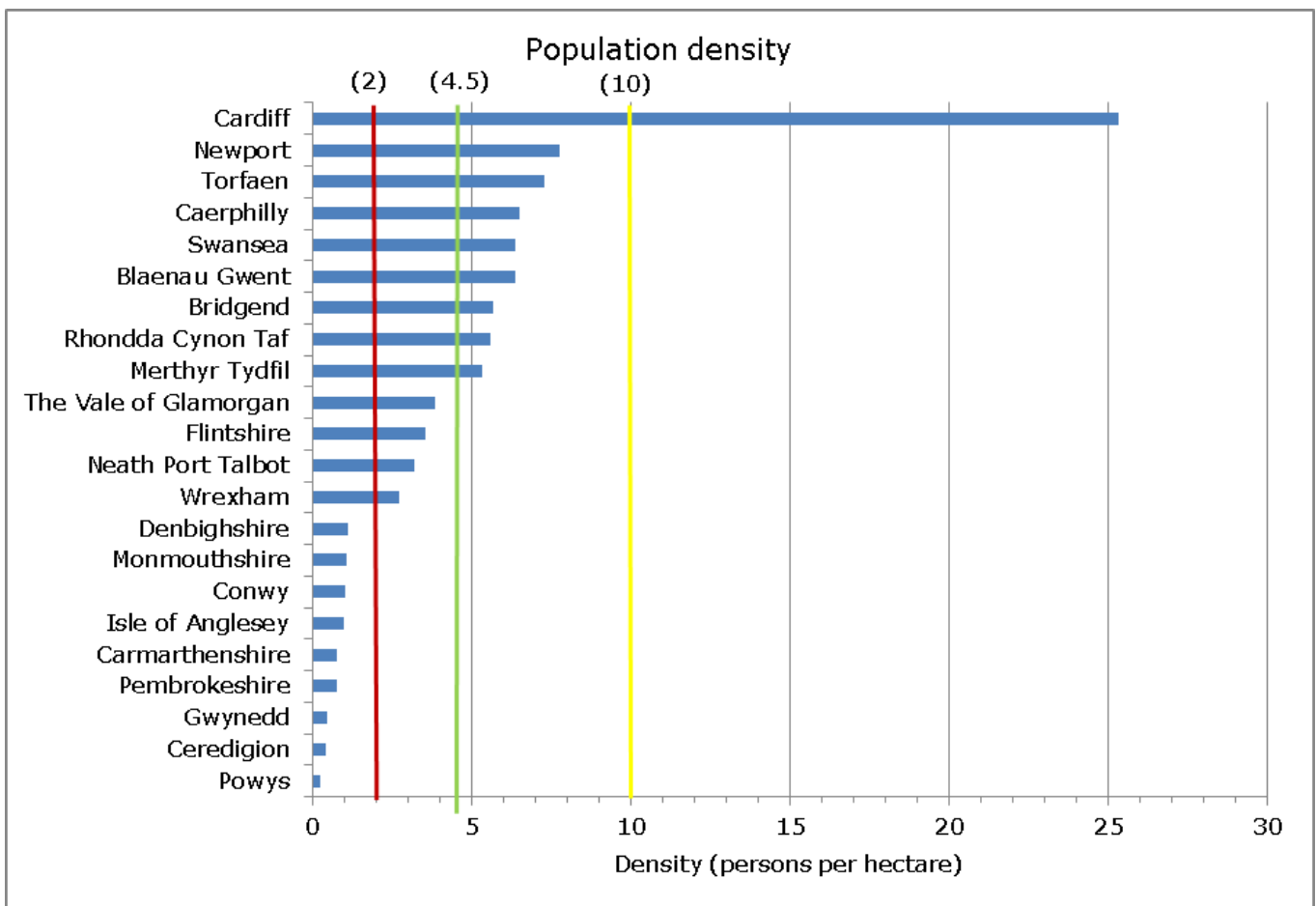
2. Council Size Methodology

- 2.1 In considering a methodology for determining the size of councils the Commission has adopted the principle that the modelling of councillor numbers should be objective, transparent and underpinned by a robust methodology. In arriving at a preferred methodology the Commission took account of the method that was in place in Scotland at their fourth general review which has been an accepted and tested approach to adjudicating council size on Local Authorities with variations of geography, topography and population distribution. The Commission and the Data Unit have worked with the Local Government Boundary Commission for Scotland to better understand how their approach was developed and, as a result, a comparable model for Wales has been produced.
- 2.2 The methodology in our policy uses information relating to the population distribution within councils enabling a conclusion to be drawn on the relative urban and / or rural nature of their areas, in demographic terms. Using the data to then categorise the councils enables a transparent and robust approach which will provide a sustainable method for future allocation. It ensures that councils with similar characteristics are being treated in the same way. The parameters used to determine the categories are urbanisation (percentage of the population living outside of settlements with a population of more than 10,000) and population density (number of persons per hectare). The categories have been determined by a combination of looking at appropriate groupings in the data and as determined by appropriate patterns of population distribution within principal council areas.
- 2.3 The Commission considered using other factors in the model in addition to those described above. During the consultative process the Commission has received suggestions that deprivation be a consideration in council sizing policy. It was concluded that such an element would increase complexity at the expense of transparency. A methodology based on demographic distribution is the basis of the approach we consider most appropriate for Wales.

Population Density

2.4 The first factor considered is population density. The chart below shows the distribution across Wales of the population density. The data used is the 2015 Mid Year Estimates¹ of population and the associated 2015 population densities. The data continues to suggest that there are four groups of principal councils in Wales in terms of population density (from top to bottom):

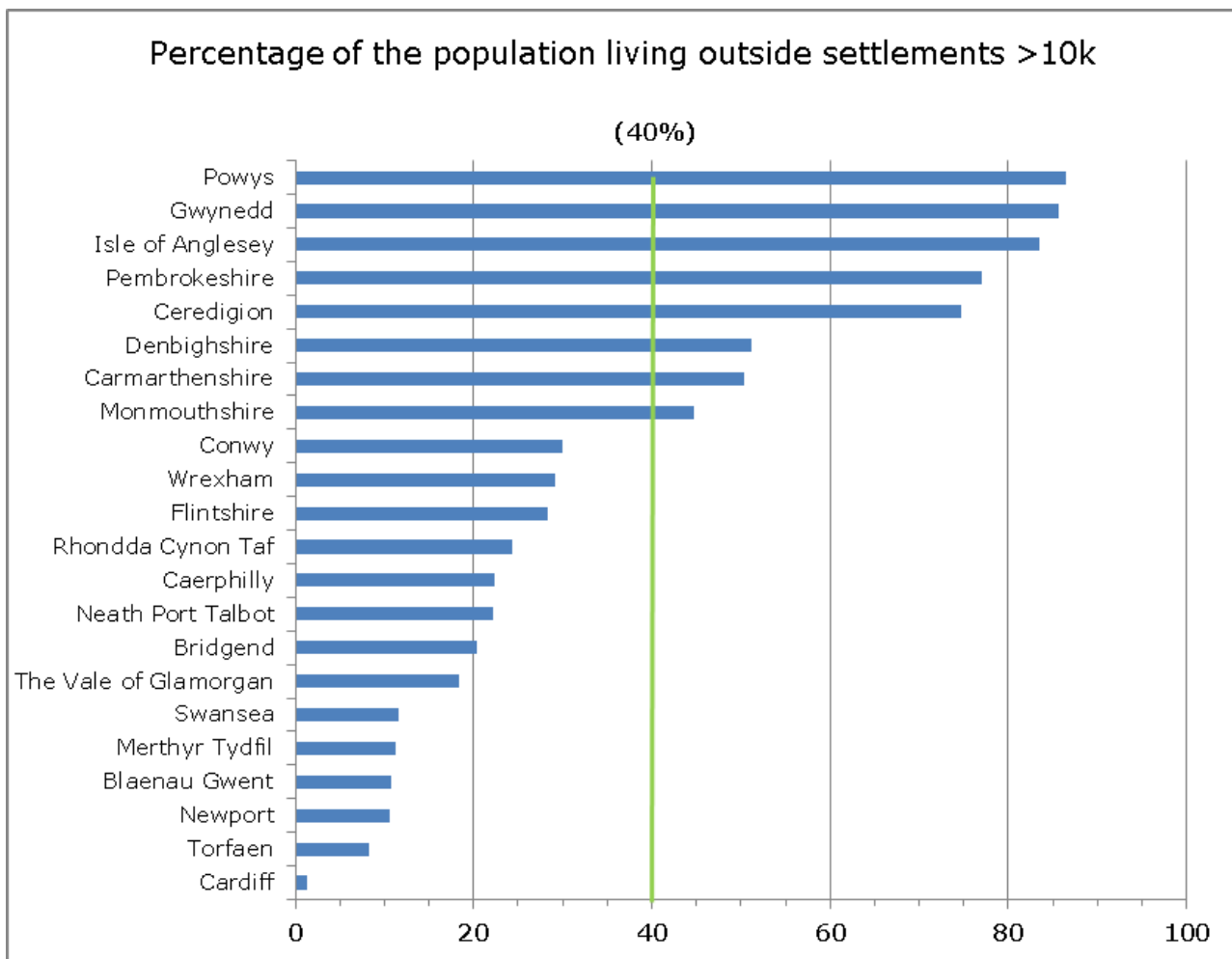
- i. Those greater than or equal to 10 (Cardiff);
- ii. Those greater than or equal to 4.5 but less than 10 (Newport to Merthyr Tydfil);
- iii. Those greater than or equal to 2 but less than 4.5 (The Vale of Glamorgan to Wrexham); and,
- iv. Those less than 2 (Denbighshire to Powys)



2.5 The Commission is therefore content to continue using the factors as set out in our Council Size Policy of 2013.

Urbanisation

- 2.6 It was considered that the Commission could divide Wales' principal councils by the four categories identified purely on the population density. However, the Commission believes that there is merit in establishing a robust model which reflects both population density and the dispersal of population within a local authority area and can continue and adapt to changes to Wales' principal councils population changes in the future. Thus, the model includes both sets of factors even though, in this first instance, it does not impact on a number of principal councils.
- 2.7 The second factor we therefore considered was 'urbanisation' or the percentage of population living outside settlements with a population over 10,000. This factor distinguishes those councils that have a preponderance of population that lives in larger communities, town or urban settlements. The chart below shows the distribution across Wales of the percentage of the population living outside of settlements with a population of more than 10,000. Although there is no clear split in the data, in order to distinguish where a council's population is concentrated more in urban areas we have identified two groups, the dividing point being where 40% of the population live outside of settlements of 10,000 people.



- 2.8 When compared to the 2011 there has been some shifts in the percentage of population living outside of 10,000 persons or more settlements. There have been three principal councils with shifts over 10%: Bridgend (12.2 percentage points decrease), Conwy (11.1 percentage points decrease) and Monmouthshire (11.3 percentage points decrease).

This represents the population moving from more rural locations to more urban locations in those council areas.

- 2.9 This has one impact where a council appears above or below the 40% threshold. Conwy has moved from 41.2% to 30%, moving to within 1% of Wrexham.
- 2.10 The Commission is content that, although there has been a move of one authority below the threshold that the differential between Conwy at 30% and Monmouthshire at 44.6% is still significant and an appropriate point to place that factor in the Commission's methodology.

Summary of Model Parameters

- 2.11 To take account of the circumstances in Wales, responses to the consultations and ensuring that only significant changes in population density would change a principal council's category a set of categories of urbanisation and population density continue to be as follows:
- Where 40% or more of the population that live outside settlements larger than 10,000 persons ; and,
 - Where the population density is greater than or equal to 10 persons per hectare, is greater than or equal to 4.5 persons per hectare but less than 10 persons per hectare, is greater than or equal to 2 persons per hectare but less than 4.5 persons per hectare, is less than 2 persons per hectare.

Categorisation and Councillor Allocation

2.12 Using the values from the charts above and described at paragraph 2.11 gives the categorisation parameters shown in Table 1.

Table 1: Categorisation parameters

Category	Urban nature (% of population living outside of towns with more than 10,000 population)		Population density (persons per hectare)
1	Less than 40%	AND	Greater than or equal to 10
2	Less than 40%	AND	Greater than or equal to 4.5
3	More than 40%	AND/OR	Less than 4.5
4	More than 40%	AND	Less than 2

2.13 Using this methodology the councils are categorised as shown in Table 2.

Table 2: Category allocation

Council	Category
Blaenau Gwent	2
Bridgend	2
Caerphilly	2
Cardiff	1
Carmarthenshire	4
Ceredigion	4
Conwy	3
Denbighshire	4
Flintshire	3
Gwynedd	4
Isle of Anglesey	4
Merthyr Tydfil	2
Monmouthshire	4
Neath Port Talbot	3
Newport	2
Pembrokeshire	4
Powys	4
Rhondda Cynon Taf	2
Swansea	2
The Vale of Glamorgan	3
Torfaen	2
Wrexham	3

2.14 Once the councils are allocated to a category then a ratio of councillors to population is applied to each council within the category. This approach takes account of the size of the overall population, whilst continuing to ensure that councils with similar characteristics are treated the same.

2.15 The population ratios for the categories are determined as a set and having regard for the categories determined by urbanisation and population density. A two fold change between the top and bottom categories is proposed in Wales to reflect the slightly smaller range in urbanisation and population density. The current average ratio for category 4 councils is approximately 1:2,000 and so it was considered appropriate to apply this ratio to this category. The change in ratios between categories 4 and 3 and between categories 3 and 2 is small at 500 persons per councillor. This is to reflect the gradual change in the nature of categories. There is a greater change of 1,000 between the top two categories reflecting the difference in their nature. The proposed ratios are shown in Table 3.

Table 3: Councillor to population ratios

Category	Ratio (1:)
1	4,000
2	3,000
3	2,500
4	2,000

2.16 The councillor to population ratio for each category is used to determine the number of councillors as shown in Table 4.

Table 4: Categorisation and councillor allocation

Category	Council	Population	Number of Councillors
1	Cardiff	357,160	89
2	Blaenau Gwent	69,544	23
	Bridgend	142,092	47
	Caerphilly	180,164	60
	Merthyr Tydfil	59,324	20
	Newport	147,769	49
	Rhondda Cynon Taf	237,411	79
	Swansea	242,382	81
	Torfaen	91,836	31
3	Conwy	116,218	46
	Flintshire	154,074	62
	Neath Port Talbot	140,992	56
	The Vale of Glamorgan	127,592	51
	Wrexham	136,647	55
4	Carmarthenshire	185,123	93
	Ceredigion	74,642	37
	Denbighshire	94,691	47
	Gwynedd	122,864	61
	Isle of Anglesey	69,979	35
	Monmouthshire	92,476	46
	Pembrokeshire	123,464	62
	Powys	132,642	66
	Wales	3,099,086	1,196

3. Constraints

- 3.1 As noted above, when considering a methodology for determining the size of councils the Commission adopted the principle that any approach to modelling councillor numbers should be objective, transparent and underpinned by a robust methodology. It is understood, however, that any method for determining council size may be constrained by legislation and Ministerial Directions and an awareness of the impact of any proposed change to the existing size of councils.
- 3.2 In respect of council size the Ministerial Directions in respect of electoral reviews have previously stated:
- (a) It is considered that a minimum number of 30 councillors is required for the proper management of the affairs of a county or a county borough council;
 - (b) It is considered that, in order to minimise the risk of a county council or a county borough council becoming unwieldy and difficult to manage, a maximum number of 75 councillors is ordinarily required for the proper management of the affairs of a county or a county borough council.

From our consultations there appears to be a general acceptance of these maxima and minima and so we have therefore accepted these as constraints to the methodology.

- 3.3 The impact that a significant change may have on the running of a council if it applied as a result of a single electoral review has also been considered. A constraint has therefore been applied so that, for each review, the number of councillors will not vary by more than 10%. At the request of the principal council concerned the Commission may consider exceeding its 10% variance limit in moving towards the size of council determined by the model, if it can be demonstrated that the solution is more conducive to effective and convenient local government
- 3.4 In order to ensure that the process is clear and fair, the constraints on maximum or minimum councillor numbers or on levels of change have been applied at the end of the process.

4. Applied Model

4.1 The councillor allocation determined by the methodology (at Section 2 above) is then subject to the constraints (at Section 3 above). Table 5 shows the existing number of councillors and gives the allocated number of councillors before and after constraints.

Table 5: Categorisation and councillor allocation before and after constraints

Category	Council	Number of councillors		
		Existing (2013)	Before constraints	After constraints
1	Cardiff	75	89	75
2	Blaenau Gwent	42	23	38
	Bridgend	54	47	49
	Caerphilly	73	60	66
	Merthyr Tydfil	33	20	30
	Newport	50	49	49
	Rhondda Cynon Taf	75	79	75
	Swansea	72	81	75
	Torfaen	44	31	40
3	Conwy	59	46	53
	Flintshire	70	62	63
	Neath Port Talbot	64	56	58
	The Vale of Glamorgan	47	51	51
	Wrexham	52	55	55
4	Carmarthenshire	74	93	75
	Ceredigion	42	37	38
	Denbighshire	47	47	47
	Gwynedd	75	61	67
	Isle of Anglesey	30	35	33
	Monmouthshire	43	46	46
	Pembrokeshire	60	62	62
	Powys	73	66	66
	Wales	1,254	1,196	1,211

4.2 The proposed methodology gives a transparent, data driven and future proof method for calculating the appropriate number of councillors in each principal council and Wales as a whole. In some councils, the councillor numbers obtained from the proposed method show significant change from their current numbers. The constraints that are subsequently applied ensure that the transition to this system is smooth and fair.

Updates

4.3 The Commission will annually update the outputs of the model shortly after Office for National Statistics' publication of new Mid Year Estimates. It will also be updated shortly after every new electoral review Order is made by Welsh Government.

Endnote

¹ The ONS Census Mid Year Estimate data sets are a consistent series of population statistics that are provided for the 30 June each year. The Census is only conducted once every 10 years and is on a different date.

Technical Note: Requirements for each principal area for the provision of statistical data to the Local Democracy and Boundary Commission for Wales.

Introduction and History

- 1 In order to conduct an electoral review of a principal area it is necessary for the Commission to have the requisite statistical information upon which it can make decisions about both the number of councillors in a Council and the number of electors in each electoral ward.
- 2 At the start of an electoral review the Commission requests from the Electoral Registration Officer (ERO) the latest electoral figures for each community area and ward (where a community is warded). A 5-year projection of the number of electors is also requested on the same basis.
- 3 In respect of the existing figures, these have not always been provided in a consistent format and, on a number of occasions, this has required the Commission to go back to the ERO for clarification of the figures. The inconsistencies have taken a number of forms such as electorate broken down by polling district rather than community/community ward, missing data, incorrect totals, etc. The clarification and correction of this data has taken time and effort to resolve and, on occasions, this has had an impact on the timely running of a review.
- 4 In respect of the projected figures, the Commission has received a number of different ways of calculation, ranging from blanket increases by percentile, to carefully thought-out determination of attainers, deaths and development proposals. On rare occasions we have been told that it is not possible to provide such statistics. In such circumstances the Commission has to just use the existing electorates when proposing electoral arrangements and is then unable to gauge the future suitability of the arrangements. Again, the difficulties in obtaining these statistics have, on occasion, had an impact on the timely running of a review.
- 5 The Local Government (Democracy) (Wales) Act 2013 places a further requirement on the Commission related to statistical data provided by a principal area: Section 30 (2) (a) states that account must be taken of “...*any discrepancy between the number of local government electors and the number of persons eligible to be local government electors...*”
- 6 In order to avoid the problems that have previously occurred in respect of electoral statistics, the Commission has created this Technical Note. This will assist the ERO’s of each principal council to understand the precise requirements of the Commission with regard to the electoral data it will be requesting before the start of a review.

Requirements

- 7 The Commission requires three different sets of data from the ERO of each principal council:
 - i. The existing arrangements;

- ii. A 5 year projection; and,
- iii. Each of the last 5 years data.

Existing Arrangements

- 8 The Commission requires the most up-to-date number of registered local government electors in each **community and community ward** (where a community is warded) in the principal area. These are the primary building blocks to which the Commission would prefer to use when creating electoral wards. Numbers of electors by postcode, polling district or electoral ward are **not** acceptable. The information should be provided in the pro forma provided to the council at the beginning of the review. Different councils will have different officers responsible for compiling these figures and the Council itself should identify who in the council is best placed to provide this information.
- 9 The Commission also ask that the full register of electors data, from which the information is derived, is saved at the principal council. Furthermore a redacted version of this full register is provided to the Commission.
- 10 Where there are alternative Welsh and English names these should both be given.

A Five-Year Projection

- 11 The Commission requires a carefully considered and, so far as is possible, accurate, projection of the number of electors in each existing **community and community ward** (where a community is warded) in the principal area that are forecast in the year that is five years after the year of the existing electoral figures (e.g. for 2022 where the existing electorate is for 2017). These projected figures should also be submitted in the pro forma provided to the council at the beginning of the review.
- 12 It is up to the council under review to determine how to project these forecasts. The Commission recognises that it is not an exact science and that there is currently uncertainty in the housing market due to the economic downturn which may make some developments less likely to be settled with registered electors than would previously have been the case. The Commission therefore cautions against overly optimistic forecasts and advises councils to take this into consideration when making forecasts.
- 13 Projected figures should be calculated using determination of attainers, deaths, development proposals and trends of population shift. It is unacceptable to merely provide projected population figures or blanket increases across the principal council. Where it is difficult to calculate a forecast figure at the community ward level, the Council should seek to make the best forecast possible, making pro rata forecasts, only where absolutely necessary.
- 14 In addition to the data the Commission expects each council to set out clearly how the projected figures have been calculated.
- 15 These new conditions have been set due to the historical inaccuracy of the projected figures provided in past reviews, both in terms of eventual numbers of electors in each area and the manner in which they have been created. It is clear when looking back at projections provided by Councils in the past and then comparing them with the

relevant figures at the time of attainment that there is a significant differential between the two.

- 16 Whilst the Commission recognises that it is not straightforward to provide a completely accurate projection in every case a significant effort should be made by the Councils to attain the best possible evidence based projection.

The Discrepancy between the number of electors and those eligible to be local government electors

- 17 Further to the information requested at paragraph 8 above, the Commission will request from the Office for National Statistics (ONS) the number of electors eligible to vote within a principal council area.
- 18 The Commission recognises that this data may not exist or may not be easily deliverable. However, it is for the ONS to determine whether the information is available to the data level required by the Commission to conduct its review. If it is not available the ONS must make this clear to the Commission and to interested parties who may seek to make representations to the Commission on this requirement in the Act.

October 2016

The Local Democracy and Boundary Commission for Wales



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE LOCAL ELECTIONS AND ELECTORAL ARRANGEMENTS

DATE Thursday 23rd JUNE 2016

BY MARK DRAKEFORD, CABINET SECRETARY FOR FINANCE AND LOCAL GOVERNMENT

The Local Authority Elections (Wales) Order 2014 provided for local elections in Wales to be delayed for a year, from May 2016 to May 2017. This allowed the elections to be separated from the Assembly elections.

At the present time, the Local Government Act 1972 provides that ordinary elections to local government in Wales take place on the first Thursday of May every four years. Therefore, the next local government elections would normally take place in May 2021. Since the implementation of the provisions of the Wales Act 2014, elections to the National Assembly take place on a five-yearly cycle. The policy of the Welsh Government is that elections at local level should also be placed on a five year cycle. It is intended that councillors elected next May will therefore hold office until May 2022.

The Wales Bill, currently before Parliament, includes provisions which would enable the Assembly to legislate to determine the term of office for local government. As the Bill is currently in draft form and should these provisions, for any reason, not come into force, the Welsh Government could use the same powers under the Local Government Act 2000 as we did in 2014 to delay the elections by a year. This statement therefore provides clarity to local government as to the length of office of those to be elected next year.

In the light of this, I have considered the decision made last year in relation to the electoral arrangements of some principal councils. It was determined that reviews conducted by the Local Democracy and Boundary Commission for Wales in relation to nine principal areas would not be implemented, given the intention that councils elected in 2017 would only serve a short term prior to mergers.

However, even though the elections in May next year will now result in a full term, due to their proximity, the arrangements which would be required and the disruption for potential candidates, I do not intend to implement any changes to current electoral arrangements in advance of the 2017 elections resultant from those reviews. The councils concerned are Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Monmouthshire, Pembrokeshire, Powys and Torfaen.

The decision that councils will be elected for a full term also means that the Local Democracy and Boundary Commission (the Commission) will return to its normal ten-year cycle of reviews of electoral arrangements. I expect the Commission to publish a new, prioritised programme as soon as possible which takes into account the age of the current arrangements in some areas and the amount of change since the last review was undertaken. I will ask the Commission, in planning their work, to start by revisiting the nine outstanding reviews, with a view to presenting fresh reports on these at the very start of their programme.

It is my intention that reviews of electoral arrangements in principal councils will be conducted against a set of common criteria to be agreed through the Commission. I also expect electoral reviews to have been completed for all 22 authorities within the next local government term.

These arrangements provide clarity for those considering standing for election in 2017 and also set out a long term planning horizon for local authorities and their public service partners. However, I want to be clear that discussions on the reform agenda are on-going with local authorities and other stakeholders. I will be proposing a way forward on local government reform in the Autumn.

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