

Public Document Pack
Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr
Bridgend County Borough Council



Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont, CF31 4WB / Civic Offices, Angel Street, Bridgend, CF31 4WB

Rydym yn croesawu gohebiaeth yn Gymraeg. Rhowch wybod i ni os mai Cymraeg yw eich dewis iaith.

We welcome correspondence in Welsh. Please let us know if your language choice is Welsh.



Cyfarwyddiaeth y Prif Weithredwr / Chief Executive's Directorate
Deialu uniongyrchol / Direct line /: 01656 643148 / 643694 / 643513
Gofynnwch am / Ask for: Democratic Services

Ein cyf / Our ref:
Eich cyf / Your ref:

Dyddiad/Date: Thursday, 17 October 2024

Dear Councillor,

COUNCIL

A meeting of the Council will be held Hybrid in the Council Chamber Civic Offices, Angel Street, Bridgend, CF31 4WB / Remotely via Microsoft Teams on **Wednesday, 23 October 2024 at 16:00**.

AGENDA

- 1 Apologies for absence
To receive apologies for absence from Members.
- 2 Declarations of Interest
To receive declarations of personal and prejudicial interest from Members/Officers in accordance with the Members' Code of Conduct adopted by Council from 1 September 2008.
- 3 Approval of Minutes 5 - 16
To receive for approval the minutes of 25/09/2024
- 4 Presentation To Council By Representatives Of Cwm Taf Morgannwg University Health Board 17 - 18
- 5 To receive announcements from:

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- (i) Mayor (or person presiding)
- (ii) Chief Executive

6 To receive announcements by the Leader

7 Minimum Revenue Provision Policy

19 - 30

8 To receive the following Questions from:

Councillor Ian Williams to the Cabinet Member – Regeneration, Economic Development and Housing

We as councillors were told quite some time ago by the Chair of "Awen Cultural Trust" that The Grand Pavilion, Porthcawl and Maesteg Town Hall would only both be closed together for a very short period of time but this has not been the case.

I have seen events being advertised for Maesteg Town Hall which take place in December and would like to know if these events will definitely take place and how long will Maesteg Town Hall have to shoulder the burden for the unavailability of The Grand Pavilion in Porthcawl as work is now ongoing there?

Please provide completion dates for both projects?

9 Urgent Items

To consider any item(s) of business in respect of which notice has been given in accordance with Part 4 (paragraph 4) of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

Note: This will be a Hybrid meeting and Members and Officers will be attending in the Council Chamber, Civic Offices, Angel Street Bridgend / Remotely via Microsoft Teams. The meeting will be recorded for subsequent transmission via the Council's internet site which will be available as soon as practicable after the meeting. If you would like to view this meeting live, please contact cabinet_committee@bridgend.gov.uk or tel. 01656 643148 / 643694 / 643513 / 643159.

Yours faithfully

K Watson

Chief Officer, Legal and Regulatory Services, HR and Corporate Policy

MINUTES OF A MEETING OF THE COUNCIL HELD HYBRID IN THE COUNCIL CHAMBER CIVIC OFFICES, ANGEL STREET, BRIDGEND, CF31 4WB ON WEDNESDAY, 25 SEPTEMBER 2024 AT 16:00

Present

Councillor H Griffiths – Chairperson

H T Bennett
E L P Caparros
P Davies
RM Granville
D M Hughes
J Llewellyn-Hopkins
HM Williams

A R Berrow
N Clarke
M J Evans
GH Haines
M R John
J E Pratt
E D Winstanley

F D Bletsoe
RJ Collins
N Farr
D T Harrison
M Jones
JC Spanswick

JPD Blundell
HJ David
J Gebbie
M L Hughes
M Lewis
JH Tildesley MBE

Present Virtually

S Aspey
S J Griffiths
R J Smith
A Wathan
MJ Williams

S J Bletsoe
RM James
I M Spiller
A Williams
R Williams

C L C Davies
MJ Kearns
T Thomas
AJ Williams
T Wood

P Ford
W J Kendall
G Walter
I Williams

Apologies for Absence

W R Goode and P W Jenkins

Officers:

Nicola Echanis
Mark Galvin
Rachel Keepins
Carys Lord
Claire Marchant

Head of Education & Family Support
Senior Democratic Services Officer - Committees
Democratic Services Manager
Chief Officer - Finance, Housing & Change
Corporate Director - Social Services and Wellbeing

This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg

Michael Pitman
Alex Rawlin
Zak Shell
Mark Shephard
Kelly Watson

Technical Support Officer – Democratic Services
Corporate Policy & Performance Manager
Head of Neighbourhood Services
Chief Executive
Chief Officer - Legal & Regulatory Services, HR & Corporate Policy

Declarations of Interest

Minutes Silence

Prior to considering the business of the Agenda, the Mayor confirmed with some considerable sadness, the passing on of ex-County Borough Councillor Julia Williams, mother of Councillor Alex Uberini-Williams, following a long illness. Julia he confirmed, had been a first class Councillor and had served the ward of Hendre admirably when she was formerly a Member of the local authority.

Tributes were paid to Julia in turn by Members, including the 3 political Group Leaders.

All those present in the meeting then stood for a minutes silence, as a mark of respect to Julia.

43. Apologies for absence

Decision Made	Apologies for absence were received from Councillors PJ Jenkins, WR Goode, the Corporate Director Communities and the Corporate Director Education, Early Years and Young People.
Date Decision Made	25 September 2024

44. Declarations of Interest

Decision Made	The following personal declarations of interest were made:- Councillor E Winstanley – Items 6, 8, 10 and 11, as an employee of Awen Cultural Trust. Councillor R Williams – Item 8 as he had been campaigning for some considerable time for the Pencoed
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	<p>Road Bridge and in relation to the refurbishment of Pencoed Library referenced to in the report. Item 11 as he was unsure if he was still in receipt of the Winter Fuel Allowance.</p> <p>Councillor H Bennett – Items 6 and 8, as an employer at BAVO which was mentioned in the reports relating to these items.</p> <p>Councillor M Evans - Item 8 as he had been campaigning for some considerable time for the Pencoed Road Bridge and in relation to the refurbishment of Pencoed Library referenced to in the report.</p> <p>Councillor W Kendall – Item 11, no reason given.</p> <p>Councillor J Pratt – Item 6 as a family member is in receipt of Social Care.</p> <p>Councillor R Smith – Item 6 as a family member was in receipt of Social Care and due to him having an interest in a company that is in receipt of funding from BAVO.</p> <p>Corporate Director Social Services and Wellbeing – Item 6 as a family member was in receipt of Social Care.</p>
Date Decision Made	25 September 2024

45. Approval of Minutes

Decision Made	<u>RESOLVED:</u>	That the Minutes of meetings of the Council dated 15 May and 24 July 2024, be approved as a true and accurate record.
Date Decision Made	25 September 2024	

46. To receive announcements from:

Decision Made	Announcements were received from the following Cabinet Members and Chief Executive (No decisions required/made):-
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	<ul style="list-style-type: none">• Mayor;• Deputy Leader and Cabinet Member Social Services and Health;• Chief Executive
Date Decision Made	25 September 2024

47. To receive announcements by the Leader

Decision Made	Announcements were received from the Leader (No decisions required/made)
Date Decision Made	25 September 2024

48. Social Services Annual Report 2023/24

Decision Made	<p>The Corporate Director – Social Services and Wellbeing submitted a report, the purpose of which, was to present to Council the ‘Director of Social Services’ Annual Report for 2023/24 and request that Members endorse this; the analysis therein of the strengths and areas for improvement in Social Services and Wellbeing and the next steps set out.</p> <p>The Deputy Leader highlighted that despite some immense financial pressures in Social Services, the Council has some excellent facilities for children’s and adult services and the Deputy Leader had recently met with Mario Cleft from the Care Forum for Wales, who had been very complimentary of BCBC’s Adult Services team, adding that the workforce there were both engaging and energetic;</p> <p>Members raised several queries and comments as part of the debate including the following:-</p> <ul style="list-style-type: none">• It was noted in the presentation that there had been a 5% reduction from 29% to 24% for assessments for care and support plans, though there were still some considerable delays in processing social care packages and social care assessments, which in turn, resulted in delayed hospital admissions. Members asked therefore if they could have some details of figures in respect of the above outside of the meeting. The Corporate Director – Social Services and Wellbeing
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	<p>confirmed that she would provide this information to the member, at the earliest convenience;</p> <ul style="list-style-type: none"> • A member was pleased to note that recruitment and retention of staff had been improved last year when compared to previous years reports. With regards to the part of the report that referred to Risks and Issues, he asked, taking the financial pressures that existed out of the equation, which areas of these gave the most cause for concern. The member acknowledged however that the report largely made for positive reading; • A member noted that the Social Services Directorate overspend was improving (previously a £11.827m overspend), presently standing at around £6m. She further noted that the service was improving through different ways of working and added innovation. She was concerned however, that the current if not addressed sooner rather than later, would negate the improvements that had been made (to the service). • A Member highlighted the £22b ‘black hole’ in the UK economy has had a very negative affect on organisations, such as local authorities, budgets, particularly such as those related to Social Services. The Council’s proposal to cut other key services, such as Home to School Transport, may negatively affect the Children’s Services area of the Directorate further; • The Leader advised that though recently there had been cuts to the Council’s Education budget, this had been protected (eg for schools) in previous years. Local authorities were now facing a position however, where budget cuts needed to be made fairly and proportionately, across all Directorates and service areas. He reminded members that the Communities Directorate that supported public facing services had taken a large amount of cuts in the last number of years. He added that he was pleased to see from the report before Council, that improvements were being made in Social Services. <p>RESOLVED: That Council endorsed the 2023/24 Director of Social Services Annual Report.</p>
Date Decision Made	25 September 2024

49. Urban and Rural Grass Cutting Capital Equipment

Decision Made	The Head of Operations – Communities presented a report, which provided an update in relation to the delivery of the Urban and Rural Grass Cutting Service and sought Council approval, for a proposed amendment to the Capital Programme to incorporate a capital budget of £340,000, vired from the existing Raven’s Court capital budget.
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Members and Officers made observations on the report, that included:

- Cabinet reported that efficiencies will be made going forward with an in-house service that the Council would not necessarily make if the contract continued to be given to a number of external contractors who cut grass in different areas of the County Borough. A lack of Council resources means that grass cutting by such external providers is not monitored sufficiently enough so as to ensure such grass cutting is taking place as frequently as it should be at certain locations. This then gives rise to complaints from residents in that area;
- Members commented that the report does not contain sufficient detail in terms of a comparison in costs between maintaining the contract externally as opposed to reverting it in-house. £340k is a considerable amount of capital revenue as a cost to make such a change in contract arrangements. The market needs to be the subject of further ‘testing’;
- Cabinet reported that the in-house service will not just cover grass cutting but other works such as litter picking and traffic management. It will bring together all green areas and not just cover grass cutting as the current external provision provides for. This will bring savings over the longer term and concentrate on improving wider issues such as the environment and biodiversity;
- As we are carrying a number of vacancies in the Communities Directorate, Members queried whether Officers were confident in ensuring that we will be able to recruit to any job positions that are intended to support the new in-house service;
- Members queried the estimated cost saving and the return on investment;
- Members queried whether there were other service areas in the Council where the estimated £340k for the purchase of equipment could be better placed from the Raven’s Court capital budget, that will also deliver a better return;
- Cabinet explained that the report has been submitted to Council at this time, as the Council needs to buy the necessary equipment for next years grass cutting and associated works in order to provide the works in-house;
- The Leader reported that weed spraying has increased significantly in cost through external contractors in recent years and this will be included within the in-house service therefore making a saving to the Authority;
- Members suggested that the proposal could result in efficiency if it came in-house, as there is often difficulty in knowing who owns certain areas of grassed areas and open space, so therefore external contractors could be grass cutting private land as opposed to those maintained by the Council;

	<ul style="list-style-type: none"> Members queried whether Sub-contracting externally been market tested in order to ensure that maintaining the contract out of house is not a cheaper option than bringing it in-house. <p>As there were some Members against the proposals contained within the report, it was moved, seconded and agreed that an electronic vote be taken on the report's recommendations.</p> <p>The result of the vote was as follows:-</p> <table data-bbox="873 430 1747 558"> <thead> <tr> <th style="text-align: center;"><u>For</u></th> <th style="text-align: center;"><u>Against</u></th> <th style="text-align: center;"><u>Abstain</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">28</td> <td style="text-align: center;">18</td> <td style="text-align: center;">0</td> </tr> </tbody> </table> <p><u>RESOLVED:</u> That Council agreed the proposed virement of £340,000 in the Capital Programme for the delivery of Urban and Rural Grass Cutting in-house, with funds being vired from the existing Ravenscourt Capital Programme budget.</p>	<u>For</u>	<u>Against</u>	<u>Abstain</u>	28	18	0
<u>For</u>	<u>Against</u>	<u>Abstain</u>					
28	18	0					
Date Decision Made	25 September 2024						

50. Self-Assessment 2023/24

Decision Made	<p>The Corporate Policy and Performance Manager introduced a report that covered the Council's 3rd self-assessment, for the period April 2023 to March 2024.</p> <p>The Leader advised that the report before Council today had also been considered by Cabinet yesterday.</p> <p>He felt that there may be scope in future such reports, to cutting back or modifying certain targets, particularly those relating to the Council's wellbeing objectives – maybe through reducing some of these.</p> <p>He added that further examination of performance indicators and commitments may be required, in order to establish if they are both appropriate and measureable. The Leader concluded by stating that it was important to give an open and honest opinion on our own performance as part of the Self-Assessment.</p> <p>A Member referred to page 168 of the report and of the importance of consultation with our residents and collating their feedback on aspects of the report, so that we can feedback any positive contributions into</p>
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	<p>future Council policies and improved delivery of performance improvements.</p> <p>A Member asked one final question, namely that on page 157 of the report, performance had been rated as good in terms of ‘thriving valleys communities’. He asked what analysis had been undertaken to obtain that judgement.</p> <p>The Corporate Policy and Performance Manager summarised the aims, commitments and performance indicators that make-up that judgement.</p> <p>RESOLVED: That Council :-</p> <ul style="list-style-type: none"> • Approved the draft self-assessment at Appendix 1 to the report • Approved the performance summary contained at Appendix 2.
Date Decision Made	25 September 2024

51. Information Reports for Noting

Decision Made	<p>The Chief Officer, Legal and Regulatory Services, HR and Corporate Policy informed Council of an information report for noting, that had been published since the last scheduled meeting.</p> <p>RESOLVED: That Council acknowledged the publication of the report referred to in paragraph 3.1 of the report.</p>
Date Decision Made	25 September 2024

52. To receive the following Questions from:

Decision Made	<ol style="list-style-type: none"> 1. Councillor T Thomas to the Cabinet Member – Climate Change and the Environment (response circulated previously to members) A supplementary question was asked by Councillor Thomas 2. Councillor R Penhale-Thomas to the Cabinet Member – Regeneration, Economic Development and Housing (response circulated previously to members)
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	A supplementary question was asked by Councillor Penhale-Thomas
Date Decision Made	25 September 2024

53. Notice of Motion Proposed by Councillor Mark John

Decision Made	<p>Councillor John outlined a Notice of Motion, the wording of which was as follows:-</p> <p>‘This Council regrets the Westminster Governments decision to cut the Winter fuel allowance which will leave many of the most vulnerable in our County Borough with the agonising decision to eat or heat their homes.</p> <p>We therefore wish to invite pensioners into our Civic offices in Angel Street during the Winter months where they can be assured of a safe warm space and hot drinks.</p> <p>We authorise Officers to make arrangements and report back to the next full Council meeting.’</p> <p>Members debated the motion and it was moved and duly seconded, that it be amended as follows:-</p> <p>‘This Council regrets the Westminster Governments decision to cut the Winter fuel allowance which will leave many of the most vulnerable in our County Borough with the agonising decision to eat or heat their homes.</p> <p>So, we therefore invite any older person affected to take advantage of one of the many local community spaces such as community centres, libraries, warm hubs which are supported by this Council. We also recognise that pension credit is an underclaimed benefit and we encourage our residents to utilise the resources available via our commissioned support agencies a number of whom provide income maximisation services to support and complete relevant forms. That this Council uses its communication and engagement channels to raise awareness of the pension credit application process.</p> <p>We shall also signpost to trusted agencies and partners anyone struggling with their heating bills’.</p> <p>As certain Members objected to the amended motion immediately above, a vote was taken, the result of which was as follows:-</p>
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	<p><u>For (the amendment)</u></p> <p>32</p> <p><u>RESOLVED:</u></p>	<p><u>Against</u></p> <p>12</p>	<p><u>Abstain</u></p> <p>0</p>
	<p>That the amended Notice of Motion above in bold be approved, as a replacement to the motion proposed by Councillor John.</p>		
Date Decision Made	25 September 2024		

54. Urgent Items

Decision Made	There were no urgent items.
Date Decision Made	25 September 2024

55. Exclusion of the Public

Decision Made	<p><u>RESOLVED:</u></p> <p>The minutes and report relating to the following item were not for publication as they contained exempt information as defined in Paragraph 12 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation)(Wales) Order 2007.</p> <p>Following the application of the public interest test Council resolved pursuant to the Act to consider these items in private, with the public will being excluded from the meeting during such consideration.</p>
Date Decision Made	25 September 2024

Approval of Exempt Minutes

Decision Made	<u>RESOLVED:</u>	That the exempt Minutes of a meeting of the Council dated 24 July 2024, be approved as a true and accurate record.
Date Decision Made	25 September 2024	

57. Redundancy and Early Retirement Costs

Decision Made	The content of this minute is exempt and therefore not for publication	
Date Decision Made	25 September 2025	

To observe further debate that took place on the above items, please click this link

The meeting closed at 19:30.

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Meeting of:	COUNCIL
Date of Meeting:	23 OCTOBER 2024
Report Title:	PRESENTATION TO COUNCIL BY REPRESENTATIVES OF CWM TAF MORGANNWG UNIVERSITY HEALTH BOARD
Report Owner / Corporate Director:	CHIEF EXECUTIVE
Responsible Officer:	MICHAEL PITMAN TECHNICAL SUPPORT OFFICER – DEMOCRATIC SERVICES
Policy Framework and Procedure Rules:	There is no effect on the Policy Framework and Procedure Rules.
Executive Summary:	The report and accompanying presentation will update Council on the urgent roof repair work to take place at the Princess of Wales Hospital following ongoing issues.

1. Purpose of Report

- 1.1 The purpose of this report is to advise Council of a presentation proposed to be delivered by representatives of Cwm Taf Morgannwg University Health Board.

2. Background

- 2.1 Council will be accustomed to receiving presentations from its key partners, stakeholders and other organisations periodically in the past.

3. Current situation / proposal

- 3.1 The presentation will be given to Council at its October meeting by representatives of the Cwm Taf Morgannwg University Health Board, following specialist contractors conducting a full structural survey of the condition of the roof at the Princess of Wales Hospital, Bridgend.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the

review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

6. Climate Change Implications

6.1 There are no climate change implications arising from this report.

7. Safeguarding and Corporate Parent Implications

7.1 There are no safeguarding or corporate parent implications arising from this report.

8. Financial Implications

8.1 There are no financial implications arising from this report.

9. Recommendation

9.1 That Council is recommended to note the presentation as referred to at paragraph 3.1 of the report.

Background documents

None.

Agenda Item 7

Meeting of:	COUNCIL
Date of Meeting:	23 OCTOBER 2024
Report Title:	MINIMUM REVENUE PROVISION POLICY
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING & CHANGE
Responsible Officer:	NIGEL SMITH GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	Paragraph 3.5.1 of the Financial Procedure Rules requires the preparation of a Capital Strategy for submission to Council to approve prior to the start of each financial year. The Capital Strategy includes the Minimum Revenue Provision Policy Statement, which is required to be approved by Council before the start of the financial year.
Executive Summary:	<ul style="list-style-type: none"> • The debt financing of any capital expenditure requires a charge to revenue to set aside resources to repay that debt in the future. This is known as Minimum Revenue Provision (MRP). The level of debt that has to be provided for is known as the Capital Financing Requirement (CFR). • Debt is either supported, where Welsh Government provide funding within the local government settlement towards the cost of borrowing and repayment, or unsupported, where the Council has to meet the full cost of that borrowing from existing resources. • The current MRP Policy requires the setting aside of MRP over a straight line basis, over a 45-year period for supported borrowings or the life of the asset for unsupported borrowing. • A straight-line basis of MRP results in a higher cost in early years (when including interest costs), reducing over time. • Using an annuity method of calculating MRP spreads the total cost – MRP plus interest – over the life of the asset and is considered to match the benefit gained from the use of the asset over its full lifetime.

1. Purpose of Report

- 1.1 The purpose of the report is to seek Council approval to amend the Minimum Revenue Provision (MRP) Policy for 2024-25.

2. Background

- 2.1 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. 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. Borrowing can be either:

- Supported borrowing – funding is provided by the 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 financial support from Welsh Government.

- 2.2 Regulation 22 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 require that local authorities set aside some of their revenue resources as provision for the repayment of debt. The annual charge to the revenue account for repaying debt is known as the Minimum Revenue Provision. The regulation states that an authority must make an amount of MRP which it considers to be “prudent”. The regulation does not itself define “prudent provision”. However, Welsh Government has issued guidance on determining the “prudent level” of MRP, to which authorities are required to have regard. The guidance states that “the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.” It does not stipulate a minimum amount of provision to be made in any particular year, providing that the broad aims above are met. The Welsh Government guidance provides four different options for making “prudent provision” outlined below.

- 2.3 The four options are set out below:

- **Option 1 – Regulatory Method** - Under this option, the former regulations are followed exactly as if they had not been revoked, effectively on an annual basis repaying 4% of the outstanding debt (on a reducing balance).
- **Option 2 – Capital Financing Requirement (CFR) Method** - This option is similar to Option 1 but a simpler alternative, so on an annual basis repaying 4% of the outstanding debt (on a reducing balance).

Note: Options 1 and 2 are primarily for debt supported by Welsh Government through the Revenue Support Grant system.

- **Option 3: Asset Life Method** - This option is intended for new borrowing under the Prudential system for which no Government support is being given and is

therefore self-financed, to make a provision over the estimated life of the asset for which the borrowing relates. This can be calculated using the straight line method (equal annual MRP charge) or the annuity method (annual MRP charge that takes the time value of money into consideration).

- **Option 4: Depreciation Method.** -This is intended for new borrowing under the Prudential system for which no Government support is being given and is therefore self-financed, to make a provision in accordance with the standard rules for depreciation accounting of the asset for which the borrowing relates.

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.

- 2.4 Council approved a change to the MRP Policy from Option 1 – the Regulatory Method to Option 3 – Asset Life Method on 19 September 2018 and to revise the calculation of MRP from a 4% reducing balance method to a straight-line over 45 years method.

3. Current situation / proposal

- 3.1 Council approved the Annual MRP Policy 2024-25 as part of the Capital Strategy in February 2024. This report proposes changing the calculation of MRP identified in paragraph i. and ii. of the Policy:

- Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported expenditure and does not result in a significant asset will be based on the Capital Financing Requirement after accounting adjustments at 4% of the opening balance. This charge was supplemented by voluntary MRP (based on the useful asset life) in respect of those assets which were financed by unsupported borrowing before 1 April 2008.
- Supported capital expenditure that results in a significant asset (based on internal assessment) incurred on or after 1 April 2008 and all unsupported capital expenditure, exercised under the Prudential Code, the MRP charge will be based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge can be delayed until the year after the asset is operational but this will be at the discretion of the Section 151 Officer.

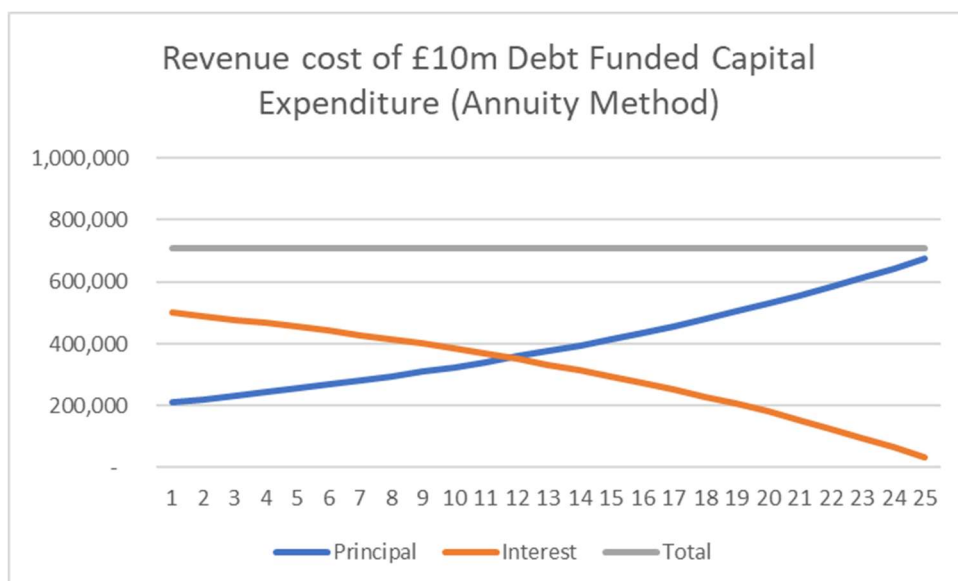
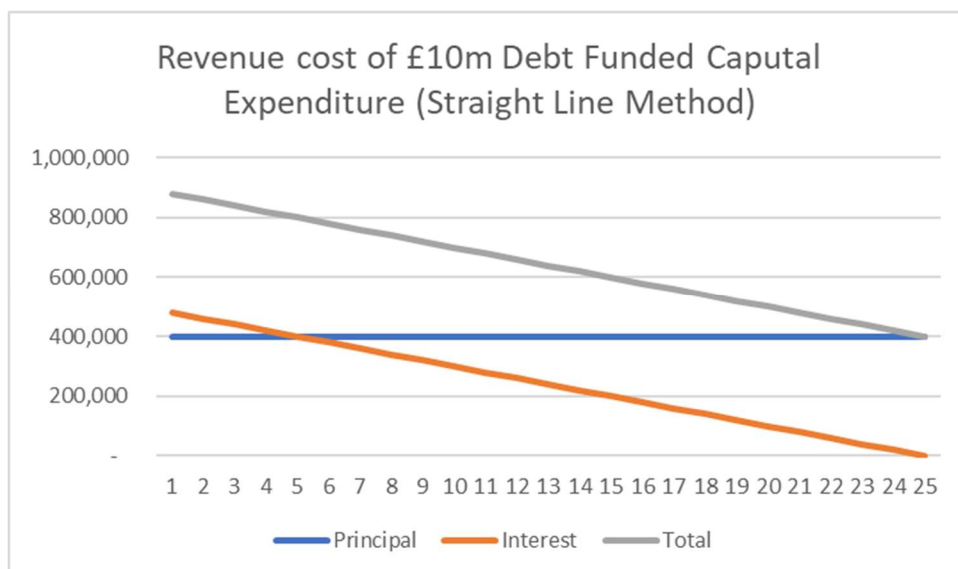
- 3.2 The estimated MRP charge for supported and unsupported borrowing for 2024-25 on the current methodology is £5.77 million. This charge is met from the capital financing revenue budget that sits within the council wide revenue budgets for supported borrowing and from directorate revenue budgets for unsupported borrowing.

- 3.3 The table below shows the amount of outstanding capital expenditure that needs to be repaid as at 31 March 2024:

	£'000
Supported Borrowing	131,462
Unsupported Borrowing	31,283
Borrowing Capital Financing Requirement (CFR)	162,745

Proposed changes

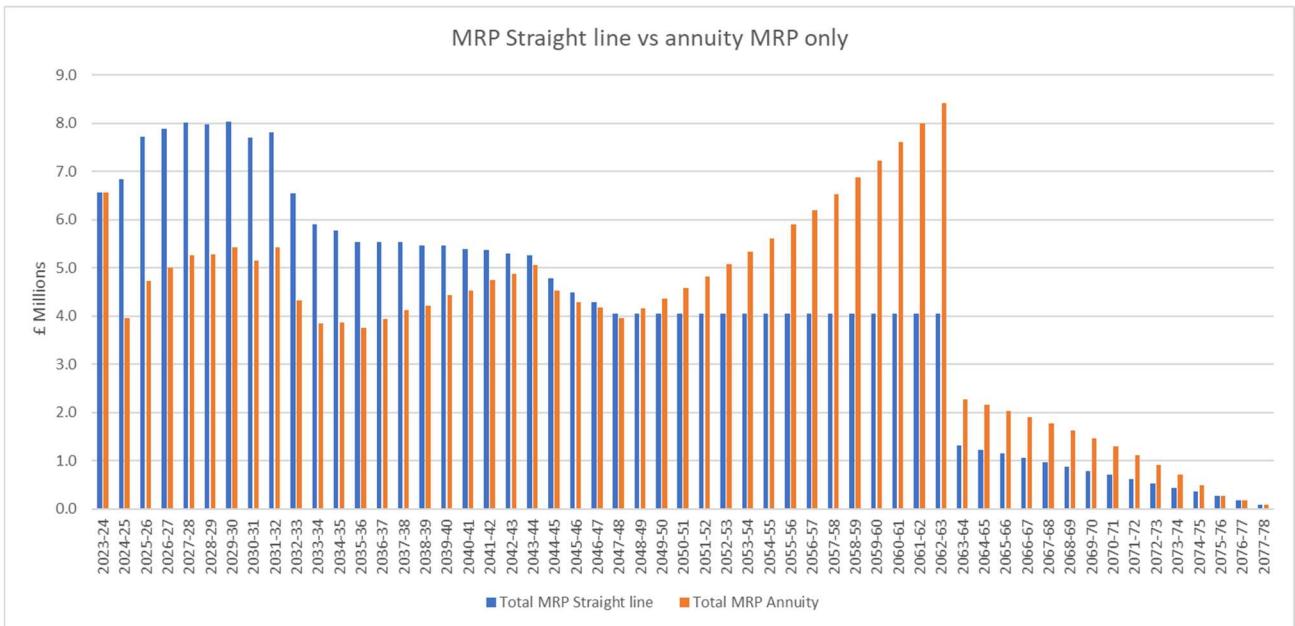
- 3.4 In comparison to the straight line method the annuity method means less MRP is made in earlier years and more is made in later years. Although this may sound less prudent, the annuity structure for MRP when combined with interest costs leads to a smoother profile of costs. It also takes account of the time value of money, whereby paying £1,000 in a years' time is less of a burden than paying £1,000 now.
- 3.5 The following charts shows the comparison of the total cost of a notional CFR of £10 million over a 25 year period based on the current straight line method and the annuity method. As can be seen from the charts the straight line method will show a higher total cost in the earlier years, reducing over time, whilst the annuity method smooths out the total cost over the duration of the loan. The straight line method, whilst keeping MRP even, front loads the interest cost as the interest is based on the outstanding balance each year. As the annuity method evens out the total cost over the life of the debt, it matches the cost equally to the benefit from the lifetime of the asset. Both methods repay the same £10 million CFR and over the same time period.



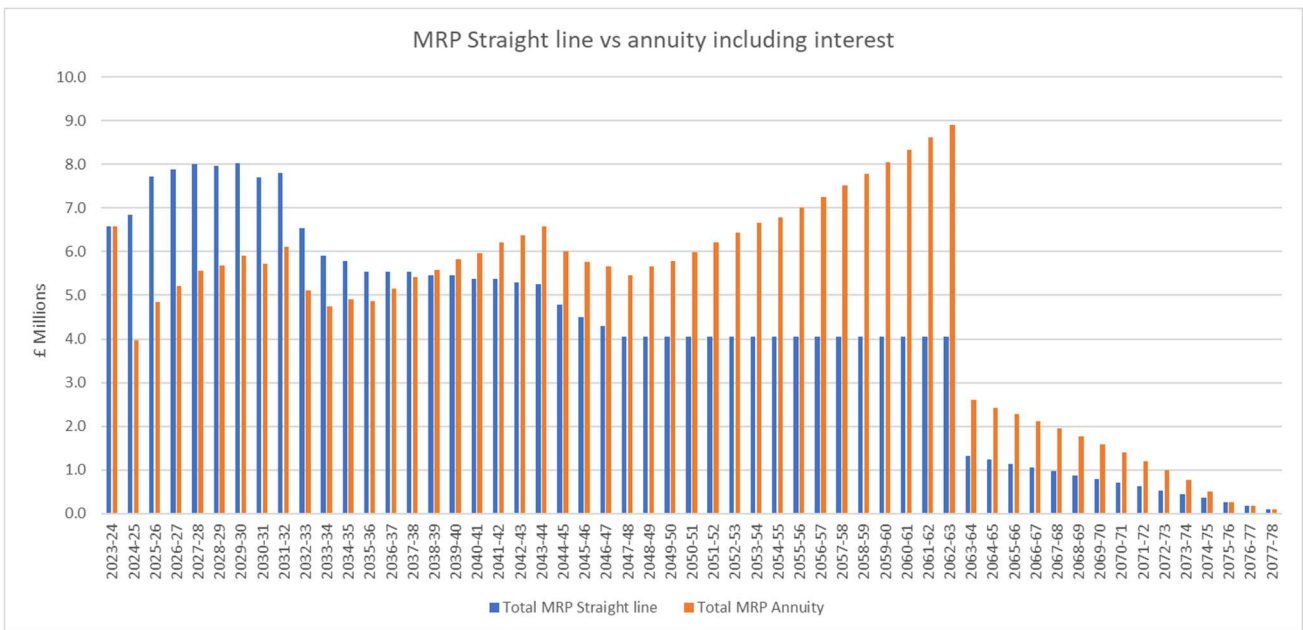
- 3.6 The annuity method requires the use of an interest rate in the calculation. This will be the rate at which the Council would be able to borrow, should it need to.
- 3.7 If the Council moves from the straight line to annuity method the savings over the next 10 years based on capital expenditure to 31 March 2024 is shown in the table below.

Year ended 31 March	MRP saving	Extra interest (cost)	Total saving
2025	2,882,351	-	2,882,351
2026	2,998,790	- 124,389	2,874,401
2027	2,884,187	- 217,682	2,666,505
2028	2,752,155	- 302,468	2,449,687
2029	2,691,391	- 388,357	2,303,034
2030	2,597,876	- 478,617	2,119,259
2031	2,545,134	- 578,262	1,966,872
2032	2,373,837	- 684,299	1,689,538
2033	2,216,287	- 794,891	1,421,396
2034	2,059,777	- 908,748	1,151,029

- 3.8 Total savings are estimated to be £21.524 million over the next 10 years, or £19.0 million if discounted using the HM Treasury green book rate of 3.5%. If the discount rate were to take account of forecast interest rates, the saving with a nominal rate of 5.6% would be £17.737 million.
- 3.9 Over the life of making MRP there is no overall saving on MRP on an undiscounted basis as the same Capital Financing Requirement (CFR) will need to be provided for however there would be an increased interest cost. Based on interest rate expectations the increased interest cost is estimated at £41.9 million over the period 2024-25 to 2077-78 and based on known and forecast capital commitments as at 31 March 2024. Any new capital commitments will increase both the MRP and interest cost.
- 3.10 As future capital expenditure is likely to be different from those as at 31 March 2024, these figures are estimated but provide a guide to anticipated future savings.
- 3.11 The graph below shows a comparison of the MRP annual charge based on the existing 45 year straight line method and an annuity method (based on the remainder of the 45 years for existing supported borrowing) and the asset lives for unsupported borrowing.



3.12 As can be seen from the above, changing the methodology will produce savings in the MRP charge in the first 24 years, however, in 2048-49 the charge using the existing methodology would become cheaper until the time the debt is fully extinguished. However, this does not include the anticipated additional interest charge as a result of having less cash available (as less MRP is being set aside). The following chart shows the estimated impact when additional interest costs are included:



3.13 As can be seen from the above chart, changing the methodology will produce savings until 2038-39, when the annuity method will then be more costly than the current straight line basis.

3.14 All MRP expected to be made in future should equal the current CFR unless there are specific amounts within the CFR for which no MRP is permitted to be made. This is because MRP is designed to write down the CFR to nil over time. In the Council’s case the only amount for which MRP is permitted to be made is an ‘adjustment A’

factor of £82,000. This is an adjustment made when the MRP regulations changed from 1 April 2008. It is a historical figure and is a difference between pre- and post- 1 April 2008 methodology calculation. It is recommended that this adjustment be removed, which will ensure that the CFR is fully written down to nil over time.

- 3.15 The Council's treasury advisors – Arlingclose – have reviewed the Council's MRP Policy and support the move from a straight line method to an annuity method for supported and unsupported borrowing. Arlingclose believes this approach is more prudent, as it matches the benefit from the assets with the cost over time.
- 3.16 The policy has also been updated to include the Council's MRP policy in relation to Salex loan funding.
- 3.17 The proposed Minimum Revenue Provision Policy is attached at **Appendix A**.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report therefore it is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

- 5.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The well-being objectives are designed to complement each other and are part of an integrated way of working to improve well-being for the people of Bridgend.

Long term	Local authorities have a duty to charge their general fund (revenue budget) with a prudent amount of MRP each year. Government MRP guidance defines prudence as aligning the period over which MRP is charged to one that is commensurate with the period over which the capital expenditure provides benefits.
Prevention	The Council has to ensure that it provides the asset base from which to deliver its services to the community and ensure it has the resources to be able to invest in capital for the future.
Integration	The MRP Policy is a key element of the Council's Capital Strategy, which is an integral part of the Council's medium term financial strategy, ensuring coherence between revenue and capital budgets to enable delivery of the Council's services.
Collaboration	The Capital Strategy brings together the capital plans of the Council to ensure the delivery of the well-being objectives and sets out the funding of those plans. The setting of the MRP Policy is an essential part of the Capital Strategy which requires approval by full Council.

Involvement	The MRP Policy is required to be approved by full Council, providing all members of the Council to review and approve the Policy.
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6. Climate Change Implications

6.1 There are no climate change implications as a result of this report.

7. Safeguarding and Corporate Parent Implications

7.1 There are no Safeguarding or Corporate Parent implications as a result of this report.

8. Financial Implications

8.1 The change in MRP policy to an annuity-based calculation will have a lower debt repayment than the current method and therefore a lower charge to revenue budgets. For 2024-25 the MRP based on the current policy is estimated to be £5.77 million. For the proposed policy it is estimated at £2.89 million. The charge under the proposed policy will increase to £3.84 million in 10 years' time (the duration of the capital programme). Added to this will be increased interest costs of £0.91 million due to the need to delay repaying debt, reducing investments, increasing borrowing or a mixture of all as a result of less cash resource having been set aside, giving a total forecast cost to revenue in 2033-34 of £4.75 million in comparison to the current year's estimate of £5.77 million.

8.2 The reduction in the MRP in the initial years will help to alleviate current pressure on the revenue budget, both in-year and in terms of the Medium Term Financial Strategy (MTFS) 2025-26 onwards, and, looking forward, may enable us to consider paying off MRP on existing schemes to offer up revenue budget savings in the future.

8.3 The proposed cost above is based on the CFR as at 1 April 2024 and takes into consideration the expectation that the allocation of supported borrowing from Welsh Government is fully utilised within the capital programme, thereby increasing the Council's debt and requiring the Council to set aside MRP to repay that debt. It also includes current forecast unsupported borrowing within the capital programme as agreed by Council in February 2024 as part of the MTFS. Any additional unsupported borrowing that is added to the capital programme and approved by Council will increase the MRP charge to revenue and will incur additional interest costs that will impact on revenue budgets.

8.4 The MRP Policy will be regularly reviewed and is required to be approved by Council on an annual basis, in advance of the financial year to which it relates.

9. Recommendation

9.1 It is recommended that Council:

- approves the revision of the MRP Policy 2024-25 for calculating MRP on capital expenditure funded from supported and unsupported borrowing from a

straight line basis to an annuity method and a revised Minimum Revenue Provision Statement is approved (**Appendix A**).

Background documents

None

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APPENDIX A

MINIMUM REVENUE PROVISION POLICY STATEMENT 2024-25

The annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2024-25 will be on the following bases:

- i. Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported will be based on the Capital Financing Requirement on an annuity basis over 45 years.
- ii. The Council has previously recognised one significant asset. MRP will be charged on an annuity basis over the remaining asset life.
- iii. For unsupported capital expenditure, exercised under the Prudential Code, the MRP charge will be based on an annuity basis over the remaining asset life. The rate used in the annuity calculation will be based on the PWLB certainty rate for a loan equal to the asset life. For historical expenditure the rate will be as at the time of the policy change. The first charge can be delayed until the year after the asset is operational at the discretion of the Section 151 Officer.
- iv. For assets funded via Salex loans, MRP will be charged equal to the schedule of repayment of the loan.
- v. For assets reclassified as finance leases under International Financial Reporting Standards (IFRS) or resulting from a Private Finance Initiative, the MRP charge will be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability for the year.
- vi. Where loans are made to other bodies for their capital expenditure with an obligation for the bodies to repay, no MRP will be charged. The capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead. Where loans do not have an annual repayment MRP may be required or may be waived where capital receipts are expected within a prudent period.
- vii. MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.

The MRP Charge 2024-25 based on the estimated capital financing requirement is detailed below:

	Options	Estimated Capital Financing Requirement 31/03/24 £m	2024-25 Estimated MRP £m
Capital expenditure before 01/02/2008 and any after 01/04/2008 that does not result in a significant asset (Supported)	(i)	128.831	0.933
Supported capital expenditure – significant asset.	(ii)	2.631	0.083
Unsupported capital expenditure, exercised under the Prudential Code (Unsupported)		31.156	1.821
PFI, Finance Leases and other arrangements	(v)	12.974	1.001
TOTAL COUNCIL FUND		175.592	3.838

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