

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

FINANCE & PERFORMANCE SCRUTINY COMMITTEE

Minutes of the meeting of the Finance & Performance Scrutiny Committee held at the County Borough Council Offices, The Pavilions, Cambrian Park, Clydach Vale on Wednesday, 27th January, 2016 at 5 pm.

Present:

County Borough Councillor M A Norris – in the Chair

County Borough Councillors

(Mrs) J Bonetto	S Bradwick	S Evans
P Griffiths	(Mrs) S Jones	(Mrs) C Leyshon
(Mrs) S Rees	G Smith	R W Smith
(Mrs) J S Ward	P Wasley	C J Willis
R A Yeo		

In Attendance

Mr R Hull – Chair of the Audit Committee

Education Co-opted Members: Mr J Fish and Mr J Horton (Elected Parent Governor Representatives)

Officers in Attendance

Mr C Lee – Group Director, Corporate & Frontline Services

Mr P Lucas – Director of Legal & Democratic Services

Ms S Davies – Head of Education & Financial Reporting

Mrs A Edwards – Scrutiny Support Officer

46. APOLOGIES FOR ABSENCE

Apologies for absence were received from Committee Members County Borough Councillors G R Davies, E Webster, C J Williams and County Borough Councillors (Mrs) A Calvert, P Jarman and B Stephens. Apologies for absence were also received from Mr M Cleverley, Co-opted Member representing NASUWT and Teachers' Panel and Ms S Jones, Co-opted Member, Elected Parent Governor representative.

47. DECLARATIONS OF INTEREST

In accordance with the Code of Conduct, there were no declarations of interests made, pertaining to the agenda.

48. MINUTES

RESOLVED – to approve as an accurate record the minutes of the following meetings of the Finance and Performance Scrutiny Committee:

- The special meeting held on 9th December 2015;
- The scheduled meeting held on 9th December 2015; and
- The special meeting held on 6th January 2016.

REPORTS OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES

49. PRE-SCRUTINY – BUDGET STRATEGY OPTIONS 2016-17

The Group Director, Corporate & Frontline Services provided Members with a presentation which provided an overview of the strategy options which the Council's Senior Leadership Team proposed presenting to Cabinet for consideration. He explained that the information from the consultation stages of the process which included the feedback from the public consultation, feedback from the Schools Budget Forum and the feedback from the special meeting of the Finance & Performance Scrutiny Committee held on 6th January, as well as the pre-scrutiny work of the Committee would be a key component when Cabinet meets to consider options in February.

Through the presentation, the Group Director, Corporate & Frontline Services reported on the Council's current financial position, which included a level of Transitional Funding Reserve for budget strategy considerations of £6.702M. He also provided details of the 2016/17 provisional settlement and stressed that whilst the provisional settlement had been better than expected, it was still a decreasing budget. He explained that at the time of reporting to Council in December, the budget gap was expected to be £17.515M. However, the position has been continually reviewed and remodelled resulting in a starting budget gap at this time of £14.301M.

The Group Director, Corporate & Frontline Services provided Members with the results of the public consultation exercises and reported that two key building blocks for the budget strategy would be the level of Council Tax and the Schools' Budget. He explained that initial modelling had been based on a 3% rise in Council Tax. However, based on consultation feedback the proposed increase being put forward by the Senior Leadership Team is a rise of 2.75% which will increase the budget gap to £14.482M.

With regard to the Schools' Budget the Group Director, Corporate & Frontline Services reported that it is proposed to fully meet the Welsh Government's protection requirements which will mean school budgets increasing by £3.1M. However, he explained that the overall impact on the budget gap is positive as a larger increase had originally been modelled, assuming schools were funded for all potential cost pressures which leaves a final budget gap of **£12.159M**.

The Group Director, Corporate & Frontline Services set out the strategy options, reporting on efficiencies, fees & charges, the Social Care Transformation Programme and further management cost savings. He also explained that with regard to service change proposals put forward before Christmas nothing had been included as Cabinet have not yet determined the way forward post consultation.

In conclusion, the Group Director, Corporate & Frontline Services spoke on the commitment to continue to deliver key services in line with the aspirations

of the draft Corporate Plan; the recent self assessment process undertaken across services which has strengthened delivery plan focus; the Council's intention to invest in key areas, eg £12M investment programme agreed on 28th October 2015 and the continued focus on addressing medium term pressures and financial stability. He welcomed the views of Members on the draft proposals and reminded Members that today's feedback, the strategy options plus the consultation feedback would be considered by Cabinet in February with the intention that the Cabinet proposals go before Council on 24th February 2016.

The Chairman began by asking whether the proposed increase in fees & charges of RPI plus 3% was intended to be across the board.

The Group Director, Corporate & Frontline Services responded by reminding Members of a previous decision taken by Council to increase fees and charges, in total by an average of 3% above the Retail Price Index per annum for 2014/15 and for each subsequent year to 2017/18. He asked whether Members thought there should be a more flexible approach adopted rather than a blanket approach.

The Chairman agreed that this would be more useful as there could be areas which it would not be appropriate to have such increases. The Director agreed to raise this point in discussions with Cabinet.

A Member commented on an element of the language used in reporting the budget options pointing out that the £3M reduction in the projected Social Care budget was not an actual £3M budget reduction, it was more about avoiding a projected increase in cost.

The Group Director agreed explaining that the projected risk had reduced and had allowed this saving to be identified. The basis for the saving being predominantly the positive impact of changes being made in the service in advance of the Social Care & Wellbeing Act requirements.

A Member congratulated the Group Director and the consultation team for making it easier for the public to engage this year. She highlighted the importance of keeping an appropriate level of Council Reserves to meet contingencies and pointed to the potential impact of the current wet weather on the highways.

A co-opted Member agreed with the earlier comment in relation to fees and charges. . He also referred to the predicted social care savings and back office savings and questioned the detail of this.

The Group Director, explained that the £6M efficiency target is not only aimed at back office savings but across the Council and could be frontline services where efficiencies can be made by operating differently with no impact on the customer. These efficiencies could be achieved in a number of ways including staff re-organisation or re-structure, expressions of interest, contractual arrangements, procurement and office rationalisation.

With regard to the Social Care projections, he assured Members that a great deal of modelling work had been undertaken by the social care management team which would have taken account of the risks and demographics of the area. He also pointed out that to put the £3M in context the total social care budget was in excess of £130M.

The Chair of the Health & Wellbeing Scrutiny Committee challenged the assumptions being made with regard to the social care budget given the implications of the Social Services and Wellbeing (Wales) Act. He explained that the intention of the Act is that the 3rd Sector along with carers and private care providers will be able to fill the void left by the Council who will only be able to provide care that is really needed, that is care that can only be provided by the Council. However, he pointed out that the provision in the wider community is not yet in place and he would therefore be seeking assurances.

The Group Director noted that the calculations had been drawn up in conjunction with the Group Director, Community & Children's Services and his management team.

The Vice Chair of the Health & Wellbeing Scrutiny Committee echoed these comments. She also pointed out that the Welsh Government's budget had not yet gone before the Assembly and she asked the Group Director whether he anticipated any change.

The Group Director explained that whilst there was no certainty he had not heard anything to the contrary. It was his hope that the final settlement would be announced on 2nd March, agreed by the Welsh Assembly on 9th March enabling the Council to set its Council Tax by the deadline on the 10th March 2016.

A Member commented that he did not feel that increase to Fees and Charges should be applied to school meals and that they should be held at the current rates.

It was commented by a Member that given the earlier predictions with regard to the 2016/17 budget the situation was much better than anticipated and albeit the budget was still in a draft form he was happy with the options being out forward.

A Member agreed with the comment in relation to school meals and pointed to the financial strain on those who appeared to financially 'well off' given the costs of high mortgages, council tax rises and child care. He question whether any Council Tax increase should be applied for 2016/17.

The Group Director explained that this was ultimately a decision for the Council. He appreciated what was being said and explained that the low council tax base, with many properties in the county borough being in the lower tax bands meant that much less money could be generated in this way

in comparison with say Cardiff as an example. However, he pointed out that not increasing Council Tax would necessitate the need for alternative savings and / or further reliance on transitional funding.

A co-opted Member commented that he thought that the budget consultation simulator was a good resource in allowing the public to see the overall picture. However, he pointed out that engagement figures were still quite low and suggested that for the future a schools' competition could be introduced which would be an inexpensive way of increasing the feedback received.

A co-opted Member asked whether there would be a temptation for Cabinet to shelve the service changes proposals recently consulted upon given the better than expected budget settlement.

The Group Director pointed out that Cabinet will need to be minded that there is still a need to address a medium term financial challenge and changes in how we deliver services will still be needed for many more years given the settlement position that we are likely to face

A Member stated that he had confidence with the options put forward and whilst he agreed to some extent with the comments put forward in relation to the proposed Council Tax rise he felt that the proposal put forward was acceptable.

In conclusion, the Chairman thanked Members for the comments and the Group Director assured the Committee that the feedback would go forward to Cabinet.

RESOLVED:

- (i) that it is the view of the Committee that Cabinet consider carefully before recommending any rise in fees and charges and advises that a blanket approach should not be taken;
- (ii) that the above recommendation and the views expressed by Members as set out in the body of the minute above be fed back to Cabinet in consideration of their final budget strategy proposals.

50. 2015/16 MID YEAR TREASURY MANAGEMENT STEWARDSHIP REPORT

The Head of Education & Financial Reporting provided the Committee with an overview of the Council's Treasury Management activity during the first six months of 2015/16 and the Prudential Indicators for the same period.

The Head of Education & Financial Reporting provided an overview of the general economic environment and explained that the Council is continuing with its low risk investment strategy. She reported that it is anticipated that the Bank of England will continue to maintain the Bank Rate at 0.5% through to September 2016 resulting in continued low investment income for the Council. She reported that the expected long term trend for Public Works Loans

Board (PWLB) borrowing rates is that they will rise slowly with any increase being small.

The Head of Education & Financial Reporting informed Members that the Council has continued to fund its Capital Programme borrowing requirement through short term internal borrowing which is more cost effective in the current climate. However, she advised that this approach may change if longer term interest rates are at risk of increasing significantly, in which case long term borrowing may be undertaken. She also confirmed that during the 6 months to 30th September 2015, the Council has operated within its prudential limits set out in the Prudential Code report approved by Council in March 2015. She drew Members' attention to the Council's borrowing activity to support its capital financing requirement and also to the requirement to assess the affordability of the Council's capital investment plans through the affordability prudential indicators.

The Head of Education & Financial Reporting informed Members on the Council's investment strategy, activity and results and reported that despite the low risk strategy the return on investments is above the benchmark return, mainly due to the return on the £1M on a 5 year deposit with Lloyds Bank in respect of the Local Authority Mortgage Scheme.

Members were referred to Section 13 of the report in respect of training and advised that details of Members' training had been omitted. They were informed that training provided to them by Arlingclose, the Council's Treasury Management advisors would be reflected in the next report.

The Chairman of the Audit Committee questioned whether the Committee had the necessary skills to scrutinise the Treasury Management reports and the Chairman pointed out that the Committee had received some training and hopefully would receive more in the future.

A Member referred to 7.2.4 of the report and questioned why the level of external debt was predicted to rise over time to finance the capital financing requirement.

The Head of Education & Financial Reporting explained that the capital financing requirement is currently being funded through internal borrowing but as that pool of money is finite and at some point in the future the Council would have to borrow on the outside market. She explained that as the Capital Finance Programme increases there will be a need for new money to fund the projects.

A Member commented that he found the figures relating to borrowing requirements quite daunting and the Chairman reminded him that the borrowing included loans which had been taken out possibly thirty to forty years ago.

The Group Director, Corporate and Frontline Services explained that the Council always looks for opportunities to reschedule debt when financially beneficial and also looked for opportunities for growth in order to finance major

schemes such as schools and highways. He added that this is a strategy supported by the Welsh Government and is a practice adopted across the public sector.

The Member voiced his concern that an increase in interest rate along with a volatile world economy could have a dramatic effect on the Council's financial situation.

The Chairman pointed out that most of the borrowing is at a fixed rate.

The Group Director, Corporate and Frontline Services assured Members that the Council's gross borrowing is well within the capital financing requirement and the Authorised Limit.

A Member suggested that the growth in the economy predicted by the Bank of England seemed optimistic. The Chairman agreed but pointed out that officers always took a prudent approach for that very reason.

A Member commented that she supported the current strategy which in her opinion was a much better option than private finance initiatives.

A co-opt Member commented that he would agree with the Council's current investment strategy but enquired about the decision making process should the market change.

The Head of Education & Financial Reporting explained that the Treasury Management Strategy is set by Full Council on a yearly basis with a mid year review. However, it could be revised at any time should there be an urgent need to change the strategy.

Following consideration it was **RESOLVED** to accept the report.

51. TRAINING

The Chairman sought Members' views on further training opportunities for the Committee. Following discussion it was **RESOLVED** that:

- (i) The Head of Education & Financial Reporting would investigate the possibility of Arlingclose delivering further Treasury Management training to Members;
- (ii) The Chairman would investigate further finance based training for Members in liaison with the Head of Democratic Services to determine whether Members' needs can be best catered for by external training providers or Council officers and the costs involved.

M A Norris
Chairman

The meeting closed at 16.20 pm.

