

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

FINANCE AND PERFORMANCE SCRUTINY COMMITTEE

Minutes of the meeting of the Finance and Performance Scrutiny Committee held at the County Borough Council Offices, The Pavilions, Cambrian Park, Clydach Vale on Thursday 26th January 2017 at 5 p.m.

PRESENT

County Borough Councillor M.J.Watts – Chair

County Borough Councillors

S. Bradwick	R.W.Smith	P.Wasley
S. Evans	B. Stephens	C.J.Willis
(Mrs) S Rees	(Mrs) J.S Ward	R. Yeo

Also in Attendance

Mr.J.Fish – Elected Parent/Governor (Education Co-opted Member)
Mrs. S Jones - Elected Parent/Governor (Education Co-opted Member)
Mr.R.Hull – Chair of Audit Committee

Officers in Attendance

Mr.C.B. Jones – Director, Legal & Democratic Services
Mr C. Lee – Group Director, Corporate and Frontline Services
Ms S Davies – Head of Finance: Education and Financial Reporting

35. APOLOGIES FOR ABSENCE

Apologies for absence were received from County Borough Councillors
C. Davies (Vice-Chair of the Audit Committee), (Mrs.) C. Leyshon G.R Davies
E. Webster

36. DECLARATIONS OF INTEREST

RESOLVED – to note that in accordance with the Members' Code of Conduct there were no declarations of interest made at the meeting pertaining to the agenda.

37. MINUTES

RESOLVED – to approve as an accurate record the minutes of the meeting of the Finance and Performance Scrutiny Committee held on the 7th December, 2016.

REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES

38. THE COUNCIL'S DRAFT 2017/18 REVENUE BUDGET STRATEGY

With the aid of PowerPoint slides, the Group Director of Corporate and Frontline Services provided Members a presentation in respect of Council's draft 2017/18 Revenue Budget Strategy along with the final consultation feedback report under the following headings:

- Council's Current Financial Position
- The 2017/ 18 Provisional Settlement
- The Starting Point Budget Gap
- Budget Consultation Outcomes
- Key Building Blocks - Council Tax and School Budgets
- The Final Budget Gap and Strategy Options
- Proposed Service Group Budgets
- Conclusion and Next Steps.

The Group Director Corporate and Frontline Services in his presentation explained to Members that the options contained in the presentation are the initial view of the Senior Leadership Team, in accordance with the Council's Budget Policy Framework and that the views of Members of the Finance and Performance Committee will be fed through as part of the pre scrutiny process, in the draft report which will be presented to Cabinet in February 2017.

The Council's current financial position was highlighted during the presentation. Members were informed that the Audited Accounts for 2015/16, reported to Council on 28th September 2016 showed a general fund balance £10.720M, and currently, a Medium Term Financial Planning & Service Transformation Reserve was in place totalling £6.693M.

The Local Government Settlement for 2017/18 was announced on the 21st December 2016. Headlines from this included:

- An all Wales increase in RSG/NDR at 0.2%
- RCT increase at 0.4%
- Range- 0.5% to 1. 1%
- A Funding Floor protection set at -0.5%
- Includes transfer in -
 - Delivering Transformation Grant (0.231M)
 - Deprivation of Liberty Standards (£ 0.013M)
 - Blue Badge Additional Funding (0.001M)
 - Food Hygiene Rating Scheme (0.005M)

- Includes Transfers out: - Education Workforce Council Teachers Registration Fees (£0.081M)
- Includes New Responsibilities
 - Increased Capital Limits for Residential Care (£ 0.349M)
 - War Disablement Pension Disregard (£0.024M)
 - Homeless Prevention (£0.396)
- No Future year indications
- General Capital funding increase by 0.06% (£0.068M) to £11.232M for RCT.

The Group Director, Corporate and Frontline Services provided Members with the results of the Budget Consultation exercise which took place between 7th November to 19th December 2016, in which over 900 people engaged in the process through various methods.

A Member asked a question in relation to the young person's engagement event and what feed back if any had been given. The Group Director responded saying that discussions with the Cabinet Member for Corporate Services confirmed it was a well informed discussion with a number of schools engaging.

In respect Council Tax, the Group Director, Corporate and Frontline Services explained to Members that the 2016/17 increase was 2.75%. (a 1% increase = net additional income £763K), and that the current modelling had been based on an increase of 2.5% for 2017/18. However the proposal now being put forward by the Senior Leadership Team was a rise of 2.25%. With regards to the Schools Budget the Group Director, Corporate and Frontline Services reported that the proposal is to continue to prioritise resources for schools. The proposal is to increase school budget by 1.5%.

To close any remaining budget gap, the Group Director, Corporate and Frontline Services indicated that this could be achieved through additional efficiency, a lower budget requirement for the Council Tax Reduction Scheme and use of £1.208M Transitional Funding.

In conclusion the Group Director, Corporate and Frontline Services spoke on the commitment to continue to deliver key services in line with aspirations of the Corporate Plan. The Council would also seek to continue to invest in key areas.

The Chair thanked the Group Director Corporate and Frontline Services for his in depth report.

A Member welcomed the proposals in the present climate with public sector wages being frozen, particularly in respect of the commitment to pay living wage rates. A Member asked about the impact on social care, particularly in respect of external contracts. The Group Director Corporate and Frontline Services explained that national living wages costs had been factored into arrangements where possible.

In respect of Fees and Charges Members put forward their concerns regarding any increase explaining that they felt increases in fee and charge should be kept as low as possible as working families on low incomes would struggle with any increases. It was suggested that the current proposed level needed to be carefully considered.

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

RESOLVED:

- (1) that it is the views expressed by the Members as set out in the body of the minutes are fed back to Cabinet in respect of their budget strategy proposals.

39. 2016/17 MID YEAR TREASURY MANAGEMENT STEWARDSHIP REPORT

The Head of Finance : Education & Financial Reporting provided the Committee with an overview of the Council's Treasury Management activity during the first six months of the financial year 2016/17.

The Head of Finance : Education & Financial Reporting explained that Treasury Management is the management of a local authority's cash flows, its borrowing and its investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.

Members were provided with an overview of the general economic environment .It was explained to Members that with the results of the referendum to leave the EU and the subsequent downgrading of growth forecasts, the Bank of England cut its bank rate from 0.5% to 0.25% in August 2016. It is anticipated that this lower rate is expected to continue in to the long term and will result in continued low investment income for the Council.

It was explained to Members that in March 2016 the borrowing requirement was estimated to be £44.4M based on the capital programme at the time. In line with changes to the Capital Programme this year's borrowing requirement has decreased to £39.4M. The Head of Finance : Education & Financial Reporting explained the decrease in 2016/17 is mainly due to rephrasing of some schemes and subsequent reprofiling of budgets for example in respect of the school modernisation projects.

It was reported to Members that the Council will monitor prevailing PWLB rates for any opportunities to reschedule debt to generate savings. It was reported that up to 30th September this financial year the Council has not had a viable option to reschedule debt. Affordability and the cost of carry remained important influences on the Councils borrowing strategy.

The Head of Finance : Education & Financial Reporting outlined the relationship between the Capital Financing Requirement (CFR) and external borrowing. The Council's borrowing is below the CFR as we utilise "internal borrowing" ie, temporary surplus cash balances to fund Capital Expenditure. This reduces our interest payable cost and alleviates credit risk of placing any surplus cash balances with

counterparties. The officer went to explain the Council's borrowing activity and explained that the Council needs to ensure that external borrowing does not exceed the total of the capital financing requirement in the preceding year plus the estimate of the additional capital financing requirement for the next three financial years. This allows some flexibility within a three year period to deliver an effective Treasury Management Strategy.

The Head of Finance informed Members of a change in conditions associated with Barclays "LOBO" loans. In June 2016 Barclays Bank informed the Council of its decision to convert the Council's Barclays LOBO loans to fixed rate loans. Previously, at six monthly intervals, Barclays had the option to increase the interest rate of the loan. If the bank chose to exercise this option, the Council would have the option to redeem the loan thus removing the uncertainty on both interest costs and maturity date.

The Chair thanked officers for their report and along with the Group Director, Corporate and Frontline Services congratulated the Head of Finance : Education and Financial Reporting for all the hard work her and the team do in very challenging times and opened the meeting up for Members questions.

Members put their questions forward. A Member asked in respect of the Local Authority Mortgage Scheme (LAMS) now closing is there anything available in its place. Officers explained that the scheme has closed and if anything did come in its place then we would consider any opportunities with colleagues in Housing.

Another Member asked about the possibility of the Council issuing mortgages. The Head of Finance responded that although there are some existing legacy mortgages outstanding, there are no plans to reopen the scheme. The officer added that any scheme would need to go through a due diligence process where all risks were assessed against the benefits.

Following consider it was RESOLVED to:

- accept the report.
- receive updating reports in future meeting.

Meeting Closed at 6.05pm

Mr M J Watts - Chair