



## **RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

### **CABINET**

**24<sup>th</sup> SEPTEMBER 2019**

### **COUNCIL CORPORATE PLAN – INVESTMENT PRIORITIES**

#### **REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES IN CONSULTATION WITH THE LEADER OF THE COUNCIL, CLLR A MORGAN**

**AUTHOR:** Barrie Davies, Director of Finance & Digital Services (01443 424026)

#### **1. PURPOSE OF THE REPORT**

- 1.1 This report sets out the position with regard to one-off resources which have become available following a review of the Council's earmarked reserves post completion of the audit process of the Council's 2018/19 Statement of Accounts.

#### **2. RECOMMENDATIONS**

It is recommended that Cabinet agree:

- 2.1 To review and if acceptable propose the release of earmarked reserves and resultant investment priorities as detailed at Appendix A to Council at its meeting on 23<sup>rd</sup> October 2019.
- 2.2 To receive a further update in early 2020 on earmarked reserve availability as part of the normal budget strategy work being undertaken in preparation for the 2020/21 financial year.

#### **3. BACKGROUND**

- 3.1 In year, robust financial monitoring arrangements are in place at the Council and provide assurances to Members that resources are being managed effectively. In addition, reserves are regularly reviewed and are an essential part of good financial management. Elected Members have a key role in ensuring that the level of reserves held is appropriate in terms of size and use.
- 3.2 Following the completion of the external audit process of the Statement of Accounts for 2018/19 (reported to and agreed by Council on the 31<sup>st</sup> July 2019), a risk assessment has been undertaken on the Council's earmarked reserves and the opportunity is herein presented to release resources.

- 3.3 The Council's Quarter 1 Performance Report as presented to Cabinet on the 24<sup>th</sup> September 2019 demonstrates the continued progress being made against our Corporate Plan priorities.
- 3.4 In light of the one off nature of these resources, they can now be considered for use to support the Council's investment priorities, as aligned to the Corporate Plan.
- 3.5 A further risk assessment of the Council's earmarked reserves will be undertaken as part of our normal 2020/21 budget strategy process in early 2020.

#### **4. EQUALITY AND DIVERSITY IMPLICATIONS**

- 4.1 An Equality Impact Assessment is not needed because the contents of this report relate solely to the proposed report to Council at Appendix A.

#### **5. CONSULTATION**

- 5.1 There are no consultation requirements as a result of the recommendations in this report.

#### **6. FINANCIAL IMPLICATION(S)**

- 6.1 All financial implications are included in the proposed report to Council at Appendix A.

#### **7. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 7.1 There are no legal implications as a result of the recommendations set out in the report.

#### **8. LINKS TO THE CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.**

- 8.1 The review of resources and proposed investment areas are in line with all the Corporate Plan priorities and the Council's five workstreams, and contributes to all of the seven national wellbeing goals.

#### **9. CONCLUSION**

- 9.1 The draft report at Appendix A sets out the review of earmarked reserves and the proposed investment areas.

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**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2019 – 2020**

**COUNCIL**

**23<sup>rd</sup> OCTOBER 2019**

**COUNCIL CORPORATE PLAN – INVESTMENT PRIORITIES**

**REPORT OF THE CABINET**

**AUTHOR:** Barrie Davies, Director of Finance & Digital Services (01443 424026)

**1. PURPOSE OF THE REPORT**

- 1.1 This report sets out the position with regard to one-off resources which have become available following a review of Council earmarked reserves post completion of the audit process of the Council's 2018/19 Statement of Accounts.
- 1.2 It provides the opportunity for the Council to further invest in its investment priority areas, aligned to the Corporate Plan, 2016 – 2020.

**2. RECOMMENDATIONS**

- 2.1 It is recommended that Council agree:
  - 2.1.1 To release from reserves the funding (one-off) realised as a consequence of the review of earmarked reserves, as detailed at paragraph 4.1 to 4.3;
  - 2.1.2 That the funding released is used to fund the investment priorities as detailed in paragraph 5 which will then be incorporated into the Council's three year Capital Programme and / or Revenue Budget as appropriate.

**3. BACKGROUND**

- 3.1 The importance of investment in areas supporting key Corporate Plan priorities has already been recognised by Council with £90M of additional resources, over and above normal Capital Programme allocations, invested since October 2015.
- 3.2 A further opportunity for investment is now available for consideration.

3.3 The completion of the external audit process of the Council's 2018/19 Statement of Accounts provides assurance as to the financial position of the Council.

#### **4. REVIEW OF EARMARKED RESERVES AND AVAILABLE FUNDING**

4.1 As reported to Council in the Statement of Accounts (31<sup>st</sup> July 2019), the Council has revenue stream earmarked reserves at the 31<sup>st</sup> March 2019 of £41.867M (£64.157M at 31<sup>st</sup> March 2018) which are set aside for a variety of purposes. In addition, there are specific reserves relating to Capital Funding, Insurance and Treasury Management.

4.2 The level and use of earmark reserves is constantly reviewed as part of the Council's robust financial management arrangements. Budget setting and accounts closure traditionally provide opportunities for more in depth reviews and Cabinet have specifically requested that the Section 151 Officer undertake a detailed risk assessment of earmarked reserves with a view to:

- Assessing the underlying financial risk for which they have been set aside to determine if it remains or whether circumstances have changed;
- The extent to which any amounts set aside for investment (Prior Year Commitments – Service "Carry Forwards") have been contractually committed;
- Being clear on the reasons for holding reserves and ensuring that they are sufficient, but not excessive; and
- The need for continued support of a robust Medium Term Financial Plan.

4.3 With the review complete, Cabinet have now been able to take a view on the extent to which any amounts could be released. These are listed below:

a) Financial Management (£13.636M as at 31<sup>st</sup> March 2019)

Funding represents a risk based judgement as to financial risks into the future and protects the annual revenue budget from foreseeable volatility and risk assessed future liabilities.

Following review, a sum of **£1.050M** can be released from these reserves.

b) Prior Year Commitments (£5.888M as at 31<sup>st</sup> March 2019)

Sums have been set aside in the previous year to fund intended initiatives which were to be carried out in the following financial year. A review of these reserves has been undertaken with particular regard to their necessity and whether the spend is considered essential in respect of it representing a key priority of the Council.

This review has identified, that of the £5.888M earmarked, a sum of **£0.388M** can be released from these reserves.

c) Infrastructure Reserve (£6.534M as at 31<sup>st</sup> March 2019)

Sums are set aside to fund current and future costs of maintaining and enhancing infrastructure across the County Borough.

Following review, it is proposed that a sum of **£3.862M** is released from this reserve.

d) Capital Developments Reserve (£52.655M as at 31<sup>st</sup> March 2019)

Resources set aside to fund the Council's approved 3 year capital programme, including amounts previously committed for investment priorities.

As a result of successfully obtaining external funding for some schemes that were previously funded from this reserve, the review has identified that a sum of **£0.500M** can be released and reallocated to other investment priority areas.

### **FUNDING AVAILABLE**

- 4.4 The Section 151 Officer is content that releasing the above resource does not compromise our financial standing. As such, Cabinet are content to propose to fully release £5.800M from earmarked reserves.

### **5. INVESTMENT PRIORITIES**

- 5.1 The Cabinet have carefully considered the options available around the use of the resources identified above. A key consideration has been the Council's Corporate Plan 2016 – 2020.
- 5.2 The Council's Corporate Plan sets out the overall direction for the Council over the 4 year period 2016 – 2020, describing its vision, purpose and ambition.

The Council's vision is:

***“For a County Borough that has high aspirations, is confident and promotes opportunity for all”.***

The Council's purpose and the reason why it exists is:

***“To provide strong community leadership and effective services for the people of Rhondda Cynon Taf to enable them to fulfil their potential and prosper”.***

To support the above, the Council is focused on the following three priorities:

- 1. Economy - Building a strong economy;***
- 2. People - Promoting independence and positive lives for everyone; and***
- 3. Place - Creating neighbourhoods where people are proud to live and work.***

5.3 Following on, the Cabinet believe that the best use of these one off resources is to invest in our infrastructure and to support the above aspirations and priorities. This will provide a number of benefits including:

- Economic Regeneration;
- Improving our own assets to enhance service provision – a better experience for service users/customers;
- Reducing our day to day maintenance and running costs;
- Job Creation and sustaining employment into the future; and
- Cost avoidance.

5.4 In being able to support the above objectives, Cabinet have identified the following specific areas which it is proposed that Council agree can be invested in:

a) Highways Structures (£1.000M)

Funding will allow the continuation of the enhanced programme of capital repairs and maintenance of over 1,500 structures including, bridges, culverts, retaining walls, reinforced earth embankments and rock anchors. These structures are often critical to the continued safe operation of the highway network.

b) Flood Alleviation Works (£0.150M)

Funding will allow the continuation of development of improved flood alleviation schemes, including the feasibility, design and construction of schemes targeting surface water and ordinary watercourse flood risk.

c) Making Better Use (MBU) / Traffic Management (£0.500M)

Funding will allow continuation of the programme of tackling congestion, pinch points and improving road safety by utilising existing road space to provide additional capacity.

d) Mountain Ash Cross Valley Link (£1.000M)

Funding for the continued implementation of this major transportation project. To date £14.785M has been invested in the project, of which £6.925M is from Welsh Government.

e) A4119 Dualling (£1.000M)

Funding for the continuation of preliminary design, further ecological surveys, the submission of the required planning applications and advanced purchase of third party land. To date £4.709M has been invested in this project, of which £0.559M is from Welsh Government.

f) Treorchy Link Road (£0.100M)

Funding for the continuation of investigatory works for a solution at Treorchy which will help to alleviate congestion at Stag Square.

g) Bryn Pica Eco Park (£1.000M)

Funding for the continuation of development of the Bryn Pica Eco Park. The core principle of the scheme is to provide competitive commercial facilities for organisations operating in areas of recycling which complement the Council's ongoing waste and recycling strategy. As part of this, the scheme will reduce the Council's carbon footprint whilst also creating high quality local jobs.

h) Extracare (£1.000M)

Funding will support the Council continuing its work with Partners to deliver its strategy to modernise accommodation options for older people and deliver Extracare housing across Rhondda Cynon Taf. The scheme at Maesyffynnon (Aberaman) is due to be completed by the end of 2019 and works commenced on-site for the Pontypridd scheme in July 2019. Feasibility and design of other schemes, as per the strategy, is ongoing.

i) Community Enabling Fund (£0.050M)

Additional funding to continue to support the Council's RCT Together approach of working with communities to explore alternative delivery models that maintain services and facilities for the future.

5.5 In financial terms, a summary of the proposed investment priorities is shown below in Table 1:

**Table 1: Summary of Investments**

<b>Investment Area</b>	<b>Funding Allocation £M</b>
Highways Structures	1.000
Flood Alleviation Works	0.150
Making Better Use/Traffic Management	0.500
Mountain Ash Cross Valley Link	1.000
A4119 Dualling	1.000
Treorchy Link Road	0.100
Bryn Pica Eco Park	1.000
Extracare	1.000
Community Enabling Fund	0.050
<b>Total Investment</b>	<b>5.800</b>

5.6 Table 1 indicates that the estimated additional spend totals £5.800M which can be fully funded through the release of one off earmarked reserves as detailed at Section 4.

5.7 External funding opportunities will continue to be explored in respect of all existing and proposed investment priorities in order to maximise the resources, and maintain the flexibility of funding available to the Council.

## **6. EQUALITY AND DIVERSITY IMPLICATIONS**

- 6.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

## **7. CONSULTATION**

- 7.1 There are no consultation implications as a result of the recommendations set out in the report. Subject to the decision of Council, consultation will be undertaken on specific areas, as appropriate, as part of developing/implementing projects.

## **8. FINANCIAL IMPLICATION(S)**

- 8.1 The financial implications of the recommendations are set out in sections 4 and 5 of the report.

## **9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 9.1 The recommendations have been compiled ensuring continued compliance with the Council's legal requirement to make arrangements for the proper administration of its financial affairs as set out in Section 151 of the Local Government Act 1972. In addition, the proposed investment areas support the delivery of the Council's Corporate Plan priorities, in line with the requirements of the Well-being of Future Generations (Wales) Act 2015.

## **10. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

- 10.1 The proposed investment areas are in line with the priorities included within the Council's Corporate Plan and support the sustainable development principle of the Well-being of Future Generations (Wales) Act 2015, in particular, planning for the 'long term', helping to 'prevent' problems occurring or getting worse in the future and delivering services in 'collaboration' with others.

## **11. CONCLUSION**

- 11.1 The Council continues to face significant financial challenges into the medium term and all services and their delivery continue to be assessed.
- 11.2 Notwithstanding this, the Council has to take the opportunity where it presents itself to continue to invest in our infrastructure and across our communities in line with our Corporate Plan.
- 11.3 This report has identified the opportunity to invest a further £5.800M of additional resources in our local area including our own assets in order to improve the services which are available to our residents.



11.4 Even in such challenging financial times, opportunities are therefore available to target additional investment at supporting our key priorities, and in doing so, ultimately deliver a better Rhondda Cynon Taf for all.

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