

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2015-2016

COUNCIL

10TH MARCH 2016

Item No: 5

**COUNCIL CORPORATE
PLAN - INVESTMENT
PRIORITIES**

REPORT OF THE CABINET

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1. PURPOSE OF THE REPORT

1.1 This report sets out the conclusions of a further review, requested by the Cabinet, of Council Reserves as part of setting out the 2016/17 budget strategy, alongside the projected out-turn position for this financial year (Quarter 3 2015/16) and the new Corporate Plan 2016 – 2020.

2. RECOMMENDATIONS

It is recommended that the Council agree:

- 2.1 To release the reserves as detailed at paragraph 4;
- 2.2 To approve the use of the quarter 3 projected underspend as detailed at paragraph 5; and
- 2.3 That the reserves and underspend released are used to fund the investment priorities as detailed in paragraph 6 (Table 1) which will be incorporated into the Capital Programme and Revenue Budget as appropriate.

3. BACKGROUND

3.1 Members will recall the review of reserves which the Cabinet requested the Section 151 Officer to undertake during the autumn of last year, post audit

and sign off of the Statement of Accounts for 2014/15. This enabled £10.150M to be released and invested in Council priority areas as reported to and agreed by Council on the 28th October 2015.

- 3.2 As part of the budget setting process, it is good practice to review levels of reserves and this is something which we routinely do as part of our arrangements at this Council.
- 3.3 Reserves are an essential part of good financial management, allowing us flexibility to cope with unexpected financial pressures and to plan and deliver spending priorities between years. The Council's Section 151 Officer has clear responsibilities in terms of ensuring the robustness of the Council's annual budget strategy in any year. Elected Members have a key role in ensuring that the level of reserves held is adequate and their use as part of a robust Medium Term Financial Strategy is appropriate.
- 3.4 General Fund balances at the end of 2014/15 stood at £11.001M which is above the minimum level which the Section 151 Officer considers we should maintain. Budget Strategy proposals for 2016/17 (presented to Cabinet on the 11th February 2016) included an allocation of £0.500M from General Fund balances to the Medium Term Financial Planning & Transformation Reserve, therefore the level of these balances currently equates to £10.501M. This, along with our earmarked reserves provides us with some flexibility going forward in terms setting a balanced budget into the medium term and using reserves prudently and sensibly as part of that process, maintaining a balance between setting a robust, deliverable and sustainable budget and protecting much valued services which our residents rely upon.
- 3.5 Our earmarked reserves have been established to protect our financial standing and have enabled services some flexibility in being able to carry forward resources from one year to the next for planned projects and other specific commitments.
- 3.6 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 in depth reviews and Cabinet subsequently requested that the Section 151 Officer undertake a detailed risk assessment of earmarked reserves with a view to:
 - a. Assessing the underlying financial risk for which they have been set aside to determine if it remains or whether circumstances have changed;
 - b. The extent to which any amounts set aside for investment (Prior Year Commitments – Service "Carry Forwards") have been contractually committed;
 - c. Being clear on the reasons for holding reserves and ensuring that they are sufficient , but not excessive; and
 - d. The need for continued support of a robust Medium Term Financial Strategy for the Council.

- 3.7 With the review complete, Cabinet have now been able to take a view on the extent to which any amounts could be released, in particular where the original intended purpose does not represent a strategic investment priority area.
- 3.8 It has also been possible to take into account the current year (2015/16) financial position of the Council and to reflect upon the projected year end position, in the knowledge that our budgetary control processes are sufficiently robust to enable us to place some confidence in the forecast year end position.

4. REVIEW OF EARMARKED RESERVES

- 4.1 As reported to Council in the Statement of Accounts, the Council has revenue stream earmarked reserves of £76.284M 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 A number are held for “accounting” purposes and are not distributable in terms of being available for other general purposes. Examples of these include PFI (an equalisation account which will balance to zero over the period of the PFI contract), Revenue Grant Reserves (specific revenue grants received but not yet spent) and Capital Development Fund (funding for our existing 3 year capital programme).
- 4.3 Some are set aside as cover for financial risks which we are aware of and these risks change over time in terms of likelihood of them actually materialising and accordingly we routinely undertake a risk assessment of these.
- 4.4 Some reserves are held in order to provide services with the flexibility to carry forward unspent but committed budget from one year into another. Again as time progresses there is the opportunity to assess the extent to which these sums still represent Members’ priorities.
- 4.5 The review previously concluded (in the autumn) identified £10.150M which could be released and these were identified as funding for the Investment Priority areas as previously agreed by Council (October 2015).
- 4.6 This further review now identifies a number of reserves which can either be released entirely or the amounts held can be reduced in light of changed circumstances, including the Council’s current financial standing and robustness of our budget.
- 4.7 The Section 151 Officer is content that releasing these sums, as detailed below, does not compromise our financial standing. It is also emphasised that these sums represent one off cash availability and cannot be used as a substitute for our ongoing base budget requirements.

4.8 The specific outcomes of the review are summarised below:

a) Prior Year Commitments (£12.426M as at 31st March 2015)

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 the necessity / essentiality of the intended spend and whether it continues to represent a key priority of the Council.

This has identified, that of £12.426M earmarked, a sum of **£1.943M** can be released from these reserves (this is further to the £3.236M which was released in the autumn 2015).

b) Financial Management and Human Resources Risk Management (£34.331M as at 31st March 2015)

This reserve includes funding for a number of potential future liabilities including VER costs, potential future legal claims, welfare reform implications, social care risks etc.

A review has been undertaken of the levels of risk associated with the relevant areas to which these reserves relate and having regard to the robustness of the current budget (note the Quarter 2 position presented to Cabinet on the 24th November 2015 and the Quarter 3 position reported to Cabinet on the 3rd March 2016).

In light of this, it is proposed that a sum of **£6.983M** can be released from this reserve (this is further to the £5.731M which was released in the autumn 2015).

4.9 The total amount of reserves therefore which have been identified to be released amount to **£8.926M**.

5. QUARTER 3 PERFORMANCE REPORT

5.1 Our quarterly performance monitoring reports provide a holistic view of the Council's financial and operational performance and have a track record of being robust and enabling members to place a high degree of reliance upon them.

5.2 The Quarter 3 performance report, to be presented to Cabinet on the 3rd March 2016, is reporting a projected year end revenue position of **£2.403M underspend**.

5.3 The main factors contributing to this underspend are :

- a. Council Tax Reduction Scheme – an underspend position of £0.854M is projected due to reduced demand for support; and
 - b. Community and Children’s Services – where the Council’s early and proactive preparations for the Social Services and Wellbeing (Wales) Act, which is centred around more preventative strategies, has resulted in cost savings being realised.
- 5.4 It is therefore possible to release this underspend which, along with the earmarked reserves identified at paragraph 4, amounts to £11.329M of resources being identified as available. Members should note that the year end position will not be confirmed until accounts are closed in early summer, but the current projections are that this level of underspend will be delivered although should any negative variance occur, a buffer is still available given the level of General Fund Balances currently in place.

6. INVESTMENT PRIORITIES

- 6.1 The Cabinet have carefully considered the options available around the use of the resources identified above. A key consideration has been the Council’s new Corporate Plan 2016 – 2020 which has been considered in draft form, consulted upon widely and recently agreed by Council.
- 6.2 We have used one off resources to help support the revenue budget and the day to day services which it funds over a number of years as part of delivering a balanced budget strategy. This in itself is a balancing act, and has to recognise the sustainability of doing so beyond a level.
- 6.3 The level of reserves which we have deployed and the strategy of making savings early to provide and recycle our transition funding has proved successful over a number of years, as is evidenced by our revenue budget monitoring position over this period. Setting a robust and deliverable budget has enabled us to do this.
- 6.4 Whilst the financial outlook remains extremely challenging for our revenue budget in particular, an opportunity exists to develop the infrastructure across the County Borough for the benefit of both the current and future generations.
- 6.5 The Council’s new Corporate Plan sets out the overall direction for the Council over the coming 4 years, 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”.

It is proposed that the Council is focused on the following three priorities:

1. Economy - Building a strong economy;

2. People - Promoting independence and positive lives for everyone;

3. Place - Creating neighbourhoods where people are proud to live and work.

6.6 In light of the above considerations, 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
- Cost avoidance
- Providing more affordable homes contributing to our anti-poverty priority

6.7 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) Council Wide Energy Efficiency

A programme of additional energy improvement works has been identified for 2016/17 to complement the existing base budget allocation, totalling £1.050M that includes LED lighting upgrades, solar photovoltaic arrays, Hydrogen Combined Heating & Power, Air Handling Units with heat recovery and boiler plant. It should be noted that the content of the programme is subject to review and change in response to further feasibility work and changes in service priority. The programme will also need to evolve and change to ensure investment is not made at premises identified for review through any Medium Term Service Planning changes. Ultimately, these energy improvement works will deliver further revenue savings as part on an ongoing ‘spend to save’ programme.

b) Transport Infrastructure

The Council receives many requests for new infrastructure or infrastructure improvements which cannot readily be funded via

available grants, whether directly from Welsh Government or other sources. The funding available across Wales for Local Transport Fund Grants has been of the order of £15M per year in recent years – which averages at less than £0.7M per local authority per annum. This additional funding of £1M will provide direct funding for a programme of high impact but relatively low cost junction improvements which will add capacity and reduce congestion on our highway network. Improvements will be targeted where existing congestion can be eased by implementing localised improvements, such as widening traffic lanes on approaches to junctions or improving technology in signal controlled junctions, so that junctions operate more efficiently and benefits can be delivered for all classes of highway user, including public transport and active travel.

An initial list of proposed locations and types of improvement has been identified. Initial scheme development will be undertaken to clarify individual scheme costs, deliverability and anticipated benefits, from which a prioritised list will be agreed for implementation. Schemes not prioritised for implementation will be developed to allow the potential for bids for external funding to be formulated or for schemes to be delivered in subsequent years should further funding become available.

c) Highways Infrastructure Repairs

The Highways Network represents the most significant asset of the Council, valued in excess of £2bn and comprises carriageways, footways, structures (bridges, retaining walls, culverts etc.), street lighting, traffic signs, safety barriers, highway drainage etc..

Following on from the last four years of the highly successful highways investment programme and the additional £3.8M committed under the mid year review, our Highways Infrastructure network will benefit in 2016/17 from this additional funding of £3.5M. This investment will continue to improve and protect the fabric of the highways network and deal with the impact of winter weather conditions. In addition, investment of this nature also has a 'spend to save' element given the positive impact it has on reducing future insurance claims against the Council in relation to highways repairs.

d) Play Areas

The Council has over 200 children's play areas across the County Borough. These play areas range from large fenced facilities in our main parks through to small neighbourhood areas with a couple of items of equipment and receive an independent annual inspection which highlights where improvements and repairs are needed. Whilst there has been a capital programme allocation of £0.050M per annum in place for a number of years, supplemented by an additional £0.250M per annum for 2015/16 and 2016/17, this has proved to be insufficient to deal with the backlog of repairs and much needed improvements.

Following on from the Priority Investment report of October 2015 this additional investment of £0.200M will enable urgent refurbishment works to be carried out on children's play areas across the County Borough with a further seven playgrounds being upgraded and brought back into beneficial use for the communities they serve.

e) Green Teams

The Council is committed to maintaining all environmental aspects of the County Borough and as such, the aim of this additional funding of £0.100M is to provide a further team to complement its existing teams in tackling overgrown and derelict areas of Council owned land. This team will primarily be used to tackle works which have not previously been included in any maintenance scheduling and once completed these areas will be added to existing schedules.

f) Waste Recycling Centre (Dinas)

This Council is committed to providing first class recycling facilities for its residents in order to help the Council achieve its statutory recycling targets. Community Recycling Centres (CRCs) are viewed as a critical element of achieving these targets and we have already invested in two new CRCs in the County Borough. This additional funding of £0.150M is targeted at improving and extending the existing Dinas CRC by providing additional recycling points for various materials and maximising the space to help alleviate some of the access issues at the site.

g) Flood Alleviation

The Council's high level strategic position as laid out in the Local Flood Risk Management Strategy (2013) is to "Reduce the consequences of flood risk – take action to reduce social, environmental and economic damage due to flooding".

The Council has implemented over £6M of major flood alleviation works over the last 4 years with funding from Welsh Government and Europe alleviating the risk of flooding to over 700 residential properties. The Council will continue to develop major projects within the Council's core capital allocation in line with the criteria set by Welsh Government.

However, the Council receives many requests for small scale flood alleviation works which cannot readily be funded via available grants, whether directly from Welsh Government or other sources and an additional investment of £0.300M will help towards the cost of funding initial scheme development.

The proposal is to provide direct funding for a programme of high impact but relatively low cost works to alleviate the risk of flooding from local sources, that is, ordinary watercourse, surface water and groundwater at known “hot spots”. Priority will be given to internal flooding to residential property and the highway network. A risk based approach will develop a list of proposed locations and types of improvement. Initial scheme development will be undertaken to clarify individual scheme costs, deliverability and anticipated benefits, from which a prioritised list will be agreed for implementation. Schemes not prioritised for implementation will be developed to allow the potential for bids for external funding to be formulated or for schemes to be delivered in subsequent years should further funding become available.

h) ICT Infrastructure

Digital transformation of Council services is a key objective that underpins many of the Council’s Corporate Plan priorities. This will allow us to encourage more customer transactions ‘on line’, work more efficiently through greater exploitation of technology and support wider digital inclusion. It will mean a cultural change in how the Council conducts its business and it will support a range of complementary strategies, for example, the Social Care and Wellbeing Act. The transformation must be built on a stable and sustainable ICT Infrastructure. This investment proposal will allow the Council to improve its digital infrastructure by building capacity, resilience and technological advances into key Council system environments, for example email and communications systems, and, it will support further work on improving critical business continuity arrangements.

i) Empty Property Grants

Returning empty properties into use has a significant positive impact for the community by providing valuable accommodation but also improving the street scene and enhancing the neighbourhood’s environmental and social conditions. As at the 1st April 2015 there were 2,577 known empty properties in the County Borough. Over the last 3 years the combined work of the Housing teams in Public Health and Protection has brought back into use 293 properties through direct action, loan or grant aid. An additional investment of £1.500M to further support these strategies will have a significant positive impact on this County Borough wide issue (and would support the scrutiny review of Empty Properties as reported to the Health and Wellbeing Scrutiny Committee on 20th January 2016).

j) Town Centres / Village Centres

Additional funding of £0.300M will enhance the Council's ability to provide attractive town centre environments, particularly street furniture such as litter bins, railings, bus shelters, public toilets, bus stations, etc. The street scene within our town centres is an important feature which can help to create vibrant town centres and support their ongoing viability.

k) Schools

A high level of capital investment in our schools in recent years has made a significant improvement to the physical environment for our pupils and the communities they serve. Improving the standard of our school buildings so that pupils can learn in high quality classrooms has been a vital part of the Council's school modernisation programme.

Through our investment programme we have continued to improve our school performance outcomes, however the National School Categorisation system has identified that we have a few schools that need our additional support, including investment, and have been categorised as being 'red schools'.

In addition, we still have a significant backlog of maintenance and a proposed additional £2M investment in our school premises will help reduce our ongoing revenue commitments and improve our capital assets. Strategic priorities for this funding have been identified but these will be flexible to ensure that we add most value and deliver improvements within limited timescales. Underpinning these priorities will be the aim of:

- Securing sufficient school places and removing surplus places
- Improving educational standards in particular by addressing highest priority condition issues ensuring our schools are safe, watertight and warm
- Reducing energy and carbon and meeting climate change and sustainability targets
- Refurbishing classrooms to meet the new Curriculum for Wales, providing aspiring up-to-date modern classrooms
- Refurbishing science and technology rooms
- Investing in adaptations to schools to assist pupils with mobility problems to access mainstream education.

l) Graduate Officers

The Council is committed to ensuring that it employs the very best people to deliver services to our communities. Through our workforce planning processes key areas have been identified that will potentially suffer from workforce gaps in coming years. Whilst the Council invests significantly in its current graduate and apprenticeship schemes, further

investment in vocationally specific graduate programmes will not only enable the Council to ensure that services to our communities are delivered to the best of our ability but also provide valuable employment opportunities for local graduates.

An additional investment of £0.200M will help fund a range of graduate programmes to address our workforce gaps.

m) Outdoor Leisure Facilities

The investment report in October 2015 allocated further cash investment in key leisure sites as part of the Council's focus on providing residents of the County Borough access opportunities to undertake regular physical exercise, as part of a healthy lifestyle, which maintains and improves their health and wellbeing. This investment was targeted at creating improved indoor sports facilities and encouraging participation, whilst at the same time increasing income and securing the sustainability of services going forward.

It is though also recognised that many residents use outdoor facilities, such as artificial pitches, to participate in regular physical activity and as part of the Council's aim to improve the Community Sport offer within the County Borough, these too need to be invested in. Additional investment of £0.500M will allow funding support to deliver and renew a number of artificial pitches within Rhondda Cynon Taf.

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

Table 1: Summary of Investments

| Investment Area | Estimated Spend £M |
|---------------------------------|-------------------------------|
| Council Wide Energy Efficiency | 1.050 |
| Transport Infrastructure | 1.000 |
| Highways Infrastructure Repairs | 3.500 |
| Play Areas | 0.200 |
| Green Teams | 0.100 |
| Waste Recycling Centre (Dinas) | 0.150 |
| Flood Alleviation | 0.300 |
| ICT Infrastructure | 0.500 |

| | |
|--------------------------------|---------------|
| Empty Property Grants | 1.500 |
| Town Centres / Village Centres | 0.300 |
| Schools | 2.000 |
| Graduate Officers | 0.200 |
| Outdoor Leisure Facilities | 0.500 |
| Total Investment | 11.300 |

6.9 Table 1 indicates that the estimated additional spend totals £11.300M which can be fully funded through the release of reserves and the use of the projected 2015/16 underspend as detailed at paragraphs 4 and 5 respectively.

7. CONCLUSION

- 7.1 The Council is facing an unprecedented financial challenge over the next 3 years and all services and their delivery are being assessed.
- 7.2 Notwithstanding this, the Council has to take the opportunity where it presents itself to continue to invest in our infrastructure and across our communities.
- 7.3 This report has identified the opportunity to invest £11.3M of additional resources in our local area including our own assets in order to improve the services which are available to our residents and to provide a number of invest to save opportunities.
- 7.4 This brings the total additional investment identified and initiated by this Council this year to over £21M, which is over and above a capital programme which itself amounts to £83.6M for the financial year 2015/16.
- 7.5 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.
