



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

16TH OCTOBER 2018

COUNCIL CORPORATE PLAN - INVESTMENT PRIORITIES

REPORT OF THE GROUP DIRECTOR CORPORATE & FRONTLINE SERVICES IN DISCUSSION WITH THE LEADER OF THE COUNCIL.

Author: Chris Lee, Group Director Corporate & Frontline 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 review of the Council's earmarked reserves post completion of the audit process of the Council's 2017/18 Statement of Accounts, including Insurance funding requirements.

2. RECOMMENDATIONS

It is recommended that Cabinet agree:

- 2.1 To review and if acceptable propose the release of earmarked reserves, undertake prudential borrowing and resultant Investment Priorities as detailed at Appendix A to Council at its meeting on 24th October 2018.
- 2.2 To receive a further update in early 2019 on Earmarked Reserve availability as part of the normal budget strategy work being undertaken in preparation for the 2019/20 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 2017/18 (reported to and agreed by Council on the 19th of September 2018), a risk assessment has been undertaken on the Council's earmarked reserves (including ongoing Insurance funding requirements) and the opportunity is herein presented to release resources.

- 3.3 The Council's Quarter 1 performance report as presented to Cabinet on the 20th September 2018 demonstrates the positive 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 2019/20 budget strategy process in early 2019.

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 also contributes to all of the seven national well being goals.

9 CONCLUSION

- 9.1 The draft report at Appendix A sets out the review of earmarked reserves (including ongoing insurance funding requirements) and the proposed investment areas.

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018-2019

COMMITTEE:

COUNCIL

24th October 2018

Item No:

**COUNCIL CORPORATE
PLAN – INVESTMENT
PRIORITIES**

REPORT OF THE CABINET

AUTHOR: Chris Lee, Group Director Corporate & Frontline 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 and ongoing Insurance funding requirements post completion of the audit process of the Council's 2017/18 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:
- I. 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;
 - II. To undertake prudential borrowing as set out at paragraph 4.4 to 4.7; and

- III. 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 £53M 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 2017/18 Statement of Accounts provides assurance as to the financial position of the Council. This is further evidenced by the Quarter 1 Performance Report (Cabinet 20th September 2018) which provides an early assurance as to the overall robustness of the 2018/19 budget strategy.

4. REVIEW OF EARMARKED RESERVES AND AVAILABLE FUNDING

EARMARKED RESERVES

- 4.1 As reported to Council in the Statement of Accounts (19th September 2018), the Council has revenue stream earmarked reserves at the 31st March 2018 of £64.157M (£63.153M at 31st March 2017) 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 (£29.766M as at 31st March 2018)

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 **£3.932M** can be released from these reserves.

b) Prior Year Commitments (£11.957M as at 31st March 2018)

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 £11.957M earmarked, a sum of **£2.247M** can be released from this reserve.

c) Other Specific Reserves (£3.692M as at 31st March 2018)

Sums are set aside for specific purposes such as building maintenance repair requirements, data centre modernisation and fees charged to specific projects (such as capital schemes).

Following review, it is proposed that a sum of **£0.239M** can be released from these reserves.

d) Infrastructure Reserve (£6.855M as at 31st March 2018)

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 **£5.032M** is released from this reserve.

PRUDENTIAL BORROWING

4.4 The Council's insurance costs include the cost of premiums and the costs associated with payment of claims up to an excess level (in addition to the cost of a provision for claims received but not yet settled). Within our Authority Wide costs, a budget amount of £6M is in place for 2018/19. The Council manages its insurance liabilities over the long term, recognising that

there is volatility in both claims received and the Insurance market which drive insurance premiums.

- 4.5 Over recent years there has been a gradual reduction in the level and cost of claims which have been settled at below excess level. This could be attributed in part to the level of investment in the Council's infrastructure which gives rise to fewer liability claims (e.g. slips and trips). It could also be attributed to changes in the insurance industry more generally, which for example has made claims "harvesting" less viable.
- 4.6 Accordingly, as part of our ongoing review of the Council's insurance budget requirements, it is possible to reduce the existing base budget by £0.8M (from £6.0M to £5.2M).
- 4.7 This revenue can be used to fund prudential borrowing amounting to £12.000M which can be used to support the Council's on-going investment in highways, in line with its Corporate Plan priorities. The detail of this investment opportunity has been presented separately to the Cabinet at its meeting of the 16th October 2018.

FUNDING AVAILABLE

- 4.8 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 the £11.450M earmarked reserves in addition to the £0.800M of base budget to fund Prudential borrowing of £12.000M.

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. Extracare (£2.000M)

Funding will support the Council continuing its work with Partners to deliver its strategy to modernise accommodation options for older people and deliver extra care housing across Rhondda Cynon Taf. This strategy identified the need to invest in additional extra care housing schemes to meet the needs of an increasingly older population and help to improve the independence and quality of life of our older and disabled residents by enabling them to live in their own home with care and support. Current schemes are being developed at Maesyffynnon (Aberaman) and Pontypridd and further investment will be required as the strategy is rolled out to other areas of the County Borough.

b. Making Better Use (MBU) / Traffic Management (£0.300M)

Funding will allow continuation of the programme of tackling congestion, pinch points and increasing road safety by utilising existing road space to provide additional capacity. In line with this, particular emphasis would be given to investigation works at the Tonyerfail and Trebanog roundabouts on the A4119.

c. Parks and Green Spaces (£0.200M)

This additional funding will allow the ongoing investment programme into the refurbishment of sports pavilions, upgrading of sports pitches and the repairs to parks infrastructure to be enhanced even further.

d. Strategic Regeneration Investment (£1.000M)

This investment will support the Council's commitment to regenerate its town centres, encourage investment in the high street economy and deliver the vision as set out in the strategic opportunity area strategies. A targeted approach to acquiring, upgrading and redeveloping key strategic sites and premises will help achieve this and continue to deliver economic growth and job creation across Rhondda Cynon Taf.

e. A4119 Dualling (£1.500M)

Funding to support the dualling of a 1.3km section of the A4119, between Llantrisant Business Park and Coed Ely roundabouts (a key strategic corridor). In addition, this will support the continuation of preliminary design, ecological surveys and advanced purchase of third party land.

f. Llanharan Bypass (£0.500M)

Funding to support preliminary design, site investigation and ecological surveys for the eastern section of the Llanharan Bypass which will involve the crossing of the Cardiff to Swansea main railway line. The western section has already been constructed as part of the Llanilid development and the central section is linked to housing development.

g. Community Hubs (£0.250M)

Funding to support the creation of community hubs that provide a range of community based services in one or a number of closely located buildings, which best serve the community. These community hubs will include a range of service providers including key Council services, voluntary sector, local businesses and other public sector providers. Bringing similar services together will create economies of scale, in terms of staffing and building costs, which will enable the Council to continue to provide a comprehensive range of services within key communities, and maximise resources and the outcomes for children, young people, families and communities. The Council is progressing capital schemes to develop Community Hubs at both Ferndale and Mountain Ash. Further investment will be required to roll this programme out to other communities during 2019/20.

h. Treorchy Link Road (£0.200M)

Funding to support Investigatory works for a cross valley type link at Treorchy which will help to alleviate congestion at Stag Square, Treorchy.

i. Aberdare Bypass (£1.000M)

Funding to support a 1.7km bypass continuation from the A4059 at Aberdare to link to the Croesbychan Roundabout at Hirwaun, as part of the proposed dualling of the A465 between Dowlais and Hirwaun by the Welsh Government. This link has been recognised by the Welsh Government as aiding in the potential traffic issues at Llwydcoed as part of their project.

j. Robertstown and Coedely (match funding) (£4.200M)

The Council has been successful in securing grant funding of £5.158M from the Welsh European Funding Office (WEFO) under the European Regional Development Fund (ERDF) programme in respect of developing modern business accommodation at Robertstown (Aberdare) and Coed Ely (Tonyrefail). These developments will help to boost economic growth and employment in regionally important areas and address the need to provide modern business units by developing key sites. The Council is required to provide match fund of £2.703M for the grant from its own resources and additional funding of £1.497M is required to deal with extensive abnormal costs at the Robertstown site which include drainage works, ground levelling based on flood modelling, Japanese knotweed and roads infrastructure. The total investment funding would secure the grant and enable the schemes to progress to the final design stages, go through the planning approvals processes and, subject to approval, the tendering and appointment of contractors.

The Council is in regular contact with officers at WEFO in respect of securing additional grant funding for these schemes which would reduce the Council's additional funding requirement. The Council's aspirations for these developments are ambitious and reflect the strategic importance of these sites for economic growth and employment. The processes to secure additional funding are unfortunately not fully aligned to our own timescales for the developments, and therefore in order to award contracts and progress to works starting on site, the additional Council funding, in excess of the match funding, is required at this stage. If additional external funding applications are successful, the funding package will be revised and reported to Cabinet in the Capital Programme as part of the quarterly performance reports.

k. Highways Investment (to 2021) (£12.000M)

Funding to support a three year project of enhanced investment in the Council's largest asset, building on sustained increases in annual funding for highways maintenance over recent years. The Council's Highways Asset Management Plan identifies the benefits of accelerated funding which reduces the level of ongoing funding required to maintain the highway in a "steady state" thereafter. The improvement to our highways as a result of the investment also reduces the Council's insurance risk and improves public perception of the quality of our roads and the streets where people live. Further details on this investment has been reported separately to Cabinet at its meeting on the 16th October 2018.

l. Bryn Pica Eco Park (£0.200M)

Funding to support the development of the Bryn Pica Eco Park. The Park presents a unique opportunity to take advantage of the predicted growth in the circular economy whilst using the economic benefits of decentralised energy.

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. The scheme has been shown to have a high degree of congruency with Welsh Government's Future Generations Act.

m. Community Enabling Fund (£0.100M)

Additional funding 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. They provide financial assistance towards proposals from organisations which offer: creative solutions on how local services could be run differently in collaboration with the Council or directly by them/their community; facilitate the transfer and development of community based assets; sustain local services; and help build community capacity which supports this activity.

5.5 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 |
|---|-------------------------------|
| Extracare | 2.000 |
| MBU / Traffic Management | 0.300 |
| Parks and Green Spaces | 0.200 |
| Strategic Regeneration Investment | 1.000 |
| A4119 Dualling | 1.500 |
| Llanharan Bypass | 0.500 |
| Community Hubs | 0.250 |
| Treorchy Link Road | 0.200 |
| Aberdare Bypass | 1.000 |
| Robertstown and Coedely (Match Funding) | 4.200 |
| Highways Investment (to 2021) | 12.000 |
| Bryn Pica Eco Park | 0.200 |
| Community Enabling Fund | 0.100 |

| | |
|-------------------------|---------------|
| Total Investment | 23.450 |
|-------------------------|---------------|

- 5.6 Table 1 indicates that the estimated additional spend totals £23.450M which can be fully funded through a combination of the release of one off earmarked reserves plus prudential borrowing funded from reduced costs of insurance claims, as detailed at Section 4.

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 £23.450M 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.
