



POLICY AND RESOURCES SCRUTINY COMMITTEE

MINUTES OF THE DIGITAL MEETING HELD VIA MICROSOFT TEAMS ON TUESDAY, 12TH JANUARY 2021 AT 5.30 P.M.

PRESENT:

Councillor J. Pritchard - Chair
Councillor G. Kirby - Vice Chair

Councillors:

M.A. Adams, Mrs E.M. Aldworth, L. Harding, G. Johnston, C.P. Mann, B. Miles, Mrs D. Price, R. Saralis, Mrs M.E. Sargent, G. Simmonds, J. Taylor, L.G. Whittle

Cabinet Members:

C. Gordon (Cabinet Member for Corporate Services), Mrs E. Stenner (Cabinet Member for Finance, Performance and Customer Services)

Together with:

R. Edmunds (Corporate Director for Education and Corporate Services), S. Harris (Head of Financial Services & S151 Officer), D. Roberts (Principal Group Accountant), A. Southcombe (Finance Manager - Corporate Finance), R. Williams (Group Accountant-Treasury and Capital), M. Jacques (Scrutiny Officer), R. Barrett (Committee Services Officer)

RECORDING AND VOTING ARRANGEMENTS

The Chair reminded those present that the meeting was being filmed and would be made available to view following the meeting via the Council's website – [Click Here to View](#). Members were advised that voting on decisions would take place by way of Microsoft Forms.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs C. Forehead and Miss E. Forehead.

2. DECLARATIONS OF INTEREST

There were no declarations of interest received at the commencement or during the course of the meeting.

3. MINUTES – 10TH NOVEMBER 2020

It was moved and seconded that the minutes of the meeting held on the 10th November 2020 be agreed as a correct record and by way of Microsoft Forms (and in noting there were 10 for, 0 against and 1 abstention) this was agreed by the majority present.

RESOLVED that the minutes of the Policy and Resources Scrutiny Committee held on 10th November 2020 (minute nos. 1 – 9) be approved as a correct record and signed by the Chair.

4. CALL-IN PROCEDURE

There had been no matters referred to the Scrutiny Committee in accordance with the call-in procedure.

5. POLICY AND RESOURCES SCRUTINY COMMITTEE FORWARD WORK PROGRAMME

Mark Jacques (Scrutiny Officer) presented the report which outlined details of the Policy and Resources Scrutiny Committee Forward Work Programme (FWP) for the period January 2021 to May 2021. Members were asked to consider any changes and agree the final forward work programme prior to publication.

Consideration was given to the list of reports and it was noted that Councillor C. Gordon should be listed as the Cabinet Member for the Flexible Working Update, in place of Councillor E. Stenner.

Following consideration of the report, it was moved and seconded that subject to the aforementioned amendment to the FWP, the report recommendation be approved. By way of Microsoft Forms (and in noting there were 11 for, 0 against and 0 abstentions) this was unanimously agreed.

RESOLVED that subject to one minor amendment (in that Councillor C. Gordon be listed as the Cabinet Member for the Flexible Working Update) the Forward Work Programme as appended to the meeting papers be published on the Council's website.

6. CABINET REPORTS

There had been no requests for any of the Cabinet reports to be brought forward for discussion at the meeting.

REPORTS OF OFFICERS

Consideration was given to the following reports.

7. CORPORATE SERVICES & MISCELLANEOUS FINANCE 2020/21 BUDGET MONITORING REPORT (PERIOD 7)

The Cabinet Member for Finance, Performance and Customer Services presented the report, which informed Members of the projected revenue expenditure for the Directorate of Corporate Services and Miscellaneous Finance for the 2020/21 financial year, based on expenditure and

income trends for the first seven months of the financial year. The Scrutiny Committee were asked to note the contents of the report.

Members were advised that the report projections do not include the ongoing financial impact of Covid-19, as these costs are being dealt with on a separate basis and claims are being submitted to Welsh Government on a monthly basis for costs incurred and on a quarterly basis for income losses. It was explained that these figures will be included in the forthcoming Whole Authority Budget Report being presented to Cabinet at the end of January which will include an update on the position in respect of Covid-19 funding.

During the course of the ensuing debate, clarification was sought on the reasons for several departmental overspends outlined in the report and Officers provided further information on these queries in turn. Particular reference was made to additional charges (£125k) incurred to complete the external audit of the 2019/20 Financial Statements. The Scrutiny Committee were reminded of the many challenges and competing priorities faced by the Council as a result of Covid-19 which combined with the loss of an experienced senior member of staff at a crucial time led to delays in completing the accounts and resulted in additional fees. Despite these challenges, the statutory deadline was met, with the 2019/20 Financial Statements being approved by Council on 24th November 2020 and subsequently signed-off by the Auditor General. It was noted that the robust audit work undertaken and the recommendations in the Auditor's report ensures that the Council will be well-placed moving forward, with many of the recommendations already having been addressed.

Officers also provided clarification on Members' queries relating to the savings made as a result of staff not reaching the top of their pay scales in the current financial year, the reasons for some temporary reduced hours and the savings associated with staff working from home. References were made to the overspend around the Transformation Team and it was explained that some costs were incurred due to additional support around Communications and Community Engagement, and base budgets will be put in place for this post moving forward. It was also noted that a report on the work of the Transformation Team to date had been presented to a previous meeting of the Scrutiny Committee.

Reference was made to the level of underspends over recent years and in response to a Member's query it was confirmed that a proportion of year-end underspends are transferred into the General Fund and that in recent years surplus General Fund balances have been redirected into Capital Earmarked Reserves, much of which will be used to support investments in the "Place Shaping" agenda. A specific query was received on the revised structures across Corporate Services and it was agreed that the Director would provide further information to the Member following the meeting.

Following consideration of the report, the Scrutiny Committee noted its contents.

8. CAPITAL STRATEGY REPORT 2021/2022

The Cabinet Member for Finance, Performance and Customer Services presented the report, which detailed the Authority's Capital Strategy report for the 2021/22 financial year in accordance with the Prudential Code that was introduced by the Local Government Act 2003. The Scrutiny Committee were asked to note the contents of the annual Capital Strategy Report ahead of its presentation to Special Council on 24th February 2020 for approval.

It was noted that the Capital Strategy outlines the principles and framework at the very high level that shape the Authority's capital investment proposals. The principal aim is to deliver an affordable programme of capital consistent with the financial strategy that contributes to the achievement of the Council's priorities and objectives as set out in the Authority's Corporate

Plan; consider associated risks; recognise financial constraints over the longer-term; and represent value for money. The Strategy defines at the highest level how the capital programme decision making identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed, whilst complying with the Prudential Code for Local Authority investment and its key objectives to ensure that capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management and proper option appraisal are supported.

The Scrutiny Committee considered the report and a Member asked if capital receipts had been used to fund expenditure incurred as a result of transforming service delivery, as per a Welsh Government directive allowing this avenue of funding. Officers advised that the Council have not made use of this capitalisation directive because it is intended to utilise capital receipts as part of the funding of the "Place Shaping" agenda. In response to a Member query on the use of the Caerphilly Enterprise Fund, Officers advised that the Fund had been fully utilised through grants to support local businesses and is administered by the Business Enterprise & Renewal Team. It was explained that there are appropriate governance arrangements in place for these grants and Officers confirmed that they would liaise with the Business Enterprise & Renewal Team Leader following the meeting to provide further information to the Member on the process.

Following consideration of the report and having noted its contents, it was moved and seconded that the following recommendation be forwarded to Council for approval. By way of Microsoft Forms (and in noting there were 11 for, 0 against and 0 abstentions) this was unanimously agreed.

RECOMMENDED to Council that the annual Capital Strategy Report for 2021/2022 be approved.

9. TREASURY MANAGEMENT ANNUAL STRATEGY, CAPITAL FINANCE PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2021/2022.

The Cabinet Member for Finance, Performance and Customer Services presented the report, which detailed the Council's Annual Strategy for Treasury Management, Capital Finance Prudential Indicators and the Minimum Revenue Provision Policy for 2021/2022. Members were asked to consider the report ahead of its presentation to Special Council on 24th February 2021.

Members were advised that in accordance with legislative requirements, Welsh Government guidance and Codes of Practice, the Council is required to approve a Treasury Management Strategy on an annual basis, which sets out its borrowing and investment strategies for the forthcoming year. The Council is also obliged to approve and publish a number of indicators relevant to Capital Finance and Treasury Management, and to prepare an Annual Minimum Revenue Provision Policy Statement. Further details were contained in the report and its appendices and it was noted that Appendix 7 is based on an indicative capital programme.

The Scrutiny Committee discussed the report and Members referred to the challenges around planning financial strategies and the difficulty in making accurate financial predictions in the current uncertain climate as a result of the Covid-19 pandemic. Officers acknowledged the bleak global economic outlook but advised that the draft budget proposals being considered by the Joint Scrutiny Committee later that week would give a flavour of the financial outlook for the four years beyond 2021/22. It was explained that potential savings could range from £8m-£32m but this would depend on the Local Government Financial Settlement moving forward.

A Member asked if it was necessary to borrow £37.2m from the General Fund in view of historic underspends across the capital programme. Officers explained that the figure represented borrowing approvals to support the capital programme over an extended period, but the Council has not needed to borrow to date by instead using cash balances linked to the Authority's reserves and investments, which is more financially prudent than incurring interest costs. It was explained that the borrowing is included in the report to ensure budget cover, but the Council is not currently expecting to borrow in the next financial year.

In response to a Member's query, it was also confirmed that there is no intention to borrow from the Municipal Bond Agency at this stage but that Officers are in dialogue with the Council's Treasury Management Advisors (Arlingclose) regarding possible longer-term investment options that would maximise returns, and it is anticipated that some proposals will be finalised in the coming months. During the course of the debate, it was agreed that Officers would arrange an all-Members Seminar with Arlingclose to provide an update on the economic outlook and outline potential avenues in relation to future investments.

Following consideration of the report and in noting the contents of the Strategy, it was moved and seconded that the following recommendations be referred to Council for approval. By way of Microsoft Forms (and in noting there were 11 for, 0 against and 0 abstentions) this was unanimously agreed.

RECOMMENDED to Council that: -

- (i) the Annual Strategy for Treasury Management 2021/22 be approved;
- (ii) the strategy be reviewed quarterly within the Treasury Management monitoring reports presented to Policy & Resources Scrutiny Committee and any changes recommended be referred to Cabinet, in the first instance, and to Council for a decision. The Authority will also prepare a half-yearly report on Treasury Management activities;
- (iii) the Prudential Indicators for Treasury Management be approved as per Appendix 5;
- (iv) the Prudential Indicators for Capital Financing be approved as per Appendices 6 & 7 based on the indicative capital programme;
- (v) Members adopt the MRP policy as set out in Appendix 8;
- (vi) the continuation of the 2020/21 investment strategy and the lending to financial institutions and Corporates in accordance with the minimum credit rating criteria disclosed within this report be approved;
- (vii) the Authority borrows £37.2m for the General Fund to support the 2021/22 capital programme and £52.0m for the HRA WHQS and Affordable Homes programme;
- (viii) the Authority continues to adopt the investment grade scale as a minimum credit rating criterion to assess the credit worthiness of suitable counterparties when placing investments;
- (ix) the Authority adopts the monetary and investment duration limits as set in Appendix 3 of the report.

10. UPDATE ON RESERVES

The Cabinet Member for Finance, Performance and Customer Services presented the report, which provided details of the usable reserves held by the Authority, including the audited balances as at the 1st April 2020 along with updated balances reflecting in-year adjustments actioned to date for the 2020/21 financial year.

Members were referred to Appendix 1 of the report which provided details of the Authority's usable reserves totalling £139.425m as at the 1st April 2020. Based on an assessment of in-year adjustments actioned to date, the current balance on usable reserves is £140.501m, and the Scrutiny Committee were asked to note the contents of the report.

Officers confirmed that the latest General Fund balance of £10.684m represents 3% of the 2020/21 Net Revenue Budget which is the minimum balance recommended by the Section 151 Officer. Members were reminded that an annual Update on Reserves report is prepared for the Scrutiny Committee as part of the Reserves Strategy agreed by Cabinet in July 2016 which introduced a 3% cap on the cumulative amount that can be held by Directorates in service underspend reserves. It was explained that as no Directorates have current balances that exceed the 3% cap this year so on this occasion there are no proposals to utilise these excess reserves for Members to consider.

A Member asked if the 3% cap could be revisited in view of the Covid-19 impact to allow Directorates to retain more of their underspends for future use. Officers explained that the current approach is in place to incentivise service areas to manage their budgets effectively, and that there are no plans to amend the cap at this time as the financial impact of Covid-19 is currently being managed outside of corporate budgets, although this will be kept under review in case the financial situation worsens. It was noted that Council have agreed to set aside £2.7m to deal with the impact of Covid-19 and a higher amount will be recommended if the need arises.

A Member sought clarification on the reasons for the current level of balance held in reserves (£140.501m) and Officers explained some reserves have to be retained to meet future financial obligations, including those for PFI schools and insurance commitments. Members were reminded that the total includes £24.5m of capital reserves previously agreed for the "Place Shaping" agenda and assurances were given that Officers are reviewing the reserves line by line with Heads of Service to determine if any reserves can be released to boost investment in the "Place Shaping" agenda. It was highlighted to Members that the Council makes use of these balances and receives returns on these investments and also that some of these cash balances are used in lieu of borrowing which saves money on debt charges. Assurances were also given that Cabinet is fully committed to supporting the "Place-Shaping" agenda and will seek to release funding wherever available in order to provide the additional resources required to support this ambitious plan.

Following consideration of the report, the Scrutiny Committee noted the contents of the Update on Reserves.

In thanking Members and Officers for their contributions, the Chair wished everyone a Happy New Year and the meeting closed at 6.42 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 23rd February 2021, they were signed by the Chair.

CHAIR