



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

16th OCTOBER 2018

**THE COUNCIL'S 2019/20 REVENUE BUDGET – THE PROVISIONAL
SETTLEMENT**

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

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1.0 PURPOSE OF THE REPORT

- 1.1 This report provides Cabinet with information in respect of the 2019/2020 Provisional Local Government Settlement, and initial comments on its likely implications for the delivery of Council services.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the Provisional 2019/2020 Local Government Settlement, announced by the Cabinet Secretary for Local Government and Public Services the 9th October 2018.
- 2.2 Note that the Final 2019/2020 Local Government Settlement is expected during December 2018.
- 2.3 Note that the general budget strategy consultation, subject to Cabinet agreement will commence on the 5th November 2018.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 To update Members on the implications of the Provisional Settlement for 2019/20 following receipt of information on the 9th of October 2018.

4.0 BACKGROUND

- 4.1 On the 9th October 2018, the Cabinet Secretary for Local Government and Public Services (Alun Davies AM) announced the Provisional 2019/2020 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.
- 4.2 The "headlines" of the Provisional 2019/2020 Settlement are as follows:-
- a. The overall reported decrease in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2019/2020 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is -0.3% (-£12.296M).
 - b. The provisional reported settlement for Rhondda Cynon Taf, shows an increase of +0.3% which is above the average of -0.3%. Settlement figures across the twenty two local authorities in Wales range from at best +0.4% to at worst -1.0%.
 - c. A 'floor' protection has been included for 2019/20, set at -1.0% (top up funding in total £2.495M).
 - d. The Settlement figures for 2019/20 include £13.7M and £7M respectively to fund the teachers pay award agreement (nursery to year 11) and the increased costs of Free School Meals. For both elements, specific grant arrangements are being put in place for 2018/19 (£8.069M and £4M respectively for teachers pay award and Free School Meals).
 - e. The settlement is one year only i.e. it doesn't contain an indicative 2020/21 settlement level.
 - f. We are still awaiting details on specific grants, including details on the recent announcements of £30M targeted funding for Social Care and £15M to invest in school standards and removing barriers to learning. More information on grants is expected by the end of October 2018.
 - g. The Council's General Capital Funding allocation is decreased slightly by 0.9% (£0.106M) to £11.108M.

5.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2019/2020 PROVISIONAL SETTLEMENT

- 5.1 The Provisional Settlement is better than modelled in the most recent Medium Term Financial Plan, but still presents the Council with a significant challenge in terms of preparing a balanced budget for 2019/20.
- 5.2 Throughout this financial year, Members have received updates on the projections of the Council's revenue budget position for the period to 2021/22, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Council on the 25th July 2018 where, based on the financial projections at that time, a starting point budget gap of £9.922M was projected for 2019/20. This gap was after the agreement of £7.027M of savings already planned for 2019/20 which are summarised in Table 1 below:

Table 1: Budget Modelling Assumptions 2019/20 as at July 2018

	2019/20
	£'000
Budget Gap Annual	16,949
<u>Budget Reduction Measures</u>	
General Efficiencies - Target	- 6,000
Sporting Exemption (VAT)	-600
Social Care Charges wef October 2018 (full year impact in 2019/20)	-314
Management Structure full year savings	-113
Total Budget Reduction Measures	- 7,027
Remaining Budget Gap	9,922

- 5.3 Financial modelling and subsequent projections have now been updated. This has included additional costs in respect of updated employee cost calculations (including recent announcements in respect of the implications of the teachers pay award), updated modelling on the demographic impact on demand for services such as Domiciliary Care and additional service requirements in areas such as Street care and Waste Services. In addition, some areas have been reduced as part of reassessing the risk associated with budget requirements, including contract fees and the impact of grant reductions. The net impact of base changes along with the positive impact of the Welsh Government provisional settlement, results in a reduction in the initial budget gap for 2019/20 to **£5.920M**.
- 5.4 In order to close the remaining budget gap, further savings proposals will be required and all opportunities to deliver even greater levels of efficiency must be maximised. In addition, through proactive delivery of savings in year, transitional funding is also available to support the strategy. Members and officers will continue to work hard to balance the need to respond to service demands and deliver savings into the medium term.
- 5.5 Members should note that the budget position is constantly being reviewed in respect of expenditure and income assumptions as part of the normal budget strategy preparation work. Examples of this include confirmation required on the financial impact of any changes in levels of specific grants that are currently funding key services and any further changes agreed nationally to support employee costs. Specifically at this stage, the financial impact of changes to the costs of Teachers Pensions has been excluded from the financial modelling.

6.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2019/2020

6.1 Against the backdrop of continuing financial challenges, the Council must maintain its focus on robust financial management and stability. A key ingredient of this is the responsible approach taken to how we address the development of our annual budgets. Therefore, we still, as in previous years, need to set parameters for producing the 2019/2020 budget and these are:-

- a) Maintain the Council's financial stability, whilst targeting any available funding, in an efficient and effective manner, towards our key priorities;
- b) Look to protect those key services and jobs wherever possible;
- c) Review all areas of service provision, including eligibility to those services and charging policies in place;
- d) Take maximum advantage of all new funding opportunities made available by the Welsh Government and others where it is in the best interests of the Council;
- e) "Top slice" appropriate necessary sums to fund corporate budgets;
- f) Fully allocate any sums "earmarked" for specific services which are demonstrably the direct result of legislative changes included in the 2019/2020 Local Government Settlement, in strict accordance with the guidance issued by the Welsh Government;
- g) Allocate to our Service Groups, initially, an adequate allowance for (inflationary) movements in employee costs;
- h) Allocate an appropriate level of funding to support our schools;
- i) Continue to deploy our procurement strategy to offset the impact of certain supplies and services' inflation, in the coming financial year;
- j) Actively pursue efficiency in all areas of the Council, for example through continuing our work on digitalisation, reducing office accommodation and increasing employee productivity;

6.2 This outline strategy will provide an effective and pragmatic framework for the delivery of a fair and equitable Council budget.

6.3 Council Tax Levels

- 6.4 As is the case every year in respect of Council Tax levels, the Council will have due regard to the level of increase and the ability of residents to pay, but it also has to balance this against the need to fund important services. The 'modelled' increase assumed at this time is +3% for 2019/20.
- 6.5 The Local Council Tax Reduction Scheme (CTRS), will continue to operate within a national framework, and at the same level of funding as that originally provided for through Revenue Support Grant in 2014/15. Costs therefore associated with Council Tax uplifts and changing caseloads remain a risk that the Council must fund. To illustrate the cost implications further, a 1% increase in Council Tax will generate an additional income for the Council of £1,064k (at current tax base levels), but will also cost £238k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £826k, or stated another way, 22 per cent of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.

7.0 MEDIUM TERM FINANCIAL PLANNING IMPLICATIONS

- 7.1 Whilst inevitably the primary focus is on setting out an annual budget strategy and required Council Tax levels for the forthcoming financial year, the medium term service planning emphasis has been a cornerstone of robust financial management at this Council.
- 7.2 Work is now underway to revisit all of the assumptions through to 2021/22 within the Medium Term Financial Plan and this will be reported to Members when available. The Council must continue to identify opportunities for savings and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2019/20 by March of next year, we must also be mindful of the medium and longer term requirements to reshape services and lower our cost base significantly.

8.0 EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 There are no immediate equality and diversity implications to consider as an Equality Impact Assessment will be an integral part of the budget strategy itself and will be reported on later in the process.

9.0 CONSULTATION

- 9.1 The proposed budget consultation process for 2019/20 will again include:
- The use of an online budget simulator
 - Town centre and community roadshow events
 - A young person's consultation event
 - Consultation with OPAG
 - A Cabinet Engagement event
 - Use of social media to promote engagement and capture feedback
- 9.2 The general budget consultation will also incorporate for 2019/20 the requirements to consult on discretions available locally for the Council Tax Reduction Scheme as well as views on the Council's corporate priorities going forward.
- 9.3 Subject to Cabinet agreement, the budget consultation process will begin on the 5th November 2018 and further details will be made available shortly.

10.0 FINANCIAL IMPLICATIONS

- 10.1 The Financial modelling assumptions and implications are set out in the detail of this report. Cabinet are not being asked to make any new financial decisions at this stage.

11.0 LEGAL IMPLICATIONS or LEGISLATION CONSIDERED

- 11.1 There are no legal implications aligned to this report

12.0 LINKS TO THE COUNCIL'S CORPORATE PLAN / OTHER CORPORATE PRIORITIES/ FUTURE GENERATIONS – SUSTAINABLE DEVELOPMENT

12.1 The budget strategy is a key enabler for the delivery of the Council's Corporate Plan and wider partnership objectives.

12.2 The report 'Delivering the Corporate Plan – The Way Ahead' highlighted the need to deliver services differently into the future given the continued reduction in resources available to this Council. In setting out budget strategy options for 2019/20 and into the Medium Term, the need to deliver services differently will mean that that we must focus on, and invest in, the following key priority areas:

- Digitalisation
- Commercialisation
- Early Intervention and Prevention
- Independence
- Efficient and Effective Organisation

12.3 Reports setting out projects that will deliver the modernisation and improvement of services will continue to be presented to Members over the coming months.

13.0 CONCLUSIONS

13.1 The Cabinet Secretary for Finance and Local Government and Public Services announced the Provisional 2019/2020 Local Government Settlement on the 9th October 2018.

13.2 The reported Provisional Settlement represents an increase in revenue funding for the Council of +0.3%, and a slight decrease in capital support of -0.9%.

13.3 The Public Sector continues to face a sustained period of financial challenge in terms of available resources. The Council's primary objective continues to be setting a budget in 2019/20 that both maintains, as far as possible, key services and jobs as well as ensuring the ongoing financial stability of the Council.
