



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

13TH OCTOBER 2020

MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2023/24

**REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES IN DISCUSSION
WITH THE RELEVANT PORTFOLIO HOLDER, COUNCILLOR M NORRIS**

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1. PURPOSE OF THE REPORT

- 1.1 This report provides Members with an update on the Medium Term Financial Plan for 2020/21 to 2023/24, based on current modelling assumptions in advance of formulating the detailed budget strategy proposals for 2021/22 during the autumn.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Cabinet:
- i. Note the current position modelled in respect of the 'Medium Term Financial Plan 2020/21 to 2023/24' and receive further updates in the autumn as part of the annual budget setting process; and
 - ii. Determine any requirements for wider communication and engagement with full Council and the Finance and Performance Scrutiny Committee.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The need to keep Members informed of the budget modelling work being undertaken as part of the Council's Medium Term Financial Planning arrangements. This work is in advance of the Provisional Local Government Settlement, due from Welsh Government later this year.

4. BACKGROUND

- 4.1 Each year as part of the Council's robust financial management arrangements, an update on the Medium Term Financial Planning assumptions is provided to Members in advance of the detailed budget strategy work in the autumn.



- 4.2 The Public Sector has faced a prolonged period of real term reductions in funding levels for a number of years and unprecedented challenges lie ahead for services across local government, not least as a result of the coronavirus pandemic. This position is also coupled with increasing demand and costs associated with many services, in particular Social Care Services.
- 4.3 Locally, this Council has demonstrated its ability and willingness to invest in services over a long term period, linked to our priorities as set out in the Council's 'Corporate Plan – 2016 – 2020' and more recently as part of the new Corporate Plan "Making a Difference - 2020 – 2024", in order to meet the changing needs of our people and communities. The significant 'additional' investment already agreed by Members during recent years is providing real improvements across many areas including Schools, Town Centres, Roads and Parks and Play Areas.
- 4.4 Whilst investment through the use of one off funds has been very positive, the Council recognises that it must still address base budget shortfalls and make difficult decisions to balance its ongoing revenue budget into the medium term. This report provides an interim view on the scale of the challenge faced and the arrangements being put in place to address any shortfalls across the planning period.
- 4.5 Members will note the latest indication from the UK Central Government is that the 2020 Budget scheduled for November 2020 will not go ahead this year and the Comprehensive Spending Review, setting public sector expenditure / funding limits and also scheduled for November 2020, will still go ahead but that no decision has been taken on whether it will cover the three years originally planned. The implications of these changes on the 2021/22 local government settlement in Wales will be key to our planning assumptions.

5. CURRENT MODELLING ASSUMPTIONS

- 5.1 The detailed modelling assumptions are included as part of the up-dated 'Medium Term Financial Plan 2020/21 to 2023/24' and is attached at **Appendix 1**. The updated plan sets out the detailed basis of the medium term strategy with references to revenue spending, capital plans, income levels and reserves.
- 5.2 Key assumptions used in the construction of the revenue budget modelling to 2023/24 are shown below:



5.3 Income

- Local Government settlement levels have been modelled on a range of planning scenarios:

Year	Potential Settlement	Potential Settlement	Potential Settlement
2021/22 to 2023/24	2.0% per annum	3.0% per annum	4.0% per annum

- Council Tax increases are currently being modelled at 2.85% per annum.
- One-off funding from Welsh Government assumed to be mainstreamed in respect of Social Services and Children’s Services specific grants.
- Fees and charges uplifted by inflation only.

5.4 Expenditure

- Service area pressures reflected which arise from statutory requirements, demand led pressures, demographics etc.
- Uplifts included for pay and non-pay inflation.
- Authority wide requirements reflected including Capital Financing, Levies and the Council Tax Reduction Scheme.
- Schools budget is modelled to cover, in full, pay and non-pay inflation (and in the context of the projected range of local government settlement levels).

6. **CURRENT MODELLING OUTCOMES**

6.1 The modelling uses a number of assumptions which are all subject to change and will be reviewed as part of the detailed budget strategy work underway. Due to current uncertainty at a UK Central Government level around public sector funding levels, as set out in paragraph 4.5, a range of modelling assumptions have been compiled based on Welsh Government funding being at +2%, +3% and +4% per year for financial years 2021/22, 2022/23 and 2023/24. The variability of the potential level of the Settlement from Welsh Government has a significant impact on the budget gap, at £3.9M per 1% and Figure 1 illustrates the outcome of the range of modelling assumptions currently applied.



Figure 1 : Modelled Budget Gap 2021/22 to 2023/24

Budget Requirement	2021/22 £'000	2022/23 £'000	2023/24 £'000
Additional Budget Requirement			
Inflation	8,445	9,075	9,788
Inescapables	9,558	5,913	5,252
Risks	1,877	3,754	3,754
Schools (Uplift)	6,516	5,679	5,638
Authority Wide	1,576	1,847	1,418
Budget Requirement	27,972	26,268	25,850
Additional Resources			
Council Tax	3,303	4,010	4,145
Transition Funding	- 800		
Social Services and Children's Services Specific Grants	-	-	-
WG Resource at +2%	7,773	7,929	8,087
WG Resource at +3%	11,660	12,010	12,370
WG Resource at +4%	15,547	16,169	16,815

Remaining Budget Gap at Welsh Government Settlement Levels				3 Year Budget Gap
2% Increase	17,696	14,330	13,618	45,644
3% Increase	13,809	10,249	9,336	33,393
4% Increase	9,922	6,090	4,891	20,903

Note: a 2.85% Council Tax increase per year is assumed as part of the modelled gap

7. **BALANCING THE BUDGET**

- 7.1 The Council continues to focus on the budget gap position over the medium term and has successfully implemented a strategy of early identification and delivery of base budget reducing measures in-year. This has enabled the Council to deliver financial savings early and to replenish the Medium Term Financial Planning and Service Transformation Reserve which has been used proactively as part of the budget strategy for a number of years.
- 7.2 Our priority and focus this year to date has been responding to the pandemic and ensuring that our residents, communities and businesses have been



protected and supported. Options will now be developed which can help address the range of the potential budget gap which we will face but it is important that in doing so we ensure that we maintain our valued and critical services. Inevitably the focus at annual budget setting time is for the forthcoming financial year, that is, 2021/22, and the savings quantum required is still to be confirmed pending receipt of the Local Government Settlement from Welsh Government.

- 7.3 As part of developing options opportunity must be taken to ensure that we “lock in” the transformation and service delivery changes which we have made across many, if not all of our service areas. The Council has taken the opportunity to make a step change in our working arrangements and become more efficient in terms of maximising the use of digital solutions where appropriate, recognising that such delivery does not meet the needs of all of our residents.
- 7.4 In line with the above, the areas we will explore include the continued: maximisation of efficiency saving opportunities; delivery of our Social Services Transformation Programme (including our significant commitment and investment in the provision of Extra Care facilities); review of our base budget requirements at both a service level and an authority wide level; maximisation of opportunities to invest for the long term and collaboration with others; and a focus on the principles of Digitalisation, Commercialism, Early Intervention and Prevention, Independence and being an Efficient and Effective Organisation.
- 7.5 As work develops through the areas described in 7.4 above, this will be reported to Members as appropriate.
- 7.6 Greater clarity will be available on the level of savings required post the Provisional Local Government Settlement later in the year. The position will be reported to Members as soon as possible after the settlement publication.

8. 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 that will be reported on later in the year.

9. CONSULTATION

- 9.1 There are no specific consultation requirements at this time.



10. FINANCIAL IMPLICATIONS

- 10.1 The financial modelling assumptions and implications are set out in the detail of the report. At this stage, the Council or Cabinet is not being asked to make any new financial decisions in respect of the Medium Term Financial Plan.

11. LEGAL IMPLICATIONS

- 11.1 There are no legal implications aligned to this report.

12. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

- 12.1 The report supports our Corporate Plan cross-cutting priority of 'Living within our Means'.
- 12.2 The Medium Term Financial Plan is a key enabler for the delivery of the Council's Corporate Plan and its obligations to support wider partnership objectives.

13. CONCLUSIONS

- 13.1 This report and the accompanying 'Medium Term Financial Plan 2020/21 to 2023/24' sets out the current position on the financial challenges facing the Council in the medium term. The report notes, that subject to the level of funding from Welsh Government, a significant budget gap is likely to be faced in 2021/22 and for the following two years.
- 13.2 The report clearly states that the proactive strategy adopted in recent years through early identification of savings and the targeting of key areas such as new ways of working and an increased emphasis on preventative approaches can still deliver significant efficiency savings.
- 13.3 The focus will switch to the 2021/22 budget strategy upon receipt of the Provisional Local Government Settlement and, as part of this, setting out a range of budget saving options to enable the Council to deliver a balanced budget for the forthcoming year.

Other information

Relevant Scrutiny Committee – Finance and Performance Scrutiny Committee



LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

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Item:

Background Papers

- Medium Term Financial Plan 2019/20 to 2021/22 – <https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Cabinet/2019/07/18/Reports/Item5MediumTermFinancialPlan.pdf>
- Performance Reports ([Year-end 2019/20](#) and [Quarter 1 2020/21](#))

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