



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020-2021

COUNCIL

20 JANUARY 2021

**THE COUNCIL'S 2021/22 REVENUE BUDGET – THE PROVISIONAL
SETTLEMENT**

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES

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1.0 PURPOSE OF THE REPORT

- 1.1 This report provides Members with information in respect of the 2021/22 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 2021/22 Local Government Settlement, announced by the Minister for Housing and Local Government on the 22nd December 2020;
- 2.2 Note that the Final 2021/22 Local Government Settlement is expected during early March 2021; and
- 2.3 Note the approach to budget consultation for 2021/22 as already determined.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 To update Members on the implications of the Provisional Settlement for 2021/22 following receipt of information on the 22nd December 2020.

4.0 BACKGROUND

- 4.1 The timing of the Local Government Settlement for 2021/22 has been extremely uncertain throughout the autumn period as a consequence of the timing of the UK Government Spending Review and the period it would cover, originally planned for 3 years but revised to one year.
- 4.2 On the 22nd December 2020, the Minister for Housing and Local Government (Julie James MS) announced the Provisional 2021/22 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.
- 4.3 The "headlines" of the Provisional 2021/22 Settlement are as follows:-
- a. The overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) funding for 2021/22 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is 3.8% (+£172M).
 - b. The settlement for Rhondda Cynon Taf, amounts to an increase of **3.8%** which equates to the average all Wales increase. Settlement figures across Wales range from 2.0% to 5.6%.
 - c. No 'floor' protection has been included for 2021/22.
 - d. The Settlement figures for 2021/22 include transfers into the settlement in respect of the Teachers Pay Grant (£3.981M) and the Coastal Risk Management Programme (not applicable to this Council). The value of the Teachers Pay Grant for this Council is £0.328M. Whilst the part year (2020/21) implications of the Teachers Pay Grant transfer into the settlement, the additional full year implications are to be funded from within the settlement increase.
 - e. There is no indication of settlement levels beyond 2021/22.
 - f. Provisional figures and indicative estimates are included for specific grants, at an all Wales level. Of particular note, would be the continuation and increase (from £40M to £50M) in the Social Care Workforce Grant. This funds our core base budget.
 - g. The Council's General Capital Funding allocation has increased by £0.087M to £13.764M.

5.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2021/22 PROVISIONAL SETTLEMENT

- 5.1 The provisional settlement indicates that our 2021/22 RSG and NDR funding will total £404.375M.

5.2 In anticipation of the 2021/22 local government settlement, the Council's service managers have constructed base budget requirements for next financial year. Those initial calculations provided for:-

- Estimated employee costs, pension costs and National Insurance Contribution levels;
- Non-pay (i.e. goods and services) inflation, including energy and fuel;
- Corporate financing requirements and levies; and
- Full year effects of any additional burdens imposed on the Council.

5.3 The Provisional Settlement is within the range modelled in the most recent Medium Term Financial Plan and recognises some of the intense funding pressures which are being experienced across local government in general but also within Rhondda Cynon Taf. **It also importantly recognises the critical role which local government continues to play in responding to the pandemic and protecting our communities and residents.**

5.4 Members have continued to receive updates on the projections of the Council's revenue budget position for the period to 2023/24, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Council on the 21st October 2020 which, based on a range of modelled settlement levels, projected a funding gap of £9.9M (at +4% settlement), £13.8M (at +3% settlement) and £17.7M (at +2% settlement).

5.5 As referenced at section 4, the provisional settlement provides this Council with an uplift of 3.8%. There is also an increase in the Social Care Workforce Grant, which funds our core base budget.

5.6 Cabinet on the 17th November 2020 determined the Council Tax Base for 2021/22 at £77,197.81. The impact on the modelled budget gap of our updated tax base can also now be reflected.

5.7 The combined effects of the above updates is shown in table 1.

Table 1 : Revised Budget Gap at Provisional Settlement

	£'000
MTFP Budget Gap at 3%	13,809
Additional Resources at Provisional Settlement (including impact of updated Tax Base)	- 4,049
Additional Social Care Workforce Grant	- 675
Revised Budget Gap	9,085

- 5.8 Our base budget requirements for 2021/22 have continued to be reviewed since the preparation of the MTFP and a number of updates can now be made.
- 5.9 The UK Government Spending Review in November 2020 included a proposed pause of national public sector pay, an effective pay freeze for public sector staff with the exception of a pay increase of £250 per year for salary points below £24,000. Consequently, Welsh Government did not receive any further funding in this respect from UK Government. It is anticipated that the appropriate pay negotiating bodies and arrangements will comply with this, including with regard to teachers pay which is a devolved matter for Wales.
- 5.10 Our waste management costs have increased as a consequence of the impact the pandemic has had on residents and businesses. The overall quantum of waste has moved toward more kerbside residential collection, away from trade waste with a changed composition and an increase in the volume of residual waste.
- 5.11 Other base update requirements have also been made in respect of:
- Drainage Team
 - Children's Services - Additional Cost Pressures
 - Adult Social Care Costs
 - Additional Learning Needs
 - Other (including fleet / vehicle costs and community resilience)
- 5.12 These updates are summarised in table 2.

Table 2: Base Budget Updates

	£'000
Public Sector Pay	- 7,861
Additional Waste Management and Disposal Costs	1,000
Drainage Team	500
Children's Services - Additional Cost Pressures	1,302
Adult Social Care Costs	1,048
Additional Learning Needs	500
Other	360
Total Base Updates	- 3,151

- 5.13 In the MTFP, a number of risk items were identified and estimated in financial terms. In light of the above updates it is now appropriate that these risks are removed from our base budget requirement for next year, albeit they will continue to be monitored as we go forward and continue to refresh our MTFP.

Table 3: Risk Value to Remove

	£'000
Removal of Risk Items	- 1,877

- 5.14 The combined effects of the above updates on the budget gap are now shown in table 4.

Table 4: Revised Budget Gap 2021/22

	£'000
Budget Gap at Provisional Settlement	9,085
Updated Base Budget Requirements	- 3,151
Removal of Budget Risks	- 1,877
Remaining Budget Gap	4,057

- 5.15 It will now be for Cabinet to consider the implications of the above scenario in the preparation of its draft budget strategy. As part of this, consideration will be given to the outcome of the first phase of the budget consultation process.
- 5.16 It is customary for our services to deliver on an efficiency requirement year on year which for the current year (2020/21) amounted to £6M. Senior Finance Officers continue to work in the background to identify any such opportunities which can be factored into the 2021/22 budget strategy, noting that the focus of our service managers remains appropriately concentrated on responding to the pandemic.
- 5.17 It is important to note that our base budget as set out above, does not include any additional cost implications which continue to arise as a direct consequence of the pandemic. Welsh Government continue to fund these costs outside of the base budget, an arrangement which is set to continue into 2021/22.
- 5.18 Cabinet may though wish to consider the wider and ongoing implications of the pandemic on our services and staff, residents, businesses and communities. This will include council tax levels, the treatment of schools, our levels of fees and charges for next year and any opportunities to allocate additional resources to priority service areas.

6.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2021/22

- 6.1 Against the backdrop of a sustained period of financial challenges and more recently significant storm damage and the pandemic, the Council must maintain a 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 ensure that the parameters for producing the 2021/22 budget are adhered to, these being:-

- a) Maintain the Council's financial stability, whilst targeting any available funding, in an efficient and effective manner, towards our key services and 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 2021/22 Local Government Settlement, in accordance with the guidance issued by the Welsh Government;
- g) Allocate to our Service Groups, initially, an adequate allowance for 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, on-going transformational change as a result of the pandemic and a focus on invest to save and preventative activities.

6.2 These parameters 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 +2.85% for 2021/22.

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 £1,157k (at the 2021/22 tax base level), but will also cost £247k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £910k, or stated another way, 21 per cent of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.

6.6 The cost of the CTRS during this year (2020/21) has increased substantially as a consequence of significantly more residents qualifying for support, clearly linked to the economic impact of the pandemic. These costs have been funded by WG during 2020/21 and we would anticipate this arrangement to continue into 2021/22, noting that it is of course a national scheme in Wales.

7.0 MEDIUM TERM FINANCIAL PLANNING IMPLICATIONS

7.1 Whilst the primary focus is necessarily on setting out an annual budget strategy and required Council Tax levels for the forthcoming financial year, the medium term financial and 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 2023/24 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 2021/22 by March of this year, we must also be mindful of the medium and longer term requirements.

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 approach to budget consultation for 2021/22 is set out in the Cabinet report dated 13th October 2020. It comprises 2 phases as follows :

Phase 1 - to provide residents and stakeholders with the opportunity to feedback their views on some of the key strategic building blocks used to construct the Council's budget.

Phase 2 - once Cabinet have agreed a draft budget strategy, and in light of the provisional local government settlement, then this draft strategy will itself be consulted upon as part of Phase 2.

10.0 FINANCIAL IMPLICATIONS

10.1 The financial modelling assumptions and implications are set out in the detail of this report. Members 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 CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

12.1 The budget strategy is a key enabler for the delivery of the Council's Corporate Plan 2020 – 2024 "Making a Difference".

12.2 With regard to the Well-being of Future Generations (Wales) Act 2015, at the 4th March 2020 Council meeting, it was agreed that the Corporate Plan priorities would also serve as its Well-being Objectives in line with the Act.

13.0 CONCLUSIONS

13.1 The Minister for Housing and Local Government (Julie James MS) announced the Provisional 2021/22 Local Government Settlement on the 22nd December 2020.

13.2 The reported Provisional Settlement represents an increase in revenue funding for the Council of +3.8% and a slight increase in capital support.

13.3 The Council's primary objective continues to be setting a budget in 2021/22 that maintains key services and jobs as well as ensuring the ongoing financial stability of the Council.
