



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

20TH JULY 2021

MEDIUM TERM FINANCIAL PLAN 2021/22 TO 2024/25

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 (MTFP) for 2021/22 to 2024/25, based on current modelling assumptions in advance of formulating the detailed budget strategy proposals for 2022/23 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 2021/22 to 2024/25' and receive further updates in the autumn as part of the annual budget setting process; and
 - ii. Note that the MTFP will be presented to Council in September and will be reviewed by the Finance and Performance Scrutiny Committee in line with their terms of reference alongside our budget consultation arrangements.

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 national and international economic impact of the coronavirus pandemic. This position is also coupled with increasing demand and costs associated with many services, in particular Social Care Services and the need for us to support our residents, businesses and communities in recovering from the pandemic.
- 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 "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 projected base budget shortfalls and make difficult decisions to balance its ongoing revenue budget into the medium term. This report provides an updated view on the range and 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 a Spending Review is planned for the Autumn (2021); this will be a key driver and determinant of the level of funding available to devolved nations and the prospects for settlement levels next year and beyond.
- 4.6 Whilst the majority of additional costs and income losses we have incurred as a direct consequence of the pandemic have to date been funded by Welsh Government, the continuation of these arrangements is increasingly important and will remain a key risk. In this context, our medium term approach to financial and service planning will be even more critical.

5. CURRENT MODELLING ASSUMPTIONS

- 5.1 The detailed modelling assumptions are included as part of the up-dated 'Medium Term Financial Plan 2021/22 to 2024/25' 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 2024/25 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
2022/23 to 2024/25	2.0% per annum	3.0% per annum	4.0% per annum

- Council Tax increases are currently being modelled at 2.65% per annum.
- One-off funding from Welsh Government assumed to continue in respect of Social Services and Children's Services specific grants.
- Fees and charges uplifted by inflation only (other than where exceptions have already been agreed by Cabinet).

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 plus specific budget pressures (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 2022/23, 2023/24 and 2024/25. The variability of the potential level of the Settlement from Welsh Government has a significant impact on the budget gap, at £4.0M per 1% and Figure 1 illustrates the outcome of the range of modelling assumptions currently applied.

Figure 1 : Modelled Budget Gap 2022/23 to 2024/25

Budget Requirement	2022/23	2023/24	2024/25
	£'000	£'000	£'000
Additional Budget Requirement	28,353	29,150	29,713
Additional Resources			
Council Tax	3,634	3,745	3,860
Transition Funding	- 711	-	-
Social Services and Children's Services Specific Grants	-	-	-
WG Resource at +2%	8,088	8,249	8,414
WG Resource at +3%	12,131	12,495	12,870
WG Resource at +4%	16,175	16,822	17,495

Remaining Budget Gap at Welsh Government Settlement Levels				3 Year Budget Gap
2% Increase	17,343	17,156	17,439	51,937
3% Increase	13,299	12,910	12,983	39,191
4% Increase	9,255	8,583	8,358	26,196

Note: a 2.65% Council Tax increase per year is assumed as part of the modelled gap

- 6.2 As shown above, all of our planning assumptions result in a budget gap being faced by the Council. The extent of the impact on our services is clearly going to be largely and directly determined by the level of settlement we receive from Welsh Government, noting the constraints they have themselves.
- 6.3 To further demonstrate the scale of our reliance on funding from WG, a cash flat level of settlement would result in a budget gap over each of the next 3 years as shown below.

	2022/23	2023/24	2024/25
	£'000	£'000	£'000
0% Increase	25,430	25,406	25,853

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 immediate priority and focus remains responding and supporting the recovery from the pandemic and ensuring that our residents, communities and businesses are being protected and supported. Options are being 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, 2022/23, 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 continue to “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. Work continues to ensure that we maximise the opportunities afforded by technology and digital solutions.
- 7.4 In line with the above, the areas we will explore include the continued: maximisation of efficiency saving opportunities including on-going review of workforce requirements and resources; 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 including our built assets; 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 and as referenced above, the continued focus across a medium term planning period is paramount.

8. EQUALITY & DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY

- 8.1 There are no immediate equality and diversity or socio-economic duty 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 2021/22 to 2024/25' 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 2022/23 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 2022/23 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: 12

Background Papers

- Medium Term Financial Plan 2020/21 to 2023/24
<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Cabinet/2020/10/13/Reports/Item8MediumTermFinancialPlan202021to202324.pdf>
- Council Performance Reports
<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Cabinet/2021/03/25/Reports/Item15CouncilPerformanceReport31stDecember2020Quarter3.pdf>
- Budget Strategy 2021/22, Capital Programme 2021/22 to 2023/24 and Council Tax Resolution
<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2021/03/10/Council10Mar2021.aspx>

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