



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2021-2022

**COMMITTEE:
COUNCIL**

19th January 2022

Item No:8

**THE COUNCIL'S 2022/23
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 2022/23 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 2022/23 Local Government Settlement, announced by the Minister for Finance and Local Government on the 21st December 2021;
- 2.2 Note that the Final 2022/23 Local Government Settlement is expected during early March 2022; and
- 2.3 Note the approach to budget consultation for 2022/23 as already determined.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 To update Members on the implications of the Provisional Settlement for 2022/23 following receipt of information on the 21st December 2021.

4.0 BACKGROUND

- 4.1 The timing of the Local Government Settlement in Wales for 2022/23 has followed the UK Government Autumn Budget and Spending Review (SR21) as announced on the 27th October 2021.
- 4.2 On the 21st December 2021, the Minister for Finance and Local Government (Rebecca Evans MS) announced the Provisional 2022/23 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.
- 4.3 The "headlines" of the Provisional 2022/23 Settlement are as follows:-
- a. The overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) funding for 2022/23 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is 9.4% (+£437M).
 - b. The settlement for Rhondda Cynon Taf, amounts to an increase of 8.4% which is below the average all Wales increase. Settlement figures across Wales range from 8.4% to 11.2%.
 - c. No 'floor' protection has been included for 2022/23.
 - d. The Settlement figures for 2022/23 include transfers into the settlement in respect of Food and Residual Waste Management Gate Fee Support (£13.3M), Social Care Workforce Grant (£5.0M) and the Coastal Risk Management Programme (not applicable to this Council). The values for this Council are £2.430M and £0.408M respectively.
 - e. The Settlement also provides indicative all Wales settlement levels for the next 2 financial years, at 3.5% for 2023/24 and 2.4% for 2024/25. The figures are indicative and dependent on NDR income over the period and on the funding provided to WG by UK Government.
 - f. Provisional figures and indicative estimates for a 3 year period are also included for specific grants, at an all Wales level. The Social Care Workforce Grant has been partially transferred into RSG as detailed above. This continues to fund our core base budget.

- g. The Council's General Capital Funding allocation has reduced by £2.165M to £11.599M.

5.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2022/23 PROVISIONAL SETTLEMENT

- 5.1 The provisional settlement indicates that our 2022/23 RSG and NDR funding will total £441.433M.
- 5.2 In anticipation of the 2022/23 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 and the implications of demand led pressures.
- 5.3 The Provisional Settlement is at a higher level than 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 2024/25, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Council on the 29th September 2021 which, based on a range of modelled settlement levels, projected a funding gap of £9.3M (at +4% settlement).
- 5.5 As referenced at section 4, the provisional settlement provides this Council with an uplift of 8.4%.
- 5.6 Cabinet on the 15th November 2021 determined the Council Tax Base for 2022/23 at £77,707.00. 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, including the transfers into the settlement, have resulted in additional resources available to the Council as shown in table 1.

Table 1 : Additional Resources at Provisional Settlement

		£'000
Additional Resources at Provisional Settlement (8.4%)	-	20,476
Impact of Updated Tax Base	-	316
Additional Resources Available	-	20,792

- 5.8 Our base budget requirements for 2022/23 have continued to be reviewed since the preparation of the MTFP and a number of updates can now be made.
- 5.9 This has included notably the financial implications of increases to National Insurance Contributions payable by employers linked to the UK Government's Health and Social Care Levy (including the implications upon commissioned service providers) and the costs of funding the payment of the Real Living Wage to social care providers within Rhondda Cynon Taf.
- 5.10 Further funding has also been identified and included in the Schools budget (ISB) to recognise the implications of the Additional Learning Needs and Education Tribunal (Wales) Act, in addition to funding (in full) for pay and non-pay inflation and pupil number changes.
- 5.11 It is evident that demand led cost pressures are being felt across many of our service areas, plus future pay and non-pay inflationary and supply chain pressures. There are also additional cross cutting cost pressures such as energy, fuel and food in addition to the ongoing cost implications as a consequence of the pandemic.
- 5.12 In the MTFP, a number of risk items were identified and estimated in financial terms. In light of the above review and 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.
- 5.13 The impact of the above updates are summarised in table 2. This is in addition to the required £28.5M of budget increases already factored into our MTFP and includes the budget requirements associated with the transfers into the settlement.

Table 2 : Base Budget Updates

	£'000
Health and Social Care Levy and Pay Costs	4,700
Food and Residual Waste Management Gate Fee Support	2,430
Real Living Wage / Ind Sector Costs	3,000
Schools (incl ALN and Pupil Numbers)	2,016
Other (incl Inflation, Specialist Accommodation and Waste)	1,168
Removal of Risk Items	- 1,548
Total Base Budget Requirement Updates	11,766

- 5.14 The combined effects of the above updates on the budget gap and following receipt of the provisional settlement are now shown in table 3.

Table 3 : Revised Budget Gap 2022/23

	£'000
Budget Gap at MTFP (4%)	9,255
Net Base Budget Requirement Updates	11,766
Additional Resources at Provisional Settlement	- 20,792
Remaining Budget Gap	229

- 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 (2021/22) amounted to £4.6M. Senior Finance Officers continue to work with service managers to identify any such opportunities which can be factored into the 2022/23 budget strategy, noting that the focus of our service managers has largely and appropriately remained on responding to the pandemic.
- 5.17 Welsh Government support to fund costs arising as a direct consequence of the pandemic has continued through the 2021/22 financial year via the Hardship Fund. WG have stated that they do not intend to continue to provide such additional support going forward and that councils will have to manage these implications through the additional resources provided in the settlement. The Council will need to monitor the financial implications closely moving forward, using any flexibility afforded within its available reserves to transition any permanent additional costs into the base budget over the medium term.
- 5.18 Cabinet may 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 2022/23

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 2022/23 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 2022/23 Local Government Settlement, in accordance with the guidance issued by the Welsh Government;
- g) Allocate across our Services, 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 at this time, in line with the current years increase and our MTFP is +2.65% for 2022/23 and it is now for Cabinet to consider and recommend the level of Council Tax.
- 6.5 The local Council Tax Reduction Scheme (CTRS), will continue to operate in line with the 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 £1,195k (at the 2022/23 tax base level), but will also cost £253k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £942k, 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 and caseload of the CTRS during this year (2021/22) has returned (currently) to more pre-pandemic levels, following the additional support provided by WG for increases which were felt during 2020/21. WG continue to monitor spend with an expectation that additional funding would be provided if necessary.

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 The provision by Welsh Government of an all Wales multi-year settlement with indications of prospects for 2023/24 and 2024/25 is helpful for our medium term financial planning arrangements, notwithstanding the lower levels of indicative future year settlements will present us with a challenge. In this regard it is essential that we retain our focus across the medium term planning horizon and seek to ensure that we continue to manage our cost base effectively alongside future prospects for settlement levels.
- 7.3 Work is now underway to revisit all of the assumptions through to 2024/25 within the Medium Term Financial Plan and this will be reported to Members when available. The Council must continue to identify opportunities for efficiency and savings and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2022/23 by March of this year, we must also be mindful of the medium and longer term requirements.

8.0 EQUALITY & DIVERSITY IMPLICATIONS AND SOCIO ECONOMIC DUTY

- 8.1 There are no immediate equality and diversity and socio economic duty 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 2022/23 is set out in the Cabinet report dated 18th October 2021. 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 Finance and Local Government (Rebecca Evans MS) announced the Provisional 2022/23 Local Government Settlement on the 21st December 2021.
- 13.2 The reported Provisional Settlement represents an increase in revenue funding for the Council of +8.4% and decrease in capital support.
- 13.3 The Council's primary objective continues to be setting a budget in 2022/23 that maintains key services and jobs as well as ensuring the ongoing financial stability of the Council.
