



**Rhondda Cynon Taf
County Borough Council**

Medium Term Financial Plan

**2022/23 – 2025/26
(updated September 2022)**

Medium Term Financial Plan - Contents

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INTRODUCTION AND PURPOSE

Medium Term Financial and Service Planning is an essential component of the effective financial management of this Council. It is the cornerstone of good governance and an enabler of service delivery and service improvement within the constraints of available resources.

This Medium Term Financial Plan sets out, holistically, the financial context within which the Council is operating and forward projects the financial challenge facing the Council over a 3 year planning period.

It will also align and link our financial resources to our Corporate Plan Priorities and will enable us to track resource allocation in this way over future years.

The Strategy will be kept under on-going review to inform the actions to be taken by the Council to support effective service planning and prioritisation of resources, and at the same time, maintain financial resilience and stability over the medium term, a period that is forecasted to present significant challenges and uncertainty.

Section 1 Background and Context

- 1.1 Rhondda Cynon Taf has a track record of strong and effective financial management. Medium Term Financial Planning is an essential part of these arrangements.
- 1.2 The austerity measures emanating from the actions of Central Government have impacted on the resources available to Welsh Government and consequently local government in Wales over a sustained period, recognising that for the last 3 financial years more positive local government settlements were received. At a national level, the overall local government settlement for Wales over the last 9 financial years is shown below in Table 1.1.

Table 1.1

Financial Year	All Wales Settlement
2014/15	-3.9%
2015/16	-3.5%
2016/17	-1.4%
2017/18	+0.2%
2018/19	+0.2%
2019/20	+0.2%
2020/21	+4.3%
2021/22	+3.8%
2022/23	+9.4%

- 1.3 For Rhondda Cynon Taf the real term reductions in funding over many years has translated into a need to make budgetary savings in excess of £100M over the last 10 years or so, equating to a reduction of approximately 19% of the Council's net budget.
- 1.4 In March 2020, the Council agreed a new Corporate Plan 'Making a Difference' 2020 – 2024 that set the overall direction for the Council over the four-year period, describing its vision, purpose and ambition for the County Borough.
- 1.5 The Council's vision is:
“To be the best place in Wales to live, work and play, where people and businesses are independent, healthy, and prosperous”.
- 1.6 The Council's purpose and the reason why it exists is:
“To provide strong community leadership and create the environment for people and businesses to be independent, healthy and prosperous”.
- 1.7 The Council is focused on the following three priorities that have also been adopted as its Well-being objectives in line with the Well-Being of Future Generations Act:
- Ensuring ***People: are independent, healthy and successful;***

- Creating ***Places: where people are proud to live, work and play***; and
- Enabling ***Prosperity: creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper.***

1.8 The Corporate Plan is a key component of the Council's budgetary and business planning process, and it recognises that Rhondda Cynon Taf Council and the wider public sector continue to face significant financial challenges. The Corporate Plan sets the context that despite significant reductions to Government spending since 2010 and a return to economic growth, the financial environment for the Council, the wider public sector and residents continues to be challenging, and was summarised in the Plan as follows:

- Despite the new UK Government increasing its spending commitment for public services, for the first time for many years, pay and pensions costs are rising quickly. This negates the majority of the benefit of the increase in public sector funding.
- It is likely that over the next three years further spending cuts will be required, as the UK budget deficit still stands at around £40 billion or 2% of national GDP meaning that some form of austerity will continue.
- Increasing pressure on services: increasing demand on services is driven by a changing population. Rhondda Cynon Taf's population is increasing but health and social services in particular are facing acute challenges due to the growth in older cohorts, as people live for longer.
- Wider financial pressure on households: from energy bills, housing costs, wage restraint, and benefit reforms.
- Increasing public expectations in terms of responding to climate change and the need to act, will require the Council to invest in ensuring its day to day activities become Carbon Neutral. This means that the Council must plan for the fact that this additional cost will not be met from simply doing more of what it is currently doing, but from making other difficult choices on what it does or does not provide.
- Knowing that the Council continues to face significant financial challenges in the years ahead, it has a responsibility to develop and agree a plan for meeting the challenge.

1.9 The above context still applies, albeit, the challenges faced have intensified, significantly, as a result of the on-going impact and legacy of the coronavirus pandemic and more recently the cost of living crisis. The Council has taken steps, via stakeholder consultation as part of its 2022/23 Revenue Budget Setting process, to test whether its Corporate Plan priorities remain relevant; the feedback from this process showed that 87.0% of respondents agreed with the priorities of People, Places and Prosperity.

1.10 The Council has proved it has the capacity and capability to respond to unprecedented challenges in a systematic and planned way, and at the same time deliver essential public services, become a more efficient organisation, make significant additional investment in priority areas and work toward delivering climate change goals. The Corporate Plan ambitions seek to build upon this approach, including the

transformational changes made over recent years supported by digital technology, to help ensure local residents and businesses are sufficiently skilled, supported and resilient to respond to the opportunities and threats the global economy presents to us all.

- 1.11 To be able to achieve these ambitions in a period when the Council is forecasted to have less resources to spend, rising costs and increased demand for services, it will deliver targeted investment in priority areas and further modernisation of services, and, in parallel, accelerate the review of all services to plan and deliver budget savings required to ensure the strong financial health of the Council is maintained.
- 1.12 The Council's agreed Revenue Budget for 2022/23 amounts to £566.792M. Annex 1 sets out the Council budget for 2022/23 as allocated across services.
- 1.13 The budget has also been analysed across the 3 priority areas of People, Places and Prosperity as set out in the Corporate Plan (referenced in paragraph 1.7) in order to demonstrate the allocation of Council Revenue Budget resources to these priority areas. Whilst some allocation has been necessarily subject to a degree of 'best fit', this is still felt to be a helpful analysis and provides a basis to track resource allocation over time. This is attached at Annex 2. A similar analysis is also included for the 3-year capital programme at Annex 3.

Section 2 Covid- 19 and Cost of Living – Financial Implications

- 2.1. The Council’s Medium Term Financial Plan has been prepared against the continuing backdrop of the recovery from the Covid-19 pandemic and more recently the cost of living crisis, both of which are requiring an unprecedented response both locally and nationally.

Covid-19

- 2.2 From a Wales perspective, Welsh Government has funded a range of measures to support the economy (for example, grants and extended rate relief for businesses and self-isolation payments for individuals), and also provided direct support for local authorities, via the Covid-19 Hardship Fund, to enable additional expenditure and income losses incurred as a result of the pandemic to be reclaimed. The total funding provided by Welsh Government to local authorities during the pandemic, via the Covid-19 Hardship Fund, was over £1billion.
- 2.3 Rhondda Cynon Taf Council submitted claims to the Welsh Government Covid-19 Hardship Fund on a monthly basis during the pandemic and through to 31st March 2022, and publicly reported quarterly updates as part of its Performance Reporting arrangements. A summary of additional expenditure and income losses incurred and recovered by Rhondda Cynon Taf as a direct result of the pandemic, are included in Table 2.1.

Table 2.1

Service Area	Actual Additional Costs / Income Loss Recovered (2020/21)	Actual Additional Costs / Income Loss Recovered (2021/22)
	£M	£M
Education & Inclusion Services	-14.720	-8.050
Community & Children's Services	-22.890	-16.111
Chief Executive	-1.922	-1.621
Prosperity, Development & Frontline Services	-6.156	-2.698
Authority Wide	-5.305	-1.600
TOTAL	-50.993	-30.080

- 2.4 The majority of Welsh Government Covid-19 funding measures ceased from 1st April 2022, with the requirement for local authorities to manage any on-going service and financial implications within existing resources. A small number of targeted support measures remain in place for a limited period during 2022/23, these being in respect of self-isolation payments, the statutory sick pay enhancement scheme and free school meal payments in school holiday periods.

Cost of Living

- 2.5 Since late 2021 there has been a sharp rise in the cost of living, with Covid-19, Brexit and the conflict in Ukraine exacerbating everyday living costs particularly food, fuel and energy costs. This position is having a significant impact on individuals, families and communities, with a resulting increased need for Council services such as social care and housing and also increasing costs in the delivery of services through wage pressures, specialist social care placements and also for services that are heavily reliant on fuel, for example, waste / recycling collection services and home to school transport contracts.
- 2.6 To help support households in Wales as they recover from the pandemic and deal with the impact of increasing energy and other costs, Welsh Government announced a package of measures in March 2022 that included £152M to provide a £150 cost-of-living payment to eligible households and £25M to provide discretionary support for other purposes related to living costs. The schemes were intended to provide immediate support and the Council determined its discretionary scheme and overall implementation arrangements on the 24th March 2022 and has subsequently made over 117,000 payments totalling £15.271M.
- 2.7 Since this time, the Council has developed and agreed a 'Local Cost of Living Support – Supplementary (Discretionary) Scheme' in September 2022 amounting to £2.89M to further support residents of Rhondda Cynon Taf with the ongoing and escalating cost of living crisis, with the scheme to be delivered between October and December 2022. In parallel, the Council will also deliver, on behalf of Welsh Government, a Fuel Support Scheme during autumn 2022.
- 2.8 Looking ahead, although the financial outlook is one of uncertainty and risk, this Medium Term Financial Plan aims to set out a robust position of the financial challenges and the programme of work planned to ensure the continued financial stability and resilience of the Council, and at the same time, reinforce the importance of the role to be played by both UK Government and the devolved Welsh Government in providing adequate and flexible funding to local government.

Section 3 Local Government Settlement – Prospects

- 3.1 As referenced in Section 1, local government as a whole has received negative and below inflation settlements from Welsh Government in overall terms for 6 of the last 9 financial years. Whilst positive settlements have been received since 2017/18, for three of these years the levels have been some way below inflation, noting that the current year, 2022/23, the settlement was significantly above previous levels reflecting the intense funding pressures local authorities have and continue to operate under. For Rhondda Cynon Taf the level of settlements received, in comparison to the all Wales average, are shown below in Table 3.1.

Table 3.1 – Rhondda Cynon Taf Settlement Levels Compared To All Wales Settlement Levels

Financial Year	RCT Settlement Level	All Wales Settlement
2014/15	-3.7%	-3.9%
2015/16	-3.7%	-3.5%
2016/17	-0.9%	-1.4%
2017/18	+0.4%	+0.2%
2018/19	+0.5%	+0.2%
2019/20	+0.8%	+0.2%
2020/21	+4.5%	+4.3%
2021/22	+3.8%	+3.85
2022/23	+8.4%	+9.4%

- 3.2 Welsh Government, as part of its 2022/23 settlement, provided indicative all Wales settlement levels for the next 2 financial years, at 3.5% for 2023/24 and 2.4% for 2024/25, noting that the figures are dependent on Non-Domestic Rate income over the period and on the funding provided to Welsh Government by the UK Government. The lower indicative settlement levels for 2023/24 and 2024/25 is attributable to the profile of UK Government spending plans announced in October 2021 (Comprehensive Spending Review), which front-loaded most of the spending increases to aid with the immediate recovery from the pandemic. No firm spending plans are in place beyond 2024/25.
- 3.3 Nationally, the on-going impacts of Brexit, Covid-19, cost of living and conflict in Ukraine, alongside the UK Government’s next budget announcement expected in autumn 2022 will mean continued uncertainty over future expenditure pressures and public sector funding levels.
- 3.4 The level of Welsh Government funding is a key factor in the Council’s overall resource availability, accounting for 77.9% of our budget. Each 1% change in the level of Welsh Government funding amounts to approximately £4.4M of funding for this Council.
- 3.5 For planning purposes, this Council has modelled a range of scenarios based upon planning assumptions as summarised in Table 3.2 below.

Table 3.2: RCT Planning Assumptions – Welsh Government Settlement

Year	Potential Settlement	Potential Settlement	Potential Settlement
2022/23, 2024/25 and 2025/26	3.5%, 2.4% and 2.4%	4.0% per annum	5.0% per annum

- 3.6 The provisional local government settlement for 2023/24 is anticipated to be received during the autumn 2022 (subject to any impact on timing as a result of the UK Central Government’s Budget Review, also scheduled to be announced in autumn 2022).

Longer Term Outlook

- 3.7 The Wales Governance Centre (Wales Fiscal Analysis) published a paper on the 16th April 2021 which outlined the prospects for local government in Wales (“Local Government and the Welsh Budget: Outlook and Challenges for the next Welsh Government”), this continuing to provide helpful context for the longer term outlook.
- 3.8 In this regard, there has been a marked change in the way local authorities in Wales are funded over the past decade: the value of government grants to local authorities fell by 16.8% in real terms between 2009–10 and 2019–20; Council Tax now accounts for a significantly larger share of the total tax take in Wales (5.4%) than in England (4.3%) and Scotland (3.8%); spending on local authority services fell by 6.0% in real terms between 2009–10 and 2019–20 (adjusting for population growth, spending per head is 9.4% lower than it was a decade ago); and more than £500 million was delivered to local authorities through the Single Hardship Fund during 2021–21 (in total, the value of Welsh Government support to aid local authorities’ response to the pandemic exceeds £1 billion).
- 3.9 The Bank of England Monetary Policy Report (August 2022) forecasts that Consumer Price Index (CPI) inflation is forecasted to rise to over 13% by the end of 2022 and remain at very elevated levels throughout much of 2023, before falling to the 2% target. Although the next five years will likely mark the first electoral term since 2004–08 when funding grows in each year, having adjusted for inflation, spending pressures are still forecasted to significantly exceed councils’ funding levels.
- 3.10 The Wales Fiscal Analysis forecast, as at July 2022, that even with annual council tax increases of 4%, maintaining services at their 2022/23 levels would leave councils facing a projected funding shortfall of £80m in 2023/24, £145m in 2024/25 and similar amounts thereafter, noting that this position will be subject to change in light of changing national and global economic conditions.
- 3.11 The 2022/23 council tax increases across Wales have been kept at their lowest level since 2012; given the budgetary outlook, it is likely that further increases will need to be considered in the medium term, strengthening the case for reforming the local tax system but will need to be considered against the backdrop of Real Household Disposable Incomes (RHDI) projected to fall by 1.75% in 2022 – the second largest amount since records began in 1964, with the Office for Budget Responsibility forecasting (as at March 2022) that RHDI only sustainably returning to its pre-pandemic level in 2024/25.

- 3.12 The squeeze on household incomes as communities recover from the pandemic and feel the impact of cost of living rises coupled with an increasing proportion of the population who are 65 years and over, is resulting in further demand for Council Services, particularly social services and schools; previous forecasts have indicated that costs in these areas will account for over 75% of all local authority spending pressures by 2025/26. This picture continues to be generally consistent with that modelled for Rhondda Cynon Taf where the areas of social services and schools represent the most significant areas of forecasted expenditure.
- 3.13 With specific regard to social care, an Expert Group has been established by Welsh Ministers to support the shared ambition identified as part of the Welsh Government's Co-operation Agreement to create a National Care Service. An implementation plan will be developed by the end of 2023 and the Welsh Government has already clarified that social care will remain the responsibility of local government.
- 3.14 Other policy changes and proposed reforms are being progressed, with the need for outcomes and financial implications to be robustly assessed on an on-going basis and over the long term. These include the agreed roll out of universal Free School Meals, expanding the free childcare offer for 3 to 4 year olds and increasing the maximum council tax charge councils can levy on second homes and long-term empty properties. With regard to proposed reforms, consultations are progressing on Council Tax, with the aim to create a fairer system, and Non-domestic Rates with plans to adopt a shorter, 3-year valuation cycle.
- 3.15 The next UK Government Budget, currently scheduled for autumn 2022, will be key in determining resource levels for 2023/24, and will be taken account of as part of the Council's on-going medium term financial planning arrangements. It is clear that indicative resource levels as announced in the 2021 Comprehensive Spending Review are now significantly out of line with inflationary and service pressures being faced across local government.

Section 4 Council Tax

- 4.1 Council Tax income accounts for 21.3% of the Council's net budget, generating £120.720M from local taxpayers in 2022/23.
- 4.2 The total yield from Council Tax is determined by a combination of the level of the tax base and the level at which Council Tax is set.
- 4.3 The Tax Base is the measure of the relative taxable capacity of different areas within the County Borough and is calculated in accordance with prescribed rules. The Gross Tax Base is the number of chargeable dwellings in the area expressed as Band D equivalents after allowing for exemptions, disablement reductions and discounts. This is then adjusted for an assumed collection rate to give the Net Tax Base.
- 4.4 The Tax Base is provided to Welsh Government and is used as part of the distribution formula for the Local Government Settlement. The Tax Base is calculated for the County Borough as a whole and for those areas that have a Community Council.
- 4.5 The Tax Base movement over recent years is shown in Table 4.1 below.

Table 4.1 – Tax Base Movement

Financial Year	Gross Tax Base (£)	Collection Rate	Net Tax Base (£)
2014/15	75,189	96.50%	72,557
2015/16	75,565	97.00%	73,298
2016/17	76,207	97.50%	74,302
2017/18	76,901	97.50%	74,978
2018/19	77,608	97.50%	75,668
2019/20	78,844	97.50%	76,873
2020/21	79,317	97.50%	77,334
2021/22	79,381	97.25%	77,198
2022/23	79,904	97.25%	77,707

- 4.6 The level of any increase or decrease of Council Tax is considered each year as part of the annual budget consultation process, and subsequently determined by Council as part of the annual budget strategy. The formal resolution is also agreed by Council.
- 4.7 Council Tax levels over recent years are shown in Table 4.2.

Table 4.2 – Council Tax Levels

Year	Band D Council Tax £*	Increase over Previous Year
2014/15	£1,248.00	4.50%
2015/16	£1,295.48	3.80%
2016/17	£1,331.17	2.75%
2017/18	£1,361.18	2.25%
2018/19	£1,406.17	3.30%
2019/20	£1,456.85	3.60%
2020/21	£1,498.44	2.85%
2021/22	£1,538.15	2.65%
2022/23	£1,553.53	1.00%

* - Band D Council Tax - excludes the Police and Crime Commissioner for South Wales Precept and Community Council Precepts

- 4.8 The total amount raised through Council Tax is derived by multiplying the net tax base by the band D Council Tax charge, which for 2022/23 amounts to (77,707 x £1,553.53) £120.720M.
- 4.9 For modelling purposes in our medium-term calculations as part of this report, a Council Tax increase of 2.00% per annum is currently being used for 2023/24, 2024/25 and 2025/26, noting of course that this is a key decision for Members to make as part of setting each year's budget. In terms of generating resources, a 1% increase in the level of Council Tax will raise an extra £951k¹ of additional income each year (this is net of the costs associated with the Council Tax Reduction Scheme described in more detail below).

Council Tax Reduction Scheme (CTRS)

- 4.10 During 2021/22 the Council paid CTRS to 24,082 eligible applicants at a net cost to the Council of £25.053M. For 2022/23 the Council has estimated the cost to be £25.587M, this representing a 1.00% uplift in line with the Council Tax increase for the current year. The Council is continuing its dialogue with Welsh Government to clarify the funding arrangement should demand continue above the level budgeted for, noting that the CTR Scheme in Wales is a national scheme developed by Welsh Government.

Tax Base

- 4.11 On 19th December 2017 Cabinet approved a policy which enabled the Council to reduce the Council Tax bill for Care Leavers up to the age of 25 who were resident in Rhondda Cynon Taf to zero. The policy has been operational during 2018/19.
- 4.12 During 2018/19 the Welsh Government introduced legislation, effective from 1st April 2019, making all properties in Wales that are occupied by Care Leavers (up to the age of 25) exempt from paying Council Tax. This removed the requirement for the Council to have its own discretionary policy for this category of residents.
- 4.13 All awards of this new exemption type have been reflected in the Council Tax Base from 1st April 2019.

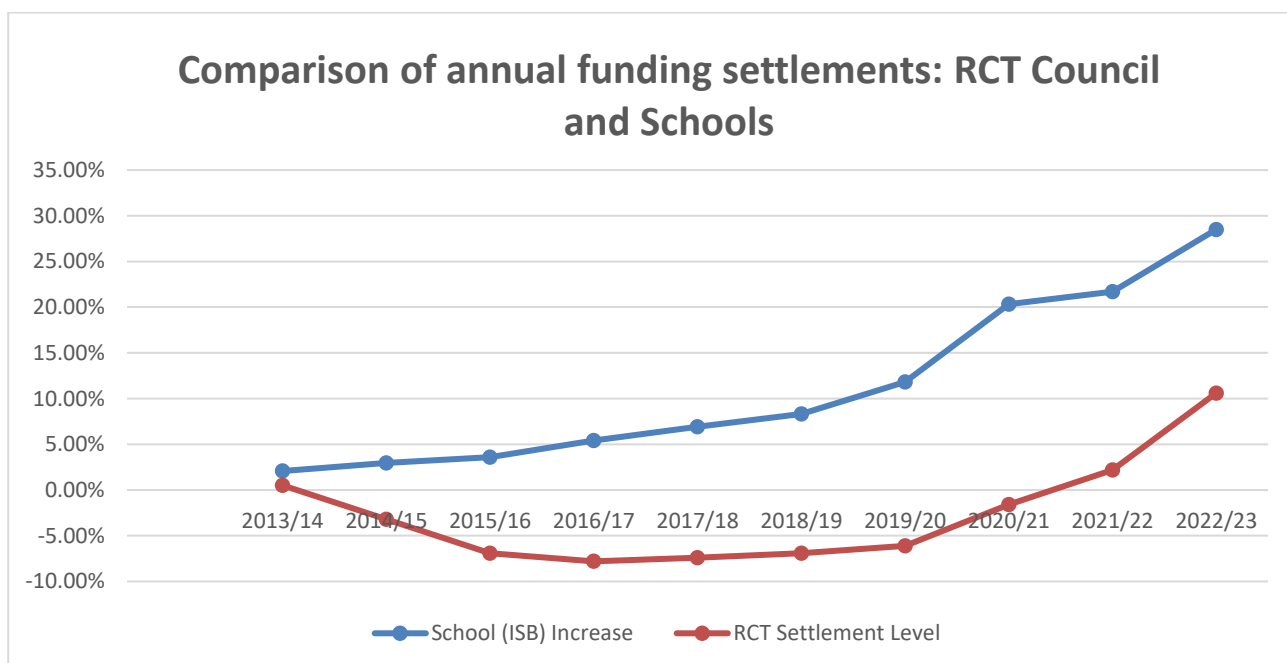
¹ Based on 2022/23 Council Tax Income

Section 5 Individual Schools Budget (ISB)

- 5.1 The total Individual Schools Budget (ISB) for the Council in 2022/23 amounts to £174.966M and represents 31% of the Council's net budget.
- 5.2 Since 2013/14, the ISB has increased at a level above other Council services and above the level of the Council's own settlement from Welsh Government in all but 2 years, and, at the same time, recognising that there is still an expectation that schools will continue to make a positive contribution toward balancing the overall Council budget. The ISB has been subject to protection requirements by Welsh Government over this period which ended in 2016/17. The comparative ISB increases over the last ten years are shown in Table 5.1 and graphically below:

Table 5.1 – School Budget Increases Compared to RCT Settlement Levels

Year	School (ISB) Increase	RCT Settlement Level
2013/14	+2.08%	+0.5%
2014/15	+0.9%	-3.7%
2015/16	+0.6%	-3.7%
2016/17	+1.85%	-0.9%
2017/18	+1.5%	+0.4%
2018/19	+1.4%	+0.5%
2019/20	+3.5%	+0.8%
2020/21	+8.5%	+4.5%
2021/22	+1.37%	+3.8%
2022/23	+6.80%	+8.4%



- 5.3 Over the 10-year period shown in Table 5.1, the ISB has received an increase amounting to 28.50%, as opposed to the Council's remaining budgets having been increased by 10.60%. In monetary terms, applied to an ISB of £140M (2012/13 ISB), this amounts to an extra £25.1M being provided to schools over the period.

- 5.4 Pupil number forecasts are modelled across Primary, Secondary, All-Through and Special Schools sectors with the financial implications included in the Schools Budget requirement.
- 5.5 The levels of school reserves held as at the 31st March 2022 are shown in Table 5.2 below (draft, subject to audit). The 2021/22 year-end position has increased compared to the previous year primarily as a result of additional one-off Welsh Government funding received to support schools in their on-going recovery from the pandemic, for example, Recruit, Recover, Raise Standards / Additional Learning provision grant, Winter of Wellbeing grant and Revenue Maintenance grant, for which work has commenced by schools and will continue in 2022/23.

Table 5.2 – School Reserves

Type of School	31/03/2021	2021/22	31/03/2022
		Movement	
	£k	£k	£k
Primary	-7,654	-2,807	-10,461
Secondary	-2,546	-3,983	-6,529
Special	-760	-502	-1262
All Through Schools	-1,075	-1,234	-2,309
Total	-12,035	-8,526	-20,561

- 5.6 As part of ensuring sustainable levels of resources for schools over the medium term (to meet pay and non-pay pressures), it will be critical that on-going funding, via Welsh Government, continues to be included in core (RSG) settlements. In parallel, it will also be critical for Welsh Government to give key regard to funding requirements that will enable local authorities to deliver its long-term programme of education reform across Wales that includes, amongst other things, ensuring educational inequalities narrow and standards rise and also the financial impact of legislation changes in respect of the Additional Learning Needs and Education Tribunal Act 2018.

Section 6 Fees and Charges

- 6.1 The Council raises approximately £23M of income annually from fees and charges across services. The level of charges is reviewed annually.
- 6.2 Cabinet reviewed (28th February 2022) fees and charges levels with the objective to continue to provide a comprehensive range of quality services at affordable prices. The initial budget modelling for 2022/23 had assumed a 1.90% increase.
- 6.3 The outcome of Cabinet’s review was a 2.50% standard increase to fees and charges (allowing for rounding adjustments as appropriate), compared to the 12-month Consumer Prices Index to December 2021 of 5.4%, with the exception of a number of areas that would be subject to specific treatment. A summary of these exceptions are set out in Table 6.1.

Table 6.1 – Summary of fees and charges not subject to the standard increase

Area of Charge	Exception
Leisure for Life – Membership	Freeze (in line with prior decision)
Meals on Wheels / Day Centre Meals	Freeze (in line with prior decision)
School Meals	Freeze (in line with prior decision)
Car Park Charges	Freeze
Summer and Winter Playing Fees (sports clubs)	Freeze
3G Pitch Hire	Freeze
Licenses (Hackney Carriage / Private Hire)	Freeze
Lido / Rhondda Heritage Park	Freeze
Pest Control Service Charges (Domestic / Public Health)	Freeze

- 6.4 The impact of the agreed changes set out in Table 6.1 reduces income by £45k in a full year (as compared to all fees and charges being increased by 1.9%).
- 6.5 In addition, a number of fees and charges decisions have previously been approved and accordingly have already been incorporated into the Council’s 2022/23 Budget Strategy. These are summarised in Table 6.2.

Table 6.2 – Summary of decisions already approved

Area of charge	Decision approved
Adult Social Care Charges (non-residential care services)	<ul style="list-style-type: none"> • £100 per week in line with the current limit determined by Welsh Government (Cabinet 18th July 2017)
Fixed Penalty Notice (for environmental crimes)	<ul style="list-style-type: none"> • Set at £100 with effect from 1st April 2018 (Cabinet 25th January 2018)
Houses in Multiple Occupation - Licenses	<ul style="list-style-type: none"> • License fees set for the period 2019/20 to 2023/24 (Cabinet 14th February 2019)
Bereavement fees and charges for war veterans and service men and women	<ul style="list-style-type: none"> • 25% reduction to all Council bereavement fees incurred by families of deceased war veterans and service men and women resident in Rhondda Cynon Taf (Delegated Decision 8th May 2019)

- 6.6 A pilot was approved at the [21st November 2019](#) Cabinet meeting to apply a reduced cremation fee for funeral directors offering a Direct / Simplicity cremation² service in Rhondda Cynon Taf. Following consideration of the results of the pilot at the [29th April 2021](#) Cabinet meeting, it was agreed that the provision of a Direct / Simplicity cremation service would continue in 2021/22 at the rate applied for the pilot scheme and, for 2022/23 onwards, the fee level would be determined as part of the annual fees and charges process.
- 6.7 For completeness, a full list of all 2022/23 fees and charges across all Council services can be accessed [here](#).

² Direct / Simplicity Cremation - A “direct”, “simplicity” cremation or “cremation without ceremony” is where a funeral director arranges a service with no mourners and brings the deceased directly to the crematorium with no religious service or attendees. The fees and charges to the family of the deceased are significantly reduced making the service more affordable, particularly for those on low incomes.

Section 7 National and Local Pressures

7.0 Authority Wide Budgets

7.1 Appropriate sums must be set aside to cover a number of Authority Wide costs. For modelling purposes for 2023/24 onwards these include the following:

Capital Financing

The projected level of capital charges are linked to the Council's Capital Programme and Treasury Management Strategy.

Levies

Levies are raised (against non-service specific budgets) by the South Wales Fire and Rescue Service, the Coroner, Brecon Beacons National Park Authority and the Glamorgan Archives (Joint Committee).

Council Tax Reduction Scheme

This demand led area of expenditure is in line with the Welsh Government national scheme introduced from financial year 2013/14.

Miscellaneous

The areas of expenditure held here include:

- Graduate and Apprenticeship programmes
- Trade Union Costs
- Local Government Elections
- Planning Appeals
- Former Authority Pension Costs
- Voluntary Termination Costs
- Local Government Pension Scheme including auto-enrolment
- Bank Charges
- Housing Benefit Subsidy Costs
- Energy / Invest to Save
- External Audit Fees
- Vehicle Replacement Funding
- City Deal Costs
- Insurance Costs
- Discretionary Non Domestic Rate Relief
- Apprenticeship Levy

7.2 A summary of the projected requirement for Authority Wide budgets from the current year (2022/23 budget) to 2025/26 is shown in Table 7.1.

Table 7.1 – Forecasted Authority Wide Budget Requirement

Authority Wide Budgets	2022/23	2023/24	2024/25	2025/26
	Current Budget	(Projected)	(Projected)	(Projected)
	£'000	£'000	£'000	£'000
Capital Financing	21,308	21,308	21,308	21,308
Levies	13,202	13,688	13,962	14,241
CTRS	25,587	26,099	26,621	27,153
Miscellaneous	15,008	14,499	16,536	16,572
Total	75,105	75,594	78,427	79,275
Change - Inc / (Dec)		489	2,832	848

The Council's 2021 Medium Term Financial Plan included a £0.5M per year contribution from Authority Wide Budgets, until 2023/24, to replenish General Reserve Balances to the minimum level following an approved allocation of £1.5M in 2019/20 to support the recovery arrangements from the exceptional Storm Dennis weather event. Since this time, the Council has reinstated the level of General Reserve Balances to the minimum level as part of its 2021/22 year-end closure of accounts arrangements through the utilisation of one-off additional funding received during the year (i.e. £10,292M as at 31st March 2022, draft position, subject to audit) and has therefore removed the £0.5M contribution from Authority Wide Budgets from 2023/24.

7.3 Service Inescapable Pressures

7.4 There are areas of our budget which are exposed to more uncontrollable spending requirements each year and which might arise from demand led or demographic changes, legislative or regulatory change, the effect of external market forces (and prices) and the financial implications of policy and service planning decisions made by the Council. It is also recognised that the on-going effects of the Covid-19 pandemic and the rising cost of living will impact, at varying degrees, on each of the above uncontrollable spending requirements. These are **inescapable pressures** and include the ongoing implications of inflation and Living Wage on our External Contracts; the cost of pay awards for our teaching and non-teaching (APT&C) workforce; changes in pupil number projections; demand led social care pressures for adult services, children's services and additional learning needs; energy, food and fuel inflationary increases; and assumptions around reductions in specific grants. Welsh Government and Local Authorities continue to work in partnership to understand current and future pressures and opportunities, with the aim of ensuring all available funding opportunities are maximised.

7.5 The amount included for Service Inescapable Pressures within the Budget Requirement is shown in Table 7.2.

Table 7.2 – Forecasted Inescapable Budget Pressures

Forecasted Inescapable Budget Pressures	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Schools	1,462	657	171
Education and Inclusion Services	834	236	1,685
Community and Children's Services	9,186	3,383	2,883
Prosperity, Development and Frontline Services	5,984	300	125
Chief Executive's Division	1,258	27	27
Total	18,725	4,603	4,891
			28,219

7.6 Service Financial Risks

7.7 In addition to the above inescapable budget pressures, there are items of risk which have been identified and which are captured and estimated in financial terms (similar to inescapable budget pressures, the on-going effects of the Covid-19 pandemic and cost of living will also impact, to varying degrees, on each risk area). A view is then taken on the potential overall likelihood of the risk materialising and the quantum of it which should be included in the early modelling of the budget requirement. As time progresses the risks will either become inescapable or will fall away, possibly with a longer-term impact.

7.8 The amount included for Service Financial Risks within the Budget Requirement is shown below in Table 7.3.

Table 7.3 – Forecasted Service Financial Risks

Financial Risks	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Value of Risk Included	-	13,860	13,533

7.9 School (ISB) Requirements

7.10 Section 5 set out the context for school budgets noting their favourable treatment as compared to other Council services and the expectation that schools will continue to make a positive contribution toward balancing the overall Council budget. As part of modelling assumptions, pay and non-pay inflation pressures are fully funded together with estimated additional cost pressures associated with additional needs; this position is set within the current planning assumptions for Welsh Government settlement levels and recognising that there may still be a requirement for local efficiency saving planning at an individual school level. The modelled ISB budget increases are set out in Table 7.4 below.

Table 7.4 – School (ISB) Modelled Budget

	2023/24	2024/25	2025/26
Schools (ISB) Modelled Budget	£'000	£'000	£'000
Modelled Budget	189,411	195,747	201,495
Modelled Increase	14,666	6,336	5,749

Section 8 Inflationary Pressures

8.1 Employee Inflation

8.2 For modelling purposes, initial estimates of employee inflation levels built into the medium term financial plan are:

- Teachers' (average) pay – in line with Welsh Government's pay offer (22nd July 2022) a forward planning assumption of an uplift of 3.5% for 2023/24, this being subject to review if there is a significant change in economic conditions compared with the current forecasts. For financial years 2024/25 and 2025/26 modelled pay award uplifts of 3% per year
- Non-teaching – modelled pay award uplifts of 4% for 2023/24, and 3% per year for 2024/25 and 2025/26.

8.3 With regard to the 2022/23 financial year, a pay award offer has been made by the national employers for all NJC employees at a flat rate increase of £1,925 per employee, irrespective of their SCP / Grade. The Welsh Government, who have devolved responsibility for teachers pay, have also offered an increase of 5%. For this Council, these amount to an increase in the pay bill above budgeted levels of £10.5M. Discussions are on-going between Welsh Government and local authorities to determine funding options based on the pay proposals currently being negotiated.

8.4 The Rhondda Cynon Taf Pension Fund triennial valuation (2022) is scheduled to be completed in autumn 2022, the results of which will be taken into account as part of future and on-going modelling. For current modelling purposes over the period of this medium term plan, no changes to employer pension contribution rates have been assumed.

8.5 Non-Employee Inflation

8.6 The Bank of England's Monetary Policy Committee continues to set monetary policy to meet a 2% inflation target. For the MTFP, inflation is included across all expenditure and income heads in line with the 2% target for each of the three years, 2023/24 to 2025/26. A number of specific cost areas where inflation is known or anticipated to differ materially from these rates have more appropriate inflationary allowances applied as detailed below.

8.7 Specific Inflation

8.8 There are some budget heads which are particularly volatile and susceptible to variations in rates of inflation which are outliers to the central forecasts. More detailed analysis and procurement intelligence is applied to uplifts for the following expenditure heads:

- Electricity
- Gas
- Fuel (Diesel / Petrol)
- Food

8.9 The overall cost of inflation to the Council is summarised in Table 8.1.

Table 8.1 – Forecasted Cost Of Inflation

Inflation	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Employee Related	24,513	10,946	10,991
Non-Employee	10,142	3,483	3,555
Total	34,656	14,429	14,545
			63,630

8.10 The above includes inflationary costs for schools.

Section 9 Specific Grants

- 9.1 The Council is mindful of the opportunities that are likely to accrue by the Council attracting specific grants to supplement its base revenue budget. Whilst specific grants can dilute local accountability, the fact remains that in attracting such funding, it allows us to undertake projects that otherwise we may have had to defer or cancel.
- 9.2 By their nature, specific grants tend to be time-limited and involve an assessment process. It is important therefore, that any specific grant funded programme complements the Council's locally determined priorities. In addition, even if they are initially successful in attracting specific grants, authorities are restricted in their ability to confidently forward plan, as they have no guarantee of ongoing (specific grant) funding. Consequently, because specific grants are time limited it is vital to develop appropriate "exit strategies".
- 9.3 Whilst specific grants come from a number of sources, for 2022/23 the Welsh Government alone will provide over £1.1 Billion in total to Welsh Local Authorities. The allocation of specific grants remains a key feature of the Welsh Government's annual local government settlements, albeit, the Welsh Government is committed to reduce this form of hypothecation in the longer term. The Council also continues to proactively explore and secure external funding from other sources, in line with Corporate Plan priorities, for example, from the UK Government's Levelling Up Fund and Shared Prosperity Fund.
- 9.4 Table 9.1 sets out the main areas of expenditure and services which are funded currently by specific revenue grants.

Table 9.1 – Specific Revenue Grants

Award Body	Purpose	2021/22 Amount £M	2022/23 Amount £M
<u>Community & Children Services</u>			
Shaw Trust & Working Links	Subsidisation of Employment of Disabled Workers	0.278	0.278
Department for Work & Pensions	Housing Benefit Subsidy Bed & Breakfast Scheme	0.122	0.437
Welsh Government	Children's and Community Grant	14.097	16.330
	Communities 4 Work	1.112	1.112
	Food Poverty Grant	0.000	0.030
	Inspire 2 Work	0.331	0.215
	Social Care Wales Workforce Development Programme	0.556	0.556
	Substance Misuse Action Fund	3.810	4.865
	Community Learning Grant	0.257	0.442
	Youth Support Grant	0.712	0.712
	Child Burial and Cremation Grant	0.048	0.048

Award Body	Purpose	2021/22 Amount £M	2022/23 Amount £M
Welsh Government (continued)	Child Development Fund	0.000	0.429
	Housing Support Grant	12.237	12.239
	Integrated Care Fund	3.680	3.125
	National Exercise Referral Scheme	0.168	0.168
	National Approach to Advocacy (Children's)	0.049	0.049
	Out of Court Grant	0.000	0.041
	Regional Facilitation Grant	0.066	0.066
	Regional Integration Fund	0.000	0.550
	Arts Portfolio Wales	0.150	0.150
Cwm Taf Health Board	Community Joint Care Programme	0.068	0.068
Heritage Lottery Fund	RCT's Sporting Heroes	0.032	0.000
Home Office	Police & Crime Commissioner	0.121	0.142
	Youth Justice Provision	0.438	0.732
Sport Wales	Disability Sport Wales Community Scheme	0.020	0.020
	Free Swimming	0.060	0.106
	Local Sport Plan	0.475	0.475
	60 plus Active Leisure Scheme	0.000	0.051
Total Community & Children's Services		38.887	43.436
<u>Education & Inclusion Services</u>			
Welsh Government	Post-16 Provision in Schools	10.322	10.704
	Education Improvement Grant (EIG) Delegated to Schools	9.030	9.030
	Education Improvement Grant (EIG) Admin	0.018	0.018
	Education Improvement Grant (EIG) Foundation Phase Non Maintained	0.160	0.160
	Pupil Deprivation Grant	0.000	8.195
	Pupil Development Grant Delegated to Schools (estimate)	7.292	0.000
	Pupil Development Grant Children Looked After	0.395	0.474
	Education Grant – PDG Access - Minority Ethnic Gypsy Roma Traveller (MERGT)	0.243	0.285
	PDGEY Non-Maintained	0.000	0.090

Award Body	Purpose	2021/22 Amount £M	2022/23 Amount £M
Welsh Government (continued)	PDG EOTAS	0.000	0.023
	Early Years Pupil Development Grant (estimate)	1.432	1.659
	Teachers Pay	0.000	0.216
	Seren Network	0.074	0.074
	Nursery Childcare Administration	0.279	0.279
	Nursery Childcare	2.309	2.864
	Additional Learning Needs Transformation Grant (estimate)	0.753	0.099
	Additional Learning Needs (estimate)	0.000	0.519
	Period Dignity in Communities	0.017	0.000
	Period Dignity in School	0.186	0.000
	Period Dignity Grant (estimate)	0.000	0.209
	Reduction in Infant Class Sizes Grant	0.500	0.209
	Online Development Plan (estimate)	0.000	0.042
	Out of School Childcare Grant	0.083	0.083
	Welsh Medium Immersion	0.000	0.100
	Small and Rural Schools	0.128	0.000
	Professional Learning Grant (estimate)	0.955	0.957
	RRRS (estimate)	0.000	1.902
	RRRS Non-Maintained	0.000	0.280
	ICT Hwb in Schools Infrastructure Grant	1.246	0.830
	FP Nursery (estimate)	0.000	0.299
	NQT	0.000	0.303
	Virtual Schools	0.000	0.040
	Education Grant - Emotional Wellbeing	0.000	0.000
	Education Grant - PDG Access - School uniform grant	0.504	2.017
	Education Grant – Counselling	0.143	0.000
	Education Grant – Interventions	0.049	0.000
	Education Grant – Training	0.031	0.000
	Education Grant – Whole School Funding	0.000	0.347
	Summer Holiday Enrichment Programme (estimate)	0.065	0.170
	Elective Home Education	0.046	0.090
	Universal Free School Meals	0.000	0.094

Award Body	Purpose	2021/22 Amount £M	2022/23 Amount £M
Rural Payments Agency	Infant Milk (Estimate)	0.472	0.471
Total Education & Inclusion Services		36.732	43.132
<u>Chief Executives</u>			
Department for Work & Pensions	Housing Benefit Administration Grant	0.701	0.773
	Various Miscellaneous Grants	0.000	0.050
Welsh Government	NDR Admin Grant	0.394	0.394
Total Chief Executives		1.095	1.217
<u>Prosperity, Development & Frontline Services</u>			
Welsh Government	Enabling Natural Resources and Wellbeing Grant	0.030	0.000
	Caru Cymru	0.000	0.030
	Sustainable Waste Management Grant	1.126	1.051
	Lead Local Flood Authority Grant	0.070	0.000
	Flood & Coastal Erosion Risk Management	0.000	0.070
	Concessionary Fares	6.839	6.839
	Road Safety	0.057	0.101
	Bus Emergency Scheme	0.000	0.028
	Bus Service Support	0.665	0.665
	Tomorrow's Valley Residual Waste*	1.189	0.000
Tomorrow's Valley Food Waste*	0.064	0.000	
Total Prosperity, Development & Frontline Services		10.040	8.784
TOTAL SPECIFIC REVENUE GRANTS		86.754	96.569

* 'Tomorrow's Valley Residual Waste' and 'Tomorrow's Valley Food Waste' – transferred into the Revenue Support Grant settlement from 2022/23.

9.5 Assumptions are made in the MTFP about future levels of specific grants, in particular where they are effectively funding core services (e.g. the Sustainable Waste Management Grant which provides funding for our Recycling services and the Social Care Workforce Grant) and it is important that we seek to ensure their continuation beyond 2022/23.

Section 10 Summary Spend Requirements and Resource Availability

10.1 The impact of the aforementioned modelling, including schools, is aggregated into Table 10.1 to show the forecast budget position over the next 3 years. The modelling shows a projected budget gap over the 3-year period which needs to be addressed and closed with actions during the period. Whilst modelled over a 3-year period, the Council must also be mindful of its legal responsibility to set a balanced budget annually and, for the forthcoming financial year, this has to be completed before the 11th March 2023.

Table 10.1 – Summary Of Expenditure Requirements and Resources Available

Budget Requirement	2023/24 £'000	2024/25 £'000	2025/26 £'000
<u>Additional Budget Requirement</u>			
Inflation	21,451	8,750	8,984
Inescapables	17,263	3,946	4,720
Risks	-	13,860	13,533
Schools (Uplift)	14,666	6,336	5,732
Authority Wide	489	2,832	848
Budget Requirement	53,870	35,724	33,818
<u>Additional Resources</u>			
Council Tax	2,907	2,977	3,049
Transition Funding	-	963	
WG Resource in line with WG indicative settlement for 2023/24 and 2024/25 (i.e. +3.5% for 2023/24 and +2.4% for 2024/25) with a Council assumption of a +2.4% settlement level for 2025/26	15,450	10,965	11,229
WG Resource at +4%	17,658	18,364	19,099
WG Resource at +5%	22,072	23,176	24,334

Remaining Budget Gap at Welsh Government Settlement Levels	2023/24	2024/25	2025/26	3 Year Budget Gap
+3.5% increase for 2023/24, +2.4% increase for 2024/25 and +2.4% increase for 2025/26	36,475	21,781	19,540	77,797
4% increase per year	34,268	14,383	11,670	60,321
5% increase per year	29,853	9,571	6,435	45,859

10.2 Clearly a significant determinant on the budget gap is the level of funding which the Council receives from Welsh Government. Each 1% change in the level of settlement from Welsh Government equates to an approximate £4.4M change in resources available to the Council (based on 2022/23 settlement levels).

10.3 To further demonstrate the scale of our reliance on funding from Welsh Government, a cash flat level of settlement would result in a budget gap over each of the next 3 years as shown below.

	2023/24	2024/25	2025/26
	£'000	£'000	£'000
0% increase per year	51,926	32,747	30,769

10.4 As the above clearly demonstrates, in the absence of additional funding from UK Government and thereafter Welsh Government, the Council faces a significant budget gap for next year and across the medium term. It is clear, that indicative funding allocations in no way reflect the reality of today and that UK Government urgently needs to provide assurance to Welsh Government / Local Government that additional funding will be forthcoming. In the absence of such assurance, and to enable this Council to discharge its statutory duty to set a balanced budget for the financial year 2023/24 by the 11th March 2023, then all options to reduce council spend and generate income will need to be considered. This is at a time when residents are already facing a cost of living crisis with significant pressures on household budgets.

Section 11 Reserves Policy (General Fund Reserves and Earmarked Reserves)

- 11.1 Reserves play an important part of the overall financial management and financial standing of the Council. The Council's General Reserve balances at 31st March 2021 were £8.505M and as set out at paragraph 7.2 General Reserve Balances were reinstated to the minimum level as at 31st March 2022 (i.e. £10.292M draft, subject to audit). The level of general reserves will be kept under on-going review by the Council's Section 151 Officer and adjusted going forward, as appropriate, and taking into account the overall quantum of the budget and the financial risks therein and facing the Council.
- 11.2 The Council also holds Earmarked Reserves which are sums set aside for specific purposes. The full schedule of reserves is attached at Annex 3 (as at the draft Statement of Accounts 2021/22).
- 11.3 All reserves are reviewed at least twice yearly, at budget setting stage and as part of the year end closure of accounts process. In between, changes in risk and potential liabilities are continuously monitored as part of the Council's financial management and budgetary control arrangements and changes in reserve levels are actioned, following elected Member approval, as appropriate.
- 11.4 The Council has used reserves prudently as part of supporting its annual budget strategy for a number of years. Whilst reserves can be used to balance the budget, this alone is not a sustainable strategy and more permanent changes / reductions to the base budget must be made. With regard to the budget gaps modelled in Section 10, to balance the budget, for example, based on a +4% per annum Welsh Government settlement level, for the next 3 years using reserves alone would require the use of over £143M of reserves and the Council would still have a need to reduce its base budget by over £60M.
- 11.5 The Council holds reserves for the following purposes:

Capital, Treasury and Insurance Reserves

Reserve	Purpose
Capital Developments	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.
Insurance Reserve	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.

Other Revenue Related Reserves

Reserve	Purpose
Revenue Budget Strategy 2022/23	Medium Term Financial Planning & Service Transformation Reserve (transitional funding) to be released to fund the 2022/23 Budget Strategy.
Joint Committee Reserve	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.
Revenue Grant Reserves (IFRS)	Carry forward of Revenue Grants not yet applied to spend – required accounting treatment to comply with International Financial Reporting Standards.
Financial Management and Human Resources Risk Management	Resources set aside as cover for future liabilities relating to various risks identified and being managed.
Infrastructure / Investment	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough.
Prior Year Commitments	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.
Medium Term Financial Planning and Service Transformation	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.
Invest to Save	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.

Section 12 Financial Planning and Balancing the Budget

- 12.1 Whilst the budget setting process is necessarily and statutorily an annual process, this Council has for a number of years moved away from the annual cycle for financial planning purposes and seeks to address the budget gap on an ongoing basis over the medium term period.
- 12.2 Part of this process is the early identification and delivery of base budget reducing measures in-year and therefore before the start of a financial year. This has enabled the Council to deliver financial savings early and to replenish our Medium Term Financial Planning and Service Transformation Reserve which we have used proactively as part of our budget strategy approach for a number of years.
- 12.3 Our priority and focus has continued to be ensuring that our residents, communities and businesses are protected and supported and at the same time maintaining our valued and critical services. However, the scenario set out at section 10 dictates that we must now, in the absence of any indications of additional funding being provided to local government, embark on a review across all our services to urgently identify options which can be considered to close the budget gap being faced. Whilst our valued services and jobs will be safeguarded wherever possible, it is inevitable that there will be a need to make cuts in service levels and jobs in order to close the budget gap we face, unless or until we receive any more positive assurances as to likely funding levels next year and into the medium term.

Financial Planning

- 12.4 The Council recognises the importance of integrated financial and service planning to ensure resources are aligned to priority areas; enable robust forward projections of cost and funding levels; and inform proposed changes in service delivery. The arrangements entail the Senior Leadership Team, supported by senior Service and Finance Officers, developing proposals and shaping and delivering agreed strategies in line with the parameters set within the Medium Term Financial Plan. The key strategic areas are as follows and in many cases are interlinked, for example, putting in place digital solutions such as hybrid working is enabling more efficient and effective workforce arrangements are also reducing the Council's carbon footprint via the need for less car journeys.

Climate Change

- 12.5 The Council's Climate Change Strategy 2022 – 2025 sets out the ambition for the Council to become Carbon Neutral by 2030 alongside a plan of the key areas that will be progressed to deliver the Strategy.
- 12.6 The Council has put in place a Climate Change Cabinet Sub-Committee to oversee the delivery of the Strategy and make recommendations to the Council's Cabinet for projects to be taken forward alongside the necessary additional funding, where required. The development stage of projects have direct links to medium term financial planning arrangements in the identification of funding options and affordability considerations, with the Council also approving additional core resources as part of annual budget setting as it forward plans the delivery of the Strategy.

- 12.7 Delivery of the Council's Climate Change Strategy is an organisation wide approach and is taken account of as part of service decision making as well as when considering the key areas below of workforce, buildings and digital.

Our Workforce

- 12.8 The Council's workforce is its most valuable asset, reflecting the wide range of important roles employees undertake, and a Workforce Plan 2017 – 2022 is in place that sets out the key areas for developing the workforce to meet the current and future needs of communities.
- 12.9 This work is aligned to medium term financial planning arrangements through an integrated Payroll and HR System that provides real time workforce information to project future year workforce costs; inform the modelling of cost implications of service transformation, investment / disinvestment and service restructure proposals; and provide insight into areas that could realise short and medium term efficiency savings, for example, recruitment and retention and targeted support to help improve attendance levels.
- 12.10 The Council's staffing costs account for over 60% of the net annual budget; the need for integrated workforce and financial planning is therefore a key component of overall planning arrangements to ensure the Council creates the right environment to optimise workforce performance, makes best use of all staffing resources and services are delivered as efficiently as possible.

Our Buildings

- 12.11 The Council has a varied asset base and keeps this under on-going review as part of its Corporate Asset Management Plan to inform the use of and investment in buildings to support the delivery of our priorities. The approach focusses on:
- rationalising the current asset base, including office accommodation, so we only retain assets that help us deliver our priorities;
 - maintaining the assets we do retain so that we can maximise their use, efficiency of operation and return, and provide the best possible services to our residents; and
 - identifying opportunities to acquire new assets / share assets where it helps us further achieve our priorities.
- 12.12 Work is currently on-going on a Built Asset Review that will review and refresh opportunities for the future use and optimisation of the Council's buildings.

Digital Driven Council

- 12.13 The Council's updated Digital Strategy 2022 – 2026 provides the framework for services to continue to use digital solutions to support future transformation change, recognising that such solutions do not meet the needs of all our residents.
- 12.14 A Digital Improvement Office is in place to support Services to fully exploit the opportunities provided by 'digital' to meet the changing needs of customers and support the on-going delivery of efficient and effective services.

Balancing the Budget

12.15 The 2022/23 Budget Setting process identified £4.9M of efficiency savings without impacting on frontline services, following a detailed review of budget savings options during the year. This position is now being built upon, informed by the financial planning areas detailed above, and will form an on-going programme of work to assess further budget saving opportunities whilst ensuring service resilience is maintained. This includes:

- a. Efficiency – we have for many years delivered significant efficiency savings as part of our ongoing work and which have contributed to closing the budget gaps we have faced. Over the last 3 years we have delivered over £15M of efficiency savings. It is important that we maximise our efficiency more than ever as part of balancing next year's budget in order to ensure that we preserve, as far as is practicable, our critical services. This will include reviewing support service operations, school efficiency opportunities / requirements, non-pay expenditure areas, collaboration opportunities and the impact of on-going reductions in service demand.
- b. Workforce – our work will focus on reviewing workforce requirements, informed by service self-evaluation and service delivery planning arrangements; progressing service transformation and restructuring proposals; ensuring full cost recovery of service costs; and the on-going development of hybrid and remote working.
- c. Digitisation – our work will include supporting services to create digital solutions for business problems; further enhancing the availability of real time business intelligence to inform decision making and resource allocation; and increasing self-service / on-line options for customers alongside providing assisted digital support so that our residents and businesses are better equipped to access and use technology productively. This work will be underpinned by a secure and resilient infrastructure that will support customer needs and a modern mobile workforce.
- d. A Built Asset Review – a focus on sharing buildings to meet hybrid working arrangements across Council Services and also support the on-going development of community hubs that house multiple services, including partners, in accessible locations; an on-going programme of investment in energy saving measures to reduce building running costs and carbon emissions; and reviewing rental agreements to maximise income.
- e. Social Services Transformation Programme - including our significant on-going commitment and investment in the provision of Extra Care facilities. The financial impact of our ongoing preventative strategy will continue to be modelled alongside changes in demand for services linked to the demographic profile of the County Borough.
- f. Review of base budget requirements - at both a service level and an authority wide level, with ongoing modelling around key service pressures including inflationary requirements, contractual arrangements and capital charges.
- g. Invest to save – exploring options that will maximise opportunities to invest for the long term, benefiting residents and reducing our core ongoing spend requirements in doing so.

h. Service Reductions – reducing our service levels will always be a last resort, however we must now consider all options available to the Council to balance its budget in light of a potential significant budget gap for next year and across the medium term.

12.16 As part of progressing the above programme of work, the Council will collaborate and work with others where it is for the benefit of Rhondda Cynon Taf, with the overall approach aligned to the Council's strategy of maximising opportunities across the following areas: Digitalisation; Commercialism; Early Intervention and Prevention; Independence; and Efficient and Effective Organisation.

Section 13 Capital Programme

- 13.1 The Council's 3-year capital programme, 2022/23 to 2024/25 was agreed by Council on the 9th March 2022.
- 13.2 The three-year Capital Programme is a key component of the overall Medium Term Financial Planning and Resources Strategy for this Council. Targeted capital investment can make a significant positive impact on service delivery and used effectively, is able to underpin the Council's Corporate Plan Priorities, where relevant.
- 13.3 The three year programme amounted to £148M and includes further additional available funding of £14.471M for investment in priorities aligned to the Council's Corporate Plan (this comprising utilisation of £2.997M from the Council's Infrastructure Reserve, £2.158M through reprioritising existing resources, £1M of funding from the 2022/23 Revenue Budget Strategy and £11.116M from additional external funding / General Capital Grant).
- 13.4 The rolling 3-year programme is reviewed and determined annually (in March of each year) and provides service managers with the opportunity to plan investment in our infrastructure and assets over the medium term.
- 13.5 A summary of the current 3-year programme is provided in Table 13.1.

Table 13.1 : THREE YEAR SUMMARY CAPITAL PROGRAMME

GROUP	BUDGET		
	2022/23	2023/24	2024/25
	£M	£M	£M
Community & Children's Services			
Adult & Children's Services	4.931	1.995	0.495
Public Health, Protection & Community Services	7.465	3.016	0.495
Education & Inclusion Services			
Schools	17.898	0.692	0.390
Supplementary Capital Programme	8.230	3.875	3.875
Chief Executive's Division			
Finance & Digital Services	0.700	0.700	0.700
Corporate Estates	2.209	1.275	1.275
Prosperity, Development and Frontline Services			
Planning & Regeneration	6.983	1.539	0.600
Private Sector Housing	8.990	6.686	5.150

Highways Technical Services	11.203	1.805	1.805
Strategic Projects	15.162	7.172	5.884
Storm Dennis Flood Recovery	6.441	0.000	0.000
Waste Strategy	1.000	0.000	0.000
Fleet	2.573	2.573	2.573
Buildings	0.215	0.100	0.100
TOTAL CAPITAL BUDGET	94.000	31.428	23.342

Section 14 Consultation and Scrutiny

- 14.1 Following consideration of this MTFP by Cabinet, it is proposed that this document and the planning assumptions will be reported to full Council and thereafter be made available to the Overview and Scrutiny Committee, as part of the consultation on the draft 2022/23 budget strategy.
- 14.2 The MTFP will be used as a basis of planning for our 2023/24 budget strategy consultation processes, updated as appropriate to reflect the implications of the provisional local government settlement which is due to be received in autumn 2022.

Section 15 Other Relevant Documents

Below are links to other documents which are relevant to the Medium Term Financial Plan.

Budget Book

<https://www.rctcbc.gov.uk/EN/Council/Performancebudgetsandspending/Councilbudgets.aspx>

Statements of Account

2019/20 Audited Statement of Accounts –

<https://www.rctcbc.gov.uk/EN/Council/Performancebudgetsandspending/RelatedDocuments/StatementofAccounts/StatementofAccounts2019to2020.pdf>

2020/21 Audited Statement of Accounts -

<https://www.rctcbc.gov.uk/EN/Council/Performancebudgetsandspending/RelatedDocuments/StatementofAccounts/StatementofAccounts202021.pdf>

2022/23 Capital Strategy Report incorporating Prudential Indicators

<https://rctcbc.moderngov.co.uk/documents/s34291/Report.pdf?LLL=0>

2022/23 Treasury Management Strategy incorporating Investment Strategy, Treasury Management Indicators and Minimum Revenue Provision (MRP) Statement

<https://rctcbc.moderngov.co.uk/documents/s34286/Report.pdf?LLL=0>

Council Performance Reports

Quarter 4 2020/21 –

<https://rctcbc.moderngov.co.uk/documents/s29994/Report.pdf?LLL=0>

Quarter 4 2021/22 -

<https://rctcbc.moderngov.co.uk/documents/s36110/Councils%20Performance%20and%20Resources%20Report.pdf?LLL=0>

Corporate Plan (2020-2024)

<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2020/03/04/Reports/Agendatem6CouncilsDraftCorporatePlan20202024.pdf>

Council 3 Year Capital Programme 2022/23 to 2024/25

<https://rctcbc.moderngov.co.uk/documents/s34225/Report.pdf?LLL=0>

GENERAL FUND REVENUE : SERVICES PROVIDED

2021/22 Budget		2022/23 Budget
£M		£M
	<u>Community & Children's Services</u>	
94.877	Adult Services	103.528
54.466	Children's Services	58.852
2.618	Transformation	1.560
16.625	Public Health, Protection & Community Services	18.766
168.586		182.706
	<u>Education & Inclusion Services</u>	
31.941	Education & Inclusion Services (Non Delegated)	33.674
163.784	Delegated Schools	174.745
195.725		208.419
	<u>Chief Executive</u>	
0.388	Chief Executive	0.405
2.948	Democratic Services & Communications	3.461
12.088	Human Resources	13.066
1.613	Legal Services	1.698
10.840	Finance & Digital Services	12.529
2.980	Corporate Estates	4.663
30.857		35.822
	<u>Prosperity, Development & Frontline Services</u>	
2.778	Prosperity & Development Services	3.062
57.594	Frontline Services	61.678
60.372		64.740
455.540	Total Group Budgets	491.687
	<u>Authority Wide Budgets</u>	
19.950	Capital Financing	21.308
12.874	Levies	13.202
13.780	Miscellaneous	14.583
0.425	NDR Relief	0.425
25.334	Council Tax Reduction Scheme	25.587
72.363	Total Authority Wide Budgets	75.105
527.903	TOTAL REVENUE BUDGET	566.792

COUNCIL REVENUE BUDGET BY PRIORITY AREA

Budget 2021/22 £'000	Priority Area	Budget 2022/23 £'000
	<u>PEOPLE</u>	
55,042	Children's Services	59,603
100,331	Adult Services	109,169
4,117	Leisure (including physical participation) / Heritage Sites	5,099
159,490		173,871
	<u>PLACES</u>	
7,271	Libraries / Parks / Play Areas	7,490
1,069	Crime Reduction (including hate crime) / Anti-Social Behaviour / Domestic Violence / Substance Misuse	1,503
5,279	Highway cleanliness	6,018
20,965	Waste / Recycling	24,400
9,931	Highways Infrastructure and Road Maintenance / Condition	10,267
44,515		49,678
	<u>PROSPERITY</u>	
27,394	Economically active people / Job Seekers Allowance Claimants / Job Creation / Adult Education / Town Centres	27,627
206,996	School Attainment	220,058
425	Town Centre Vacancy Rates (businesses)	425
1,298	Housing / Affordable Housing Delivered / Homelessness Prevention	1,461
236,113		249,571
	<u>LIVING WITHIN OUR MEANS</u>	
1,513	Customer Care	1,384
5,781	Office Accommodation/Buildings	6,618
7,294		8,002
447,412	TOTAL SPEND ON COUNCIL PRIORITIES	481,122
5,799	REGULATORY PUBLIC SERVICES	6,577
2,290	OTHER SERVICES TO THE PUBLIC	2,399
46,604	AUTHORITY WIDE COSTS	49,093
25,798	CORE SUPPORT	27,601
527,903	TOTAL COUNCIL BUDGET	566,792

COUNCIL CAPITAL PROGRAMME BY PRIORITY AREA

Priority/Scheme	3 Year Capital Programme 2022 - 2025			
	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total 3 Year Budget
	£M	£M	£M	£M
People				
Adult Services	10.201	6.878	5.233	22.312
Children's Services	0.560	0.476	0.445	1.481
Total - People	10.761	7.354	5.678	23.793
Places				
Parks, Leisure, Libraries, Culture & Heritage, Open Spaces	7.819	2.732	0.632	11.183
Crime Reduction	0.097	0.155	0.050	0.302
Highways Cleanliness	0.182	0.171	-	0.353
Highways Infrastructure	38.807	11.557	8.112	58.476
Waste Strategy	2.163	0.061	1.096	3.320
Total - Places	49.068	14.676	9.890	73.634
Prosperity				
School Attainment	26.128	4.567	4.265	34.960
Business Support	0.363	0.200	0.200	0.763
Town Centres	1.185	0.835	0.400	2.420
Housing	3.300	1.536	-	4.836
Total - Prosperity	30.976	7.138	4.865	42.979
Living Within Our Means				
Management and rationalisation of service accommodation	2.259	1.325	1.537	5.121
Total - Living Within Our Means	2.259	1.325	1.537	5.121
Total Capital Budget Allocated to Council Priorities	93.064	30.493	21.970	145.527
Regulatory Public Services	0.192	0.235	0.672	1.099
Authority Wide Costs	0.044	-	-	0.044
Core ICT Systems Support	0.700	0.700	0.700	2.100
Total Capital Budget	94.000	31.428	23.342	148.770

COUNCIL EARMARKED RESERVES*

Capital, Treasury and Insurance Reserves					
Reserve	Purpose	Balance at 31/03/21	Transfers Out	Transfers In	Balance at 31/03/22
		£'000	£'000	£'000	£'000
Capital Developments	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	66,365	(12,629)	21,798	75,534
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.	2,465	0	0	2,465
Insurance Reserve	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.	7,999	(61)	0	7,938
Total		76,829	(12,690)	21,798	85,937
Other Revenue Related Reserves					
Reserve	Purpose	Balance at 31/03/21	Transfers Out	Transfers In	Balance at 31/03/22
		£'000	£'000	£'000	£'000
Revenue Budget Strategy 2021/22	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2021/22 budget.	711	(711)	0	0
Revenue Budget Strategy 2022/23	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2022/23 budget.	0	0	963	963
Joint Committee Reserve	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.	669	(669)	2,247	2,247
Revenue Grant Reserves (IFRS)	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.	4,824	(4,824)	5,743	5,743
Financial Management and Human Resources Risk Management	Resources set aside as cover for future liabilities relating to various risks identified and being managed.	31,641	(7,905)	12,321	36,057
Investment / Infrastructure	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough.	9,497	(6,697)	17,000	19,800
Prior Year Commitments	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	18,636	(5,999)	22,139	34,776
Medium Term Financial Planning and Service Transformation	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.	3,619	(963)	989	3,645
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	3,158	(795)	1,859	4,222
Invest to Save	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.	1,036	(480)	4,413	4,969
Total		73,791	(29,043)	67,674	112,422
Total Earmarked Reserves		150,620	(41,733)	89,472	198,359

* Council Earmarked Reserves – draft position as at 31st March 2022, subject to audit.