



**Rhondda Cynon Taf
County Borough Council**

Medium Term Financial Plan

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

Medium Term Financial Plan - Contents

Introduction and Purpose

- Section 1 Background and Context
- Section 2 Covid-19 and Cost of Living – Financial Implications
- Section 3 Local Government Settlement – Prospects
- Section 4 Council Tax
- Section 5 Individual Schools Budget
- Section 6 Fees and Charges
- Section 7 National and Local Pressures
- Section 8 Inflationary Pressures
- Section 9 Specific Grants
- Section 10 Summary Spend Requirements and Resource Availability
- Section 11 Reserve Policy (General Fund Reserves and Earmarked Reserves)
- Section 12 Financial Planning and Balancing the Budget
- Section 13 Capital Programme
- Section 14 Consultation and Scrutiny
- Section 15 Other Relevant Documents
- Annex 1 Council Revenue Budget by Services Provided
- Annex 2 Council Revenue Budget by Priority Area
- Annex 3 Council Capital Programme by Priority Area
- Annex 4 Council Earmarked Reserves

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.

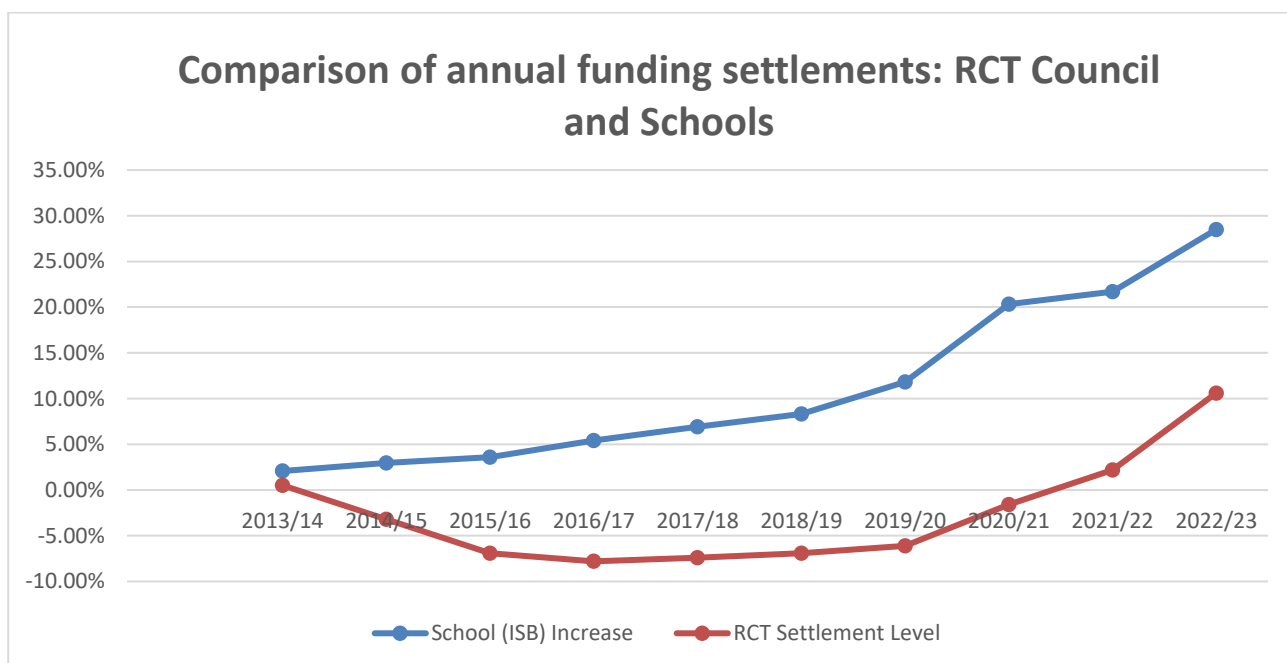
¹ Based on 2022/23 Council Tax Income

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.