



RHONDDA CYNON TAF

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

26TH SEPTEMBER 2022

MEDIUM TERM FINANCIAL PLAN 2022/23 TO 2025/26

**REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES IN DISCUSSION
WITH THE RELEVANT PORTFOLIO HOLDER, COUNCILLOR C LEYSHON**

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1. PURPOSE OF THE REPORT

- 1.1 This report provides Members with an update on the Medium Term Financial Plan (MTFP) for 2022/23 to 2025/26, based on current modelling assumptions in advance of formulating the detailed budget strategy proposals for 2023/24 during the autumn.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Cabinet:
- i. Note the current position modelled in respect of the 'Medium Term Financial Plan 2022/23 to 2025/26' and receive further updates in the autumn as part of the annual budget setting process; and
 - ii. Note that the MTFP will be presented to Council in September and will be reviewed by the Overview and Scrutiny Committee in line with their terms of reference alongside our budget consultation arrangements.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The need to keep Members informed of the budget modelling work being undertaken as part of the Council's Medium Term Financial Planning arrangements. This work is in advance of the Provisional Local Government Settlement, due from Welsh Government later this year.



4. BACKGROUND

- 4.1 Each year as part of the Council's robust financial management arrangements, an update on the Medium Term Financial Planning assumptions is provided to Members in advance of the detailed budget strategy work in the autumn.
- 4.2 The Public Sector has faced a sustained period of real term reductions in funding levels for a number of years and unprecedented challenges lie ahead for services across local government, not least as a result of the on-going national and international economic impact of the coronavirus pandemic, Brexit, increases in cost of living and the conflict in Ukraine. This position is also resulting in increased demand and costs associated with many services, in particular Social Care Services, and the need for us to support our residents, businesses and communities as they recover from the pandemic and deal with the impact of increasing energy and other costs.
- 4.3 Locally, this Council has demonstrated its ability and willingness to invest in services over a long term period, linked to our priorities as set out in the Council's Corporate Plan "Making a Difference - 2020 – 2024", in order to meet the changing needs of our people and communities. The significant 'additional' investment already agreed by Members during recent years is providing real improvements across many areas including Schools, Town Centres, Roads and Parks and Play Areas.
- 4.4 Whilst investment through the use of one-off funds has been very positive, the Council recognises that it must still address projected base budget shortfalls and make difficult decisions to balance its ongoing revenue budget into the medium term. This report provides an updated view on the range and scale of the significant challenge faced and the arrangements being put in place to address the budget gap across the planning period.
- 4.5 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. Members will note the UK Government Budget is scheduled to be announced in autumn 2022 and will be a key driver and determinant of any additional funding being made available to devolved nations for 2023/24 and also the prospects for settlement levels over the medium term. The policy direction taken by the new Prime Minister will clearly be a key influencer.
- 4.6 The majority of additional costs and income losses we have incurred as a direct consequence of the pandemic were funded by Welsh Government up to 31st March 2022, with the requirement for councils to manage the on-going implications from April 2022 through additional resources provided in the



2022/23 settlement. In this context, our medium term approach to financial and service planning will be even more critical.

5. **CURRENT MODELLING ASSUMPTIONS**

5.1 The detailed modelling assumptions are included as part of the updated 'Medium Term Financial Plan 2022/23 to 2025/26' and is attached at **Appendix 1**. The updated plan sets out the detailed basis of the medium term strategy with references to revenue spending, capital plans, income levels and reserves.

5.2 Key assumptions used in the construction of the revenue budget modelling to 2025/26 are shown below:

5.3 Income

- Local Government settlement levels have been modelled on a range of planning scenarios:

Year	Potential Settlement	Potential Settlement	Potential Settlement
2023/24, 2024/25 and 2025/26	3.5%, 2.4% and 2.4% annum	4.0% per annum	5.0% per annum

- Council Tax increases are currently being modelled at 2.00% per annum.
- Specific grant funding from Welsh Government assumed to continue in respect of the Social Care Workforce Grant (£3.668M for 2022/23).
- Fees and charges uplifted by medium term inflation only (other than where exceptions have already been agreed by Cabinet).

5.4 Expenditure

- Service area pressures reflected which arise from statutory requirements, demand led pressures (including the on-going impacts of Covid-19), demographics etc.
- Uplifts included for pay and non-pay inflation, including estimated additional costs for the 2022/23 pay award offers for teaching and non-teaching staff (noting the status of these being offers at this stage) and estimated energy cost increases.
- Authority wide requirements reflected including Capital Financing, Levies and the Council Tax Reduction Scheme.
- Schools budget is modelled to cover, in full, pay and non-pay inflation plus specific budget pressures (and in the context of the projected range of local government settlement levels).



6. CURRENT MODELLING OUTCOMES

6.1 The modelling uses a number of assumptions which are all subject to change and will be reviewed as part of the detailed budget strategy work underway. Due to current uncertainty at a UK Central Government level around public sector funding levels, paragraph 5.3 sets out a range of modelling assumptions for Welsh Government funding levels for financial years 2023/24, 2024/25 and 2025/26. The variability of the potential level of the Settlement from Welsh Government has a significant impact on the budget gap, at £4.4M per 1%, and Figure 1 illustrates the outcome of the range of modelling assumptions currently applied.

Figure 1 : Modelled Budget Gap 2023/24 to 2025/26

Budget Requirement	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Additional Budget Requirement	53,870	35,724	33,818
Additional Resources			
Council Tax	2,907	2,977	3,049
Transition Funding	-963	0	0
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	3 Year Budget Gap			
	2023/24	2024/25	2025/26	
+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

Note: a 2.00% Council Tax increase per year is assumed as part of the modelled gap

6.2 As shown above, all of our planning assumptions result in a significant budget gap being faced by the Council. The extent of the impact on our services is clearly going to be largely and directly determined by the level of settlement we receive from Welsh Government and the outcome of 2022/23 and 2023/24



pay negotiations and funding arrangements, noting the constraints they have themselves.

- 6.3 It is clear that the indicative resource levels as announced in the 2021 Comprehensive Spending Review and thereafter provided by Welsh Government, are now significantly out of line with inflationary and service pressures being faced across local government.

7. BALANCING THE BUDGET

- 7.1 The Council continues to focus on the budget gap position over the medium term and has successfully implemented a strategy of early identification and delivery of base budget reducing measures in-year. This has enabled the Council to deliver financial savings early and to replenish the Medium Term Financial Planning and Service Transformation Reserve which has been used proactively as part of the budget strategy for a number of years.
- 7.2 Our priority and focus has continued to be ensuring our residents, communities and businesses are protected and supported.
- 7.3 However, 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.
- 7.4 In this regard, 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 assurances as to likely more positive funding levels next year and into the medium term.
- 7.5 As part of our service and financial planning arrangements, opportunity must be taken to ensure we continue a programme of transformation and service delivery changes which we have made across many, if not all of our service



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areas, in recent years. The Council continues to make step changes in our working arrangements and become more efficient in terms of maximising the use of digital solutions where appropriate, recognising that such delivery does not meet the needs of all of our residents. Work is progressing, in line with the Council's Digital Strategy 2022 – 2026, to ensure we maximise the opportunities afforded by technology and digital solutions.

- 7.6 In line with the above, the areas we will explore include the continued: maximisation of efficiency saving opportunities including on-going review of workforce requirements and resources; delivery of our Social Services Transformation Programme (including our significant commitment and investment in the provision of Extra Care facilities); review of our base budget requirements at both a service level and an authority wide level including our built assets; maximisation of opportunities to invest for the long term and collaboration with others and progress the delivery of our climate change ambitions; and a focus on the principles of Digitalisation, Commercialism, Early Intervention and Prevention, Independence and being an Efficient and Effective Organisation.
- 7.7 We have for many years sought to fully fund schools as part of our budget strategy, with additional resources provided for inflationary pressures (pay and non-pay), pupil number movements and other cost pressures being felt across our schools. In light of the aforementioned position however, schools also need to be prepared to contribute to closing the funding gap we face.
- 7.8 As work develops through the areas described in 7.6, this will be reported to Members as appropriate.
- 7.9 Greater certainty will be available on the level of savings required post the Provisional Local Government Settlement later in the year. The position will be reported to Members as soon as possible after the settlement publication and as referenced above, the continued focus across a medium term planning period is paramount.

8. EQUALITY & DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY

- 8.1 There are no immediate equality and diversity or socio-economic duty implications to consider as an Equality Impact Assessment will be an integral part of the budget strategy itself that will be reported on later in the year.

9. CONSULTATION

- 9.1 There are no specific consultation requirements at this time.



10. FINANCIAL IMPLICATIONS

- 10.1 The financial modelling assumptions and implications are set out in the detail of the report. At this stage, the Council or Cabinet is not being asked to make any new financial decisions in respect of the Medium Term Financial Plan.

11. LEGAL IMPLICATIONS

- 11.1 There are no legal implications aligned to this report.

12. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

- 12.1 The report supports our Corporate Plan cross-cutting priority of 'Living within our Means'.
- 12.2 The Medium Term Financial Plan is a key enabler for the delivery of the Council's Corporate Plan and its obligations to support wider partnership objectives.

13. CONCLUSIONS

- 13.1 This report and the accompanying 'Medium Term Financial Plan 2022/23 to 2025/26' sets out the current position on the financial challenges facing the Council in the medium term. The report notes, that subject to the level of funding from Welsh Government, a significant budget gap is likely to be faced in 2023/24 and for the following two years.
- 13.2 The report also sets out that the current indicative funding allocations for 2023/24 and 2024/25 in no way reflect the demands and pressures facing local government. Consequently, in the absence of any assurances from UK Government and thereafter Welsh Government of additional funding, Rhondda Cynon Taf CBC must embark on a review across all its services to urgently identify options which can be considered to close the budget gap being faced and enable the Council to discharge its statutory duty to set a balanced budget for the financial year 2023/24 by the 11th March 2023.



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- 13.3 To support this work, the Council will continue the proactive strategy it has adopted in recent years to identify a range of budget saving options for consideration and reporting to Members as part of the 2023/24 budget setting process.

Other information

Relevant Scrutiny Committee – Overview and Scrutiny Committee



RHONDDA CYNON TAF

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

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Item:

Background Papers

- Medium Term Financial Plan 2021/22 to 2024/25
<https://rctcbc.moderngov.co.uk/documents/s29996/Apendix.pdf?LLL=0>
- Council Performance Report (Quarter 4 (Year-end) 2021/22)
<https://rctcbc.moderngov.co.uk/documents/s36110/Councils%20Performance%20and%20Resources%20Report.pdf?LLL=0>
- Budget Strategy 2022/23, Capital Programme 2022/23 to 2024/25 and Council Tax Resolution 2022/23
<https://rctcbc.moderngov.co.uk/ieListDocuments.aspx?CId=163&MId=50003777&Ver=4&LLL=0>

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