

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

23rd JANUARY 2023

**A DISCUSSION PAPER PREPARED BY THE SENIOR LEADERSHIP TEAM IN
RESPONSE TO THE 2023/24 LOCAL GOVERNMENT SETTLEMENT**

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1.0 BACKGROUND

- 1.1 The Constitution sets out the procedure, which must be adhered to when setting the Council's annual revenue budget. It is a specific requirement of the Constitution that the Council's Chief Officers first report to the Cabinet, to advise Members on the issues involved (see extract of the Constitution at Appendix 1). Following due consideration of that report, and after having conducted an appropriate budget consultation exercise, it will then be for the Cabinet to determine a strategy and recommend a budget to Council, for final approval. A timetable for this process is attached at Appendix 2.
- 1.2 Prior to determining its preferred budget strategy for the financial year ending the 31st March 2024, the Cabinet must consider:
- The Council's own financial position.
 - The financial and service implications of the Welsh Government's (WG) 2023/24 local government settlement.
 - Our Cwm Taf – Cwm Taf Wellbeing Plan 2018 -2023.
 - The Council's Corporate Plan 2020 - 2024.
 - The level of demand and the statutory basis for delivery of services.
 - The results of the General Budget Strategy consultation exercise.
 - The critical role of the Council in recovering from the pandemic and supporting and protecting our residents, businesses and communities through the cost of living crisis.
- 1.3 If Members are to arrive at the best possible outcome for our residents, it will be important that an appropriate weighting is given to each of the key determinants in paragraph 1.2 above, so that relative resourcing and spending priorities can be properly determined.
- 1.4 Accurate and up-to-date information is readily available in respect of the Council's own financial position, and officers have now analysed the 2023/24 local government settlement from Rhondda Cynon Taf's perspective.

2.0 THE COUNCIL'S FINANCIAL POSITION

- 2.1 Members have continued to receive regular updates on the financial position and projections for this Council during 2022/23. A key starting point and important consideration is the annual statement of accounts. The completion of the audit of the Council's accounts has been delayed as a result of a national accounting / regulatory requirement relating to infrastructure assets needing to

be resolved. Welsh Government approved the necessary regulations on the 1st December and the audit process can now be completed. At the time of writing it is anticipated that the audited accounts will be presented to the Council meeting on the 18th January 2023. The level of General Fund Balances which the Council holds, at the 31st March 2022 amounts to £10.292M.

- 2.2 Given the continuing financial pressures the Council is working under, it remains my view, that the Council should hold a minimum of £10M as General Fund Balances, (i.e. its working balance). This level is set given the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward.
- 2.3 It is pleasing to note the level of reserves have been replenished to the minimum level following their utilisation to support our residents and businesses in the immediate aftermath of Storm Dennis.
- 2.4 Members will be aware that in addition to General Fund Reserves, the Council also holds a number of earmarked reserves that are kept under continuous review and are assessed each year by Audit Wales. Members will be aware that included in these Reserves is a Medium Term Financial Planning and Service Transformation Reserve that has successfully supported transitional funding as part of the Council's Medium Term Service Planning arrangements. It has achieved this through helping to smooth the delivery of budget savings over a number of years, whilst still allowing an annual balanced budget to be delivered. The starting point for the Medium Term Financial Planning and Service Transformation Reserve as at the 31st March 2022 is £3.645M. As part of our ongoing strategy, we have continued to identify and deliver savings in-year which means we have been able to increase the level of transitional funding available and the latest position is that this reserve has now increased to £6.648M (additional in year savings to date of £3.003M).
- 2.5 Audit Wales continue to emphasise that we must remain disciplined, if we are to maintain our long-term goal of driving forward continuous improvement of key services, though this becomes increasingly harder to achieve following a period of such severe financial pressures. For the current financial year, these pressures amount to over £21M, and it is against this backdrop that the 2023/24 budget requirement is being assessed.
- 2.6 I believe the Audit Wales assessment is an accurate one and it is clear that Members continue to take their fiduciary duty extremely seriously as evidenced by the positive reports received from the regulators and the track record of budgetary control across services. The challenge, therefore, is to construct a prudent, equitable and fair revenue budget for the financial year ending the 31st March 2024. This must involve an approach which publicly demonstrates sound financial stewardship; which does not take unnecessary risks; which maximises income generation; continues to deliver (as far as possible, and where available) year on year efficiency savings and which delivers the services that are needed and we can afford, as well as protecting as many jobs as possible.

3.0 THE 2023/24 LOCAL GOVERNMENT SETTLEMENT

- 3.1 The timing of the Local Government Settlement in Wales for 2023/24 has followed the UK Government Autumn Statement as announced on the 17th November 2022.
- 3.2 On the 14th December 2022, the Minister for Finance and Local Government (Rebecca Evans MS) announced the Provisional 2023/24 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 3.
- 3.3 The "headlines" of the Provisional 2023/24 Settlement are as follows:-
- a. The overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) funding for 2023/24 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is 7.9% (+£403M).
 - b. The settlement for Rhondda Cynon Taf, amounts to an increase of 6.6% which is below the average all Wales increase. Settlement figures across Wales range from 6.5% to 9.3%.
 - c. No 'floor' protection has been included for 2023/24.
 - d. The Settlement figures for 2023/24 include a transfer into the settlement in respect of the Coastal Risk Management Programme (not applicable to this Council).
 - e. The Settlement also provides an indicative all Wales settlement level for financial year 2024/25 at 3.1%. This is indicative only and dependent on current estimates of NDR income and on 2024/25 UK budgets.
 - f. Provisional figures and indicative estimates for 2023/24 and 2024/25 are also included for specific grants, at an all Wales level. The Social Care Workforce Grant is set to continue at the current level. This continues to fund our core base budget.
 - g. The Council's General Capital Funding allocation has increased by £2.287M to £13.886M (having reduced by £2.165M for this financial year).

4.0 IMPLICATIONS OF THE 2023/24 PROVISIONAL SETTLEMENT

- 4.1 The provisional settlement indicates that our 2023/24 RSG and NDR funding will total £470.847M.
- 4.2 In anticipation of the 2023/24 local government settlement, the Council's service managers have constructed base budget requirements for next financial year. Those initial calculations provided for:-
- Estimated employee costs, pension costs and National Insurance Contribution levels;
 - Non-pay (i.e. goods and services) inflation, including energy and fuel;
 - Corporate financing requirements and levies; and
 - Full year effects of any additional burdens imposed on the Council and the implications of demand led pressures.

- 4.3 Whilst the Provisional Settlement is at a higher level than the range modelled in the most recent Medium Term Financial Plan having regard to some of the intense funding and inflationary pressures which are being experienced, it does also recognise the challenge which local government will face, as per the following extract from the Minister’s statement.

“While this is a relatively good Settlement, building on improved allocations in recent years, I recognise that the rates of inflation we have experienced over the last few months and the forecasts from the OBR of continuing significant levels of inflation means that local government will still need to make difficult decisions in setting their budgets.”

- 4.4 Members have continued to receive updates on the projections of the Council’s revenue budget position for the period to 2025/26, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Council on the 28th September 2022 which, based on a range of modelled settlement levels, projected a funding gap of £36.5M (at +3.5% settlement - the indicative all Wales level provided alongside the current years Local Government Settlement).
- 4.5 Since the preparation of the MTFP, officers have continued to update and challenge our base budget requirements for next financial year and into the medium term. The net impact of these changes on the Council’s estimated budget gap for 2023/24 are set out at table 1.

Table 1 : Base Budget Updates and Restated Budget Gap 2023/24

| | £'000 |
|--|---------------|
| Budget Gap at MTFP (3.5% Settlement Level) | 36,475 |
| Fire Levy (provisional 8.2%) | 530 |
| Reassessment of Base Budget Requirements (special school numbers, capital charges, ALN, demand led social care, Insurance) | 1,454 |
| Real Living Wage, Pay and Pensions | 6,760 |
| Energy | 7,000 |
| Revised Budget Gap at 3.5% Settlement | 52,219 |

- 4.6 As referenced at section 3, the provisional settlement provides this Council with an uplift of 6.6%. This compares favourably with the indicative all Wales settlement level which was provided alongside this years Local Government Settlement of 3.5%.
- 4.7 Cabinet on the 7th November 2022 determined the Council Tax Base for 2023/24 at £77,977.84. The impact on the modelled budget gap of our updated tax base can also now be reflected.
- 4.8 The combined effects of the above have resulted in additional resources available to the Council as shown in table 2.

Table 2 : Additional Resources Available at Provisional Settlement

| | | £'000 |
|--|---|---------------|
| Resources at Indicative All Wales Settlement level (+3.5%) | - | 15,450 |
| Resources at Provisional Settlement Level (+6.6%) | - | 29,406 |
| Additional Resources at Provisional Settlement | - | 13,956 |
| Impact of Updated Tax Base | | 63 |
| Additional Resources Available for 2023/24 | - | 13,893 |

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

Table 3 : Revised Budget Gap 2023/24

| | | £'000 |
|---|---|---------------|
| Budget Gap at MTFP | | 36,475 |
| Base Budget Updates | | 15,744 |
| Additional Resources at Provisional Settlement | - | 13,893 |
| Revised Budget Gap at Provisional Settlement | | 38,326 |

- 4.10 This reflects the position which was presented to Council on the 15th December 2022 and it is against this backdrop that we must consider our budget strategy for 2023/24.

5.0 DEVELOPING AN EQUITABLE, DELIVERABLE AND BALANCED BUDGET FOR 2023/24

- 5.1 Notwithstanding the more positive settlement from WG for 2023/24, it still falls some way short of funding the significant pressures which we face and at a time when our residents, businesses and communities are facing a cost of living crisis. It is against this context that we need to develop a balanced budget for next year. There remain significant pressures upon many of our services together with a limited ability to increase Council Tax income, and a low tax base. Within these parameters, we will therefore need to take appropriate decisions to ensure that next year's budget is equitable for all, does not compromise our financial stability and protects our key services wherever possible.
- 5.2 I touched upon the Council's overall financial position in Section 2 of the report. In my view, it is vital that we continue with the strategy we have adopted to date that takes account of the importance of sound financial management, including the level of General Fund balances and appropriate use of the "Medium Term Financial Planning and Service Transformation Reserve" as transitional funding, whilst targeting any available resources toward our high priority, customer-focused public services.
- 5.3 Every year, there are certain corporate financial provisions that must be "top sliced" locally, before service budgets can be allocated. Next year will be no different. There will be a requirement for:
- a) A provision to meet levies from External Bodies;
 - b) A provision for Capital Charges;

- c) A provision for all other “Miscellaneous Finance” items (Audit Fees, Insurance Costs, Bank Charges, etc.) which are non-specific to any particular Service Group; and
- d) Resources to fund the Council Tax Reduction Scheme.

5.4 As part of our updated budget requirement, appropriate sums have been set aside for these corporate financial requirements.

5.5 The Council also continues to monitor the financial implications of service demand post pandemic, alongside ensuring ongoing service continuity at a time of unprecedented cost increases both to the Council and its partners and contractors.

6.0 COUNCIL TAX LEVELS

6.1 This Council has always acted reasonably when setting its Council Tax, balancing the impact upon services and the ability of the public to pay, recognising that those eligible will receive support through the Welsh Government’s Council Tax Reduction Scheme (CTRS). Our MTFP has been modelled based on an increase in Council Tax for 2023/24 of 2.00%.

6.2 Members will be aware that the costs of the CTRS impacts on the net income generated through any increase in Council Tax. A 1% increase in Council Tax will generate an additional income for the Council of £1.211M (at the 2023/24 tax base level) but will also cost £0.256M in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £0.955M, or stated another way, 21% of any Council Tax increase is lost to support the increased costs associated with the Welsh Government’s CTRS.

6.3 It is proposed that the level of Council Tax for next year now be remodelled and set at an increase of 3.50%. This would align with the expectations of the Cabinet in terms of avoiding excessive increases in Council Tax levels and in light of the remaining budget gap which the Council faces and the desire to maintain as many services as possible.

6.4 The additional income which this would generate, as compared to that previously modelled would be £1.433M.

7.0 SCHOOLS BUDGET (ISB)

7.1 Members have always viewed our schools as being a key priority and have ensured that they have been treated favourably in comparison with other council services.

7.2 The Schools Budget (ISB) has increased and been protected from the worst of the impact of austerity, with an increase over the last 10 years of 28%, at a time when other council budgets have increased by 11%. This would equate to an extra £25M having been provided to schools as compared to other council services.

7.3 The budget gap of £38M which the Council faces equates to 7.7% of our budget, excluding authority wide budgets. Schools have previously been advised, for planning purposes, that they should prepare for a difficult period

and a potential 2.75% reduction in funding after having been funded for all pay and non pay pressures. In this regard they were advised to be prepared to use the flexibility of their own reserves to assist them. For context, the aggregate level of school balances increased from £12M to £20M over the course of the last financial year (2021/22).

- 7.4 The strategy now proposed will see schools allocated funding in full to cover costs in respect of pay, inflation, energy cost increases, pupil number changes and additional pressures in respect of ALN. After adjusting the ISB to reflect lower pension and NI costs, this would provide an additional £18.0M of funding to schools.
- 7.5 The reduction of 2.75% already advised to plan for would result in a budget reduction of £5.3M. It is proposed however that an additional £0.5M be set aside as further support with the school based challenges of ALN plus a further £0.5M of general funding be allocated to schools reducing the impact on Schools to £4.3M.
- 7.6 In overall terms, the proposal would mean that the aggregate schools budget would increase by £13.7M, this representing an increase of 7.9% with the level of efficiency also reduced to 2.2%.

8.0 EFFICIENCY

- 8.1 Council services have for many years now delivered against ambitious efficiency targets, making considerable budget reductions without adversely impacting on front line service provision.
- 8.2 As part of the current year's budget strategy, efficiencies of £4.9M were identified and delivered albeit it was noted that the ongoing sustainability of delivering efficiencies at this level would need to be considered.
- 8.3 In light of the emerging financial challenge facing the Council, senior officers were charged with identifying a range of options and opportunities for budget reduction measures. Service managers were engaged across all service areas ensuring that all contributed to closing the likely budget gap which we were going to face.
- 8.4 Over a number of months including challenge sessions with the Senior Leadership Team, options have been identified and assessed against the service level and resident impact to ensure that our vital services were protected and maintained wherever possible. Following this assessment the Senior Leadership Team is able to propose budget reductions of £16.164M. This can be delivered from measures which would not significantly impact on service levels nor service delivery albeit would include operational service reconfiguration which might be apparent to residents and service users.
- 8.5 The proposals can be summarised as follows :

Table 4 : Efficiency and Service Operational Reconfiguration

| | £'000 |
|---|--------------|
| Service Restructurings and Vacancy Management | 2,260 |
| Service Redesign / Use of Technology | 505 |

| | |
|---|---------------|
| Operational Service Reconfiguration | 2,041 |
| Optimisation of Procured and Commissioned Services | 2,970 |
| Additional in-year (2022/23) efficiency Requirement | 1,500 |
| Use of External Funding / Recharging | 2,507 |
| General Efficiency Measures | 4,381 |
| Total Efficiency and Service Operational Changes | 16,164 |

8.6 The Senior Leadership Team can provide assurances to Cabinet, that the measures proposed above can be delivered operationally and without a significant detrimental impact on our front line services.

9.0 **SPECIFIC SERVICE / EXPENDITURE CHANGES**

9.1 This Council has taken proactive steps to dealing with the budget pressures it continues to face including delivery of saving proposals early with a clear focus maintained across the medium term planning horizon. The Council has continued to deliver robust, balanced budgets and taken the opportunity to use our Medium Term Financial Planning and Service Transformation Reserve, as transition funding, to sensibly support the overall budget strategy. This approach is one which I would recommend is continued.

9.2 Alongside this budget strategy, the Cabinet have also determined to review a number of services and strategy proposals and these are set out below. It is noted that a number of decisions are yet to be made and they are included here for modelling purposes only at this stage.

a. Waste Services Strategy

Cabinet have previously agreed to initiate a public consultation and engagement exercise on the option for change. The Consultation process ran from the 5th December 2022 to the 9th January 2023. The consultation feedback and decision whether to progress with the proposal is to be considered by cabinet alongside this report, namely :

- (i) The collection of residual household waste on a 3-weekly basis for all domestic waste collections.
- (ii) Presentation of waste on a 3-weekly basis will be as follows; strict volume control measures will apply to all domestic waste, namely:
 - a. a maximum of 3 black bags per household, (for those properties with existing black bag waste collections),
 - b. The “no side waste” rule continues for those households with large 240L wheelie bin collections (but 1 bag of side waste, no larger than 70L, is allowed for the standard 120L bins); and
- (iii) Initiate a trial of the use of reusable recycling sacks for the collection of dry mixed recycling, (DMR).

If Cabinet determine to proceed with the proposal, then it would reduce the Council’s budget by £800k (full year).

b. Community Meals

Cabinet have previously agreed to initiate a consultation on a preferred service change proposal namely to reorganise the existing internal service and provide a hot/frozen Community Meal home delivery service with increased service user charges thus reducing the subsidy per meal.

The Consultation process ran from the 5th December 2022 to the 9th January 2023. The consultation feedback and decision whether to progress with the proposal is to be considered by cabinet alongside this report.

If Cabinet determine to proceed with the proposal, as consulted upon, then it would reduce the Council's budget by £427k (full year).

c. Council Run Nursery Provision

To increase the availability of a range of childcare options for families in local communities, a proposal to undertake a market testing exercise to inform revised service delivery arrangements currently provided at four Council run nursery settings has previously been agreed (24th November 2022). The market testing process would assess the capacity and capability of local providers to deliver and would inform next steps and decision-making arrangements.

The aforementioned market testing has confirmed that there are a number of experienced providers who have expressed an interest to provide the service at one or more of the settings and a procurement process is therefore necessary to determine the ongoing provision and providers.

Subject to Cabinet deciding to progress in line with the above, and replacement service providers being secured, of which the market testing has confirmed a high likelihood, then the Council's budget would be reduced by **£322k (full year)**.

d. Council Tax Premium on Long Term Empty Properties and Second Homes

Cabinet have consulted upon and subsequently determined to recommend to Council the introduction of a Council Tax Premium on long term empty properties and second homes within the County Borough. The proposal will support the Council to protect and continue with the comprehensive range of packages available to bring empty properties back into use, through raising extra council tax, estimated to be **£1,500k (full year)**.

Note, this proposal is subject to Council approval (18th January 2023)

e. Capitalisation of Spend

Expenditure has been identified which is currently funded from our revenue budgets which could, in line with accounting rules, be funded from our capital budgets. These expenditure items relate to IT software licence costs, vehicle purchases and our contribution to the Cardiff Capital Region City Deal.

SLT have considered the impact upon our capital programme, in the context of the overall quantum of the programme across 3 years and concluded that a reduction in our core programme can be delivered. Opportunities will be taken to top up any specific areas of demand or particular impact, using the flexibility provided by the increased capital resources made available as part of next year's settlement, in addition to any one off investment funding opportunities going forward. The Council's updated 3 year capital programme 2023/24 to 2025/26 will set out full details.

The proposal would reduce the revenue budget by **£4,000k**.

f. Fees and Charges

It is proposed that all Fees and Charges are subject to a 5.0% standard increase, with the Council absorbing the implications of not applying an uplift in line with the CPI rate of inflation recognising the significant increase in our cost base and subsequent level of subsidy. A number of areas are proposed to be subject to specific treatment, as set out in the Fees and Charges Proposals 2023/24 being considered by Cabinet alongside this report.

These proposals would generate additional income of **£750k**.

- 9.3 The financial implications (including part-year impact) of the above proposals are shown, for modelling purposes in the following table, noting that decisions remain to be made as referenced.

Table 5 : Specific Service / Expenditure Changes

| | £'000 |
|---|----------------|
| Waste Services - Residual Waste Collection | - 600 |
| Community Meals Service | - 320 |
| Council Run Nursery Provision | - 188 |
| Council Tax Premium (Long Term Empty Properties and Second Homes) | - 1,500 |
| Capitalisation | - 4,000 |
| Fees and Charges | - 750 |
| Total Specific Service / Expenditure Changes | - 7,358 |

Note, part year savings have been assumed where appropriate.

9.4 ENERGY

- 9.5 The latest available increases for our energy costs for next year show a 283% increase for gas and a 147% increase for electricity. The financial implications of these increases are built into the budget requirement as set out above.

- 9.6 It is apparent from latest available forecasts however, that the likely costs for the year after (2024/25) will be lower and that there is the opportunity to utilise one off funding to smooth the one year spike in energy costs. It is clearly important that we continue to monitor movements in forecasts on a regular basis recognising the extreme volatility in the market at the moment and the most recent announcement regarding the Energy Bills Discount Scheme

(EBDS) and the extent of its applicability for non-domestic consumers is being assessed.

9.7 It is proposed therefore that a contribution from reserves of £5.0M is made to smooth the impact for financial year 2023/24.

9.8 The combined impact of the aforementioned budget strategy components are now set out below.

Table 6 : Impact of the Budget Strategy Components

| | £'000 |
|--|---------------|
| Revised Budget Gap at Provisional Settlement | 38,326 |
| <u>Budget Strategy Components</u> | |
| Schools | - 4,256 |
| Council Tax at 3.5% | - 1,433 |
| Total Service Efficiencies and Operational Service Reconfiguration Savings | - 16,164 |
| Total Specific Service / Expenditure Changes | - 7,358 |
| Remaining Budget Gap | 9,115 |
| Energy Reserve | - 5,000 |
| Remaining Budget Gap | 4,115 |

9.9 *Medium Term Financial Planning and Service Transformation Reserve (Transitional Funding)* – We have for many years used our transition funding reserve sensibly as part of our balanced budget strategy, at a level which does not compromise the robustness of our budget and which can be replenished with some certainty, given our ongoing strategy of delivering savings early.

9.10 As previously referenced the reserve currently stands at £6.648M, having been replenished during this year (2022/23) by £3.003M to quarter 2. Accordingly, to address the remaining budget gap, it is proposed that an allocation of £4.115M is made from this reserve for 2023/24. This would facilitate a balanced budget for 2023/24 and would leave £2.533M in the reserve (subject to the year-end assessment of reserves). I am confident that processes are now sufficiently well embedded to ensure that savings are achieved in-year and that this reserve can continue to be replenished.

| | £'000 |
|-------------------------------------|--------------|
| Remaining Budget Gap | 4,115 |
| Use of Transition Funding | - 4,115 |
| Remaining Budget Gap 2023/24 | - |

9.11 The above provides a robust and balanced budget strategy which can be recommended to Cabinet and Council.

10.0 MEDIUM TERM FINANCIAL PLANNING

- 10.1 Whilst the focus for this report is necessarily on 2023/24, the pressures on our services means that our Medium Term Financial and Service Planning arrangements remain key to ensuring that financial stability is maintained as the cornerstone of our overall financial health as a Council.
- 10.2 The provision by Welsh Government of an all Wales multi-year settlement with indications of prospects for 2024/25 is helpful for our medium term financial planning arrangements, notwithstanding the lower levels of indicative future year settlements will again present us with a significant challenge. In this regard it is essential that we retain our focus across the medium term planning horizon and seek to ensure that we continue to manage our cost base effectively alongside future prospects for settlement levels.
- 10.3 The delivery of efficiency savings early and as part of our medium term planning has positioned us extremely well in our ability to respond to funding challenges and uncertainties and continues to contribute to the delivery of a lean, efficient and effective organisation.
- 10.4 Acting early, decisively and proactively has doubtlessly positioned us well in responding to the financial challenge which we faced for 2023/24 and it is essential that we retain this focus and approach over the coming period. Unfortunately the outlook for local government finance and services continues to be extremely challenging but we remain well placed to respond and to ensure that we protect our valued public services upon which our residents, businesses and communities rely.

11.0 SERVICE PRIORITIES

- 11.1 Even after a period of significantly reduced resources and hence financial pressure on all services, this Council remains committed as far as it possibly can to continue to deliver its key services, stronger communities and social justice. The Council's Corporate Plan 2020-2024 sets out that our key purpose is to provide strong community leadership and create the environment for people and businesses to be independent, healthy and prosperous.
- 11.2 The Senior Leadership Team have had due regard to the plan in formulating the proposals set out in this report.
- 11.3 In addition to our revenue base budget requirements, opportunities also continue to be taken to deliver investment in key strategic areas through one off funding made available via a risk based review of earmarked reserves and through identification of in-year savings opportunities. The Council has already invested over £146M (over and above the normal Capital Programme) in areas supporting key Corporate Plan priorities since October 2015, the latest investment (£2.725M) being agreed by Council in September 2022.
- 11.4 A report setting out the updated capital programme for 2023/24 to 2025/26 will be reported for Members consideration shortly. As was noted at Section 3, the Council's General Capital Funding allocation has increased by £2.287M to £13.886M (having reduced by £2.165M for this financial year).

12.0 2023/24 SERVICE GROUP BUDGETS

- 12.1 The Council adopts a comprehensive budget challenge process involving finance officers and senior managers from each Service area, with a subsequent detailed review and assessment being conducted by the Senior Leadership Team, to ensure consistency and fairness across all service areas.
- 12.2 The 2022/23 revenue budget and the regular performance monitoring reports are available to the Cabinet, to act as a benchmark to evaluate service delivery options, priorities and savings proposals. It is, of course, important to note that the current year's figures are for information purposes only and are not meant to represent a base service requirement, or target. Indeed, budget provision for next year could be more, or less, than the 2022/23 levels, depending upon Members' decisions and spending priorities, and following the impact of the 2023/24 local government settlement.
- 12.3 All of our services continue to complete and have available self assessment and delivery plans. Funding will be a key consideration for these plans and the Senior Leadership Team's budget proposals are intended to underpin these actions. This will allow the budget to be built "bottom up", on the basis of properly identified service need, within the framework provided by the Cwm Taf Wellbeing Plan and our own Corporate Plan.
- 12.4 Members will, of course, be keen to demonstrate that the Council is properly discharging all its statutory obligations, but with funding at a premium, will also wish to ensure that our services are being delivered in the most economic, efficient and effective manner. The basic principle which should, therefore, underpin the construction of the 2023/24 budget, is that Members will look to target adequate funding towards the delivery of our key services whilst, at the same time, ensuring that the resultant Council Tax levied next year is reasonable and can be justified to our residents. Attached at Appendix 4 is an outline budget proposal, including efficiency and service funding requirements.

13.0 THE 2023/24 GENERAL BUDGET STRATEGY CONSULTATION PROCESS

- 13.1 As in previous years, the Council has been keen to consult with the public and other interested stakeholders on its general budget strategy and how services are delivered.
- 13.2 The proposed approach to budget consultation for 2023/24 is set out in the Cabinet report dated 17th October 2022. It comprises 2 phases as follows:

Phase 1 - provided residents and stakeholders with the opportunity to feedback their views on some of the key strategic building blocks used to construct the Council's budget.

Phase 2 - once Cabinet have agreed a draft budget strategy, and in light of the provisional local government settlement, then this draft strategy will itself be consulted upon as part of Phase 2.
- 13.3 The Phase 1 Consultation report has been available to support the preparation of these proposals and is attached at Appendix 5.
- 13.4 The general budget consultation also incorporated the requirements to consult on discretions available locally for the Council Tax Reduction Scheme (which

has been used to inform the Council's decision on its scheme for 2023/24 as considered by Council on the 18th January 2023).

- 13.5 In addition, specific consultation activity was undertaken with the Overview and Scrutiny Committee and the School Budget Forum the minutes of which are attached at Appendix 6 and Appendix 7 respectively.

14.0 CONCLUSIONS

- 14.1 On the 14th December 2022, the Minister for Finance and Local Government (Rebecca Evans MS) announced the Provisional 2023/24 Local Government Settlement which showed this Council's increase in resources was set at 6.6%.
- 14.2 Whilst the Council's overall financial position remains sound, its level of General Fund Balances are not excessive. The Council must, therefore, retain its focus on maintaining the minimum level of General Fund Balances of £10M, in order to mitigate any risk of future budget instability. Alongside this, there is the opportunity to pragmatically use the Medium Term Financial Planning and Service Transformation Reserve as transitional funding without compromising the Council's financial stability, or reducing our General Fund Balances. As detailed in the report, the use of such transitional funding would produce a balanced budget for 2023/24, supplemented by the pragmatic use of reserves to offset the energy increases.
- 14.3 This Council has continued to deliver year on year robust and balanced budgets alongside an investment programme supporting key priorities. The challenge remains however, for positive and proactive management from the Senior Leadership Team and clear direction from Cabinet to produce a financially sustainable budget into the medium term in what continues to be an extremely challenging and uncertain financial climate.
