



**Rhondda Cynon Taf
County Borough Council**

Medium Term Financial Plan

**2023/24 – 2026/27
(updated September 2023)**

Medium Term Financial Plan - Contents

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INTRODUCTION AND PURPOSE

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

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

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

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

Section 1 Background and Corporate Plan Priorities

- 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 4 financial years more positive local government settlements were received, this reflecting the key role local councils had and continue to have in supporting communities through the Covid-19 pandemic and on-going cost-of-living crisis. At a national level, the overall local government settlement for Wales over the last 10 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%
2023/24	+7.9%

- 1.3 For Rhondda Cynon Taf the real term reductions in funding over many years has translated into a need to make budgetary savings of around £120M during the last 10 years or so, equating to a reduction of approximately 20% of the Council's net budget.
- 1.4 The Council's Corporate Plan 'Making a Difference' 2020 – 2024 sets 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 also sets out the key economic related conditions and drivers Rhondda Cynon Taf, like the wider local government sector in Wales, will operate within over the medium term: real term reductions in funding; rising pay inflation; increasing pressures on services driven by changes in population; wider financial pressures on households, for example, energy bills and housing costs; and increasing public expectations in terms of responding to climate change to ensure the Council's day-to-day activities become carbon neutral.
- 1.9 The MTFP is central to the delivery of Corporate Plan priority outcomes in an affordable and sustainable way. It aids robust and methodical planning as it forecasts the Council's financial position, taking into account known pressures; major issues affecting the Council's finances, including geo-political and national issues; and local challenges. 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, over many years, 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 in real terms, rising costs and increased demand for services, it will deliver targeted investment in priority areas and further modernisation of services, alongside a requirement to continue a programme of delivering significant budget savings across all service areas to ensure the strong financial health of the Council is maintained.
- 1.12 The Council's agreed Revenue Budget for 2023/24 amounts to £609.955M. Annex 1 sets out the Council budget for 2023/24 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 Strategic Context

- 2.1. The MTFP is set within the context of the UK economic position and public expenditure plans, with decisions made by the UK Government and the subsequent funding levels it provides to Welsh Government having a direct impact on spending and decision making by Rhondda Cynon Taf Council.

National Context – United Kingdom

- 2.2 Since the Council approved its last MTFP (September 2022), the economic conditions continue to be very challenging, with the world economy already weakened by the Coronavirus pandemic and the wide-spread implications of the conflict in Ukraine. Inflation rates have remained high and are impacting not only on the Council's own expected future costs of supplies, but also on local business' finances and the cost of living for our residents – in the latter case, leading to increased fuel and food poverty being seen.
- 2.3 The Bank of England has responsibility for controlling the annual inflation rate¹ and, in doing so, provide price stability. Between July 2022 and March 2023, the annual inflation rate has been around 10%, well above the Bank of England's target of 2%, with the rate gradually reducing from April 2023 and at 6.8% in July 2023. One of the main causes of high inflation has been the conflict in Ukraine and this has led to marked increases in the price of gas, basic food items and goods from abroad. During this period there has also been pressure on prices from developments in the United Kingdom, with businesses charging more for their products because of the higher costs they face and, due to high numbers of job vacancies, employers have been offering higher wages to attract job applicants. The Bank of England has confirmed it will be continuing to take steps to return to a low and stable inflation position in line with its 2% target.
- 2.4 The UK Government Spring Budget 2023 allocated an additional £180M to Welsh Government over 2023/24 and 2024/25 as a result of spending decisions in England. The Spring Budget 2023 also announced, amongst other things, an extension to the Energy Price Guarantee to June 2023 limiting a typical household energy bill to £2,500 per year, more places on "skills boot camps" to encourage over-50s who have left their jobs to return to the workplace and support for childcare costs for parents on Universal Credit. The Welsh Government responded to the Spring Budget 2023 indicating that the funding level is up to £900M lower in real terms than expected at the time of the United Kingdom 2021 Spending Review and Office for Budget Responsibility analysis shows that living standards are expected to fall by 6% between 2021-22 and 2023-24 - the largest decrease since records began.

Welsh Government – Programme for Government

- 2.5 The Welsh Government has set out 10 well-being objectives it will deliver between 2021 and 2026 to improve the lives of people across Wales:
- Provide effective, high quality and sustainable healthcare.

¹ Annual Inflation Rate – i.e. consumer prices index rate

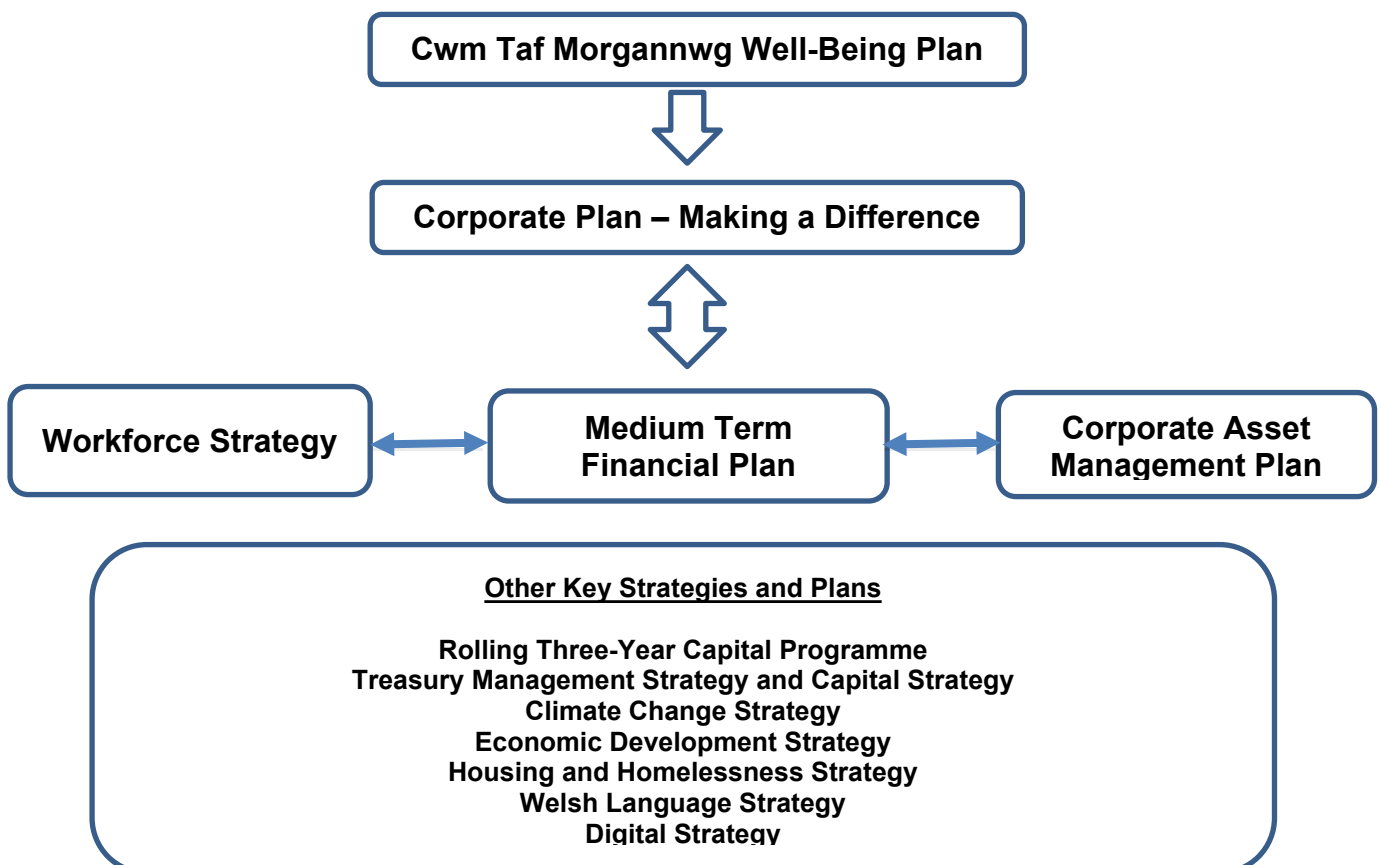
- Continue our long-term programme of education reform, and ensure educational inequalities narrow and standards rise.
- Protect, re-build and develop our services for vulnerable people.
- Celebrate diversity and move to eliminate inequality in all of its forms.
- Build an economy based on the principles of fair work, sustainability and the industries and services of the future.
- Push towards a million Welsh speakers, and enable our tourism, sports and arts industries to thrive.
- Build a stronger, greener economy as we make maximum progress towards decarbonisation.
- Make our cities, towns and villages even better places in which to live and work.
- Embed our response to the climate and nature emergency in everything we do.
- Lead Wales in a national civic conversation about our constitutional future, and give our country the strongest possible presence on the world stage.

2.6 Local authorities, alongside Welsh Government and public, private and third sector partners, will play a key role in delivering the above objectives. The Council’s Corporate Plan priorities and service delivery planning arrangements align to these objectives.

Rhondda Cynon Taf Council – Key Strategies and Plans

2.7 The Council has a number of strategies that underpin its Corporate Plan priorities that are aligned to the Cwm Taf Morgannwg Well-Being Plan, the Welsh Government’s Programme for Government and take account of the Well-Being of Future Generations Act 2015. The strategies and plans inform the direction of the Council and its day-to-day operations, and integrate with the MTFP. Figure 1 sets the MTFP within this strategic context.

Figure 1 – MTFP Strategic Context



- 2.8 Within this strategic context, Rhondda Cynon Taf is proactive in making decisions, some of which have and will continue to require difficult choices to be made, to ensure services are sustainable and support those most in need. This work has also included supporting residents through the cost of living crisis, using Council funds and funding from Welsh Government; for 2022/23, over £28M of support has been paid via Cost of Living Grants, Winter Fuel Payments, Free School Meal Payments during school holidays, Unpaid Carers Support Grant and self-isolation payments, helping eligible households to receive much needed financial support through this difficult period.
- 2.9 Looking ahead, although the financial outlook is one of uncertainty and risk, this MTFP 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 and Welsh Governments 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 10 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 for 2022/23 and 2023/24, the settlements were 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%	+3.8%
2022/23	+8.4%	+9.4%
2023/24	+6.6%	+7.7%

- 3.2 Welsh Government, as part of its 2023/24 settlement published on 28th February 2023, provided an indicative all Wales settlement level for the financial year 2024/25 at 3.1%, noting that the figure is dependent on the current estimate for Non-Domestic Rate income and future budgets. The indicative funding level for 2024/25, when set against continued high inflation levels; increasing demand for services, particularly for the most vulnerable within communities; and following a sustainable period of real term reductions in funding levels that has required the delivery of significant budget savings, will mean the Council facing, once again, a significant budget gap for the year ahead and over the medium term. Based on this position, it is highly likely the Council will be unable to close the budget gap from areas that do not impact on frontline services.
- 3.3 Linked to this, the timing of the level of funding to be provided by the UK Government to Welsh Government for the 2024/25 financial year is currently not confirmed, noting the UK Government’s update on 17th April 2023 *“the Government is required by law to commission the Office for Budget Responsibility to produce two forecasts per year and to hold a Budget each fiscal year. The Government will notify Parliament on the timing and nature of the next fiscal event when this is agreed, as a matter of course”*. This position results in uncertainty over future public sector funding levels in Wales.

- 3.4 The level of Welsh Government funding is a key factor in the Council's overall resource availability, accounting for 77.3% of our budget. Each 1% change in the level of Welsh Government funding amounts to approximately £4.7M 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
2024/25, 2025/26 and 2026/27	3.1%, 2.0% and 2.0%	3.0% per annum	4.0% per annum

United Kingdom Wide Economic Outlook

- 3.6 The Bank of England Monetary Policy Report (August 2023) forecasted that:
- Underlying Gross Domestic Product Growth is projected to remain slightly positive in 2023 and over the period to 2026, and is forecasted to be below pre-pandemic rates over the medium term. This is reflective of relatively weak potential supply, based on business surveys reporting a slowing in the outlook of activity and the increase in interest rates having played a role, and a waning boost from fiscal policy such as the cessation of the Energy Bills Discount Scheme.
 - Economic activity has showed continued resilience in recent months, this being reflective of a number of factors including the possibility of lower precautionary saving by households than previously assumed and related to a lower risk of job losses given the continued strength in labour market activity.
 - The Bank of England most likely projection for Consumer Prices Index (CPI) inflation is a return to the 2% target by mid-2025 and then falls below the target in 2026, as an increasing degree of economic slack (the amount of resources in the economy that are not used) reduces domestic inflationary pressures alongside declining external cost pressures.
 - The unemployment rate rose to 4% in the three months to May 2023 and is projected to gradually rise to just under 5% in 2026, with recruitment conditions being reported as tighter (higher number of vacancies) than normal.
- 3.7 The Office for Budget Responsibility Economic and fiscal outlook (March 2023) set out that Real Household Disposable Income (RHDI) per person, a measure of real living standards, is expected to fall by a cumulative 5.7% over the two financial years 2022/23 and 2023/24 and would be the largest two-year fall since records began in 1956/57. The fall in RHDI per person mainly reflects the rise in the price of energy and other tradeable goods of which the UK is a net importer, resulting in inflation being above nominal wage growth. This means that real living standards are still 0.4 per cent lower than their pre-pandemic levels in 2027/28.

A Welsh Picture

- 3.8 The Wales Governance Centre (Wales Fiscal Analysis) published a paper in December 2022 on the 'Welsh Budget Outlook 2022' which set out, amongst other things, forecasts for 'local government finance' and 'household income'.

Local government Finance

- 3.8.1 Even with the additional funding announced in the UK Government's Autumn 2022 Statement as a result of spending consequential in England, it is projected that annual council tax increases of 2% would leave local authorities £345 million short of the amount required to meet cost and demand pressures by 2024/25.
- 3.8.2 If the next UK Government sticks to the lean spending plans pencilled in by the current government, the funding gap could grow to £660 million by 2027/28. This would almost certainly imply a return to an era of spending cuts and above-inflation council tax increases after a brief hiatus over the pandemic.
- 3.8.3 Low interest rates on fixed loans from the Public Works Loan Board (PWLB) made borrowing an attractive way to finance capital expenditure during the 2010s, when the real value of Welsh Government grants was in decline. However, a steep rise in the cost of borrowing will make financing new capital projects considerably more expensive.

Household income

- 3.8.4 The Chancellor of the UK Government announced further targeted payments to low-income households, pensioners, and individuals in receipt of disability benefits in 2023/24. These payments will boost the disposable income of Welsh households in the poorest income decile by 10%. This is in addition to the 10.1% uplift planned for most benefits (including the state pension) in April 2023.
- 3.8.5 Rising food prices are now a key driver of the headline inflation rate. Even pre-pandemic, UK households in the poorest income quintile were spending more than twice as much on food and non-alcoholic beverages (as a proportion of their income) than households in the top income quintile.
- 3.8.6 The longer-term outlook for households remains bleak. By 2027, real disposable incomes in Wales will be over £10,000 lower than had the pre-financial crisis trend been sustained.
- 3.9 Linked to the above, the 2022/23 council tax increases across Wales were 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 the expected fall in RHDI.
- 3.10 The squeeze on household incomes as communities continue to 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.

- 3.11 The next UK Government Budget, currently scheduled for autumn 2023, will be key in determining resource levels for 2024/25, and will be taken account of as part of the Council's on-going medium term financial planning arrangements. It will be imperative that the UK Government Budget fully takes account of both inflationary and service pressures continuing to be faced by local government in the delivery of the wide range of much needed services to communities.

Section 4 Council Tax

- 4.1 Council Tax income accounts for 20.6% of the Council’s net budget, generating £125.865M from local taxpayers in 2023/24.
- 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
2023/24	80,183	97.25%	77,978

- 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

Financial 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%
2023/24	1,614.11	3.90%

* - 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 2023/24 amounts to (77,978 x £1,614.11) £125.865M.
- 4.9 For modelling purposes in our medium-term calculations as part of this report, a Council Tax increase of 3.90% per annum is currently being used for 2024/25, 2025/26 and 2026/27, 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 £955k² 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 2022/23 the Council paid CTRS to 23,587 eligible applicants at a net cost to the Council of £25.587M, and for 2023/24 the Council has estimated the cost to be £25.784M, noting that the CTR Scheme in Wales is a national scheme developed by Welsh Government, with a fixed amount of funding provided as part of annual local government budget settlements.

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.

² Based on 2023/24 Council Tax Income

- 4.13 All awards of this new exemption type have been reflected in the Council Tax Base from 1st April 2019.

Council Tax Premium

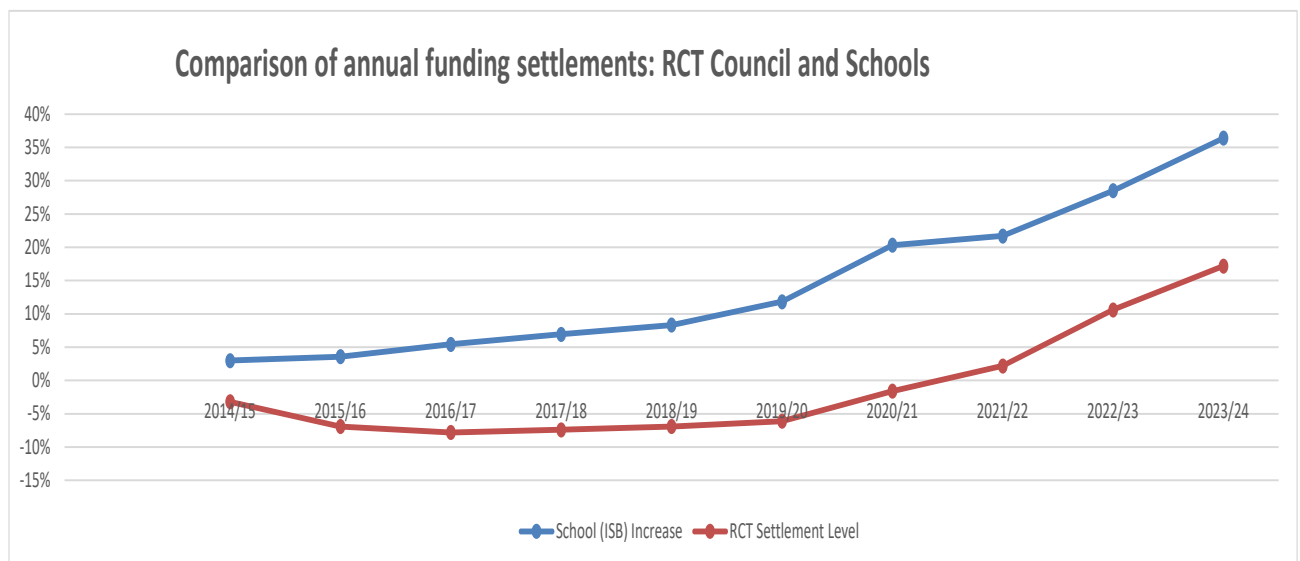
- 4.14 On 18th January 2023 full Council agreed the introduction of a Council Tax Premium for long term empty properties and second homes, following a public consultation process. The premium for long term empty properties was introduced from 1st April 2023 and the premium for second homes will be effective from 1st April 2024 in accordance with the requirements of the regulations, and will be incorporated into the Tax Base calculation in line with these timescales.
- 4.15 The implementation of the above measures form part of a wider programme of actions to support the delivery of the Council's Empty Homes Strategy 2022 – 2025, agreed by Cabinet on 17th October 2022, to bring empty properties back into use, increase the supply of affordable housing and enhance the sustainability of local communities.

Section 5 Individual Schools Budget (ISB)

- 5.1 The total Individual Schools Budget (ISB) for the Council in 2023/24 amounts to £186.976M and represents 31% of the Council's net budget.
- 5.2 Since 2014/15, 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
2014/15	0.90%	-3.70%
2015/16	0.60%	-3.70%
2016/17	1.85%	-0.90%
2017/18	1.50%	0.40%
2018/19	1.40%	0.50%
2019/20	3.50%	0.80%
2020/21	8.50%	4.50%
2021/22	1.37%	3.80%
2022/23	6.80%	8.40%
2023/24	7.90%	6.60%



- 5.3 Over the past 10 years, the ISB has received an increase amounting to 34.3%, as opposed to the Council's remaining budgets having been increased by 16.7%. In monetary terms, applied to an ISB of £148.6M (2013/14 ISB), this amounts to an extra £26.1M 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 2023 are shown in Table 5.2 below (draft, subject to audit). The 2022/23 year-end position has decreased compared to the previous year, as schools utilised the off-funding Welsh Government funding received in 2021/22 to support the on-going recovery from the pandemic and the impact of the cost-of-living crisis.

Table 5.2 – School Reserves

Type of School	31/03/2022	2022/23	31/03/2023
	£k	Movement	
	£k	£k	£k
Primary	10,461	-3,567	6,894
Secondary	6,529	-826	5,703
Special	1,262	-453	809
All-Through	2,309	-467	1,842
Total	20,561	-5,313	15,248

- 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 £24M of income annually from fees and charges across services. The level of charges is reviewed annually.
- 6.2 Cabinet considered proposed revisions to 2023/24 fees and charges levels ([23rd January 2023](#)) with the objective to continue to provide a comprehensive range of quality services at affordable prices and, in doing so, not pass through to customers / service users the full impact of inflation when setting fees and charges levels over this period. Cabinet agreed at this meeting for the proposals to be consulted upon through phase 2 of the Council's 2023/24 Budget Consultation process and reported back to Cabinet for consideration as part of formulating a recommended Budget Strategy for 2023/24.
- 6.3 Cabinet considered the feedback from the phase 2 consultation process on [28th February 2023](#) and recommended a 5.0% standard increase to fees and charges (the initial budget modelling for 2023/24 had assumed a 2.0% increase), with the Council absorbing the implications of not applying a standard uplift in line with the CPI rate of inflation, and also for a number of areas to be subject to specific treatment following a detailed service by service review. Cabinet's recommendations were approved by full Council on 8th March 2023 and a summary of those areas subject to specific treatment are set out in Table 6.1.

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

Area of Charge	Specific Treatment
Car Park Charges	Freeze
Licenses (Hackney Carriage / Private Hire)	Freeze
Cinema Entrance Fee	Freeze
School Meals (Primary and Secondary)	£0.15 increase per meal (2-year price freeze in place for 2021/22 and 2022/23)
Leisure for Life (Membership) and Pay and Play	£0.50 increase per month for Membership (price frozen since 2018) Pay and Play – various price increases based on the activity
Bereavement Services	Cremation Fee – from £739.00 to £812.90 Burial Fee – from £1,924.00 to £2,116.40
Rhondda Heritage Park / Lido (Pontypridd) / Dare Valley County Park (caravan pitch charge)	Various price increases based on the service / facility accessed
Day Services – Meal Price	From £4.05 to £4.55 (price frozen for 2022/23)
Home Care Hourly Charge / Day Centre Daily Charge (non-residential care services)	From £17 per hour to £20 per hour (price frozen since 2014)
Bulky Waste Collection	From £12.75 to £17 for collection of up to 3 items
Residential Parking (annual permit charges)	First permit (from £10 to £12), Second permit (from £15 to £17.50) and Subsequent Permits (from £50 to £60)

Registrars (non-statutory) Building Regulations	20% increase (prices frozen since 2015)
Non-Statutory Food Export Health Certificates	From £32.50 to £35.75

- 6.4 The impact of the agreed changes set out in 6.3 and Table 6.1 increases income by £750k in a full year (as compared to all fees and charges being increased by 2.0%).
- 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 2023/24 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 For completeness, a full list of all 2023/24 fees and charges across all Council services can be accessed [here](#).

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 2024/25 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
- 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 (2023/24 budget) to 2026/27 is shown in Table 7.1.

Table 7.1 – Forecasted Authority Wide Budget Requirement

Authority Wide Budgets	2023/24	2024/25	2025/26	2026/27
	Current Budget	(Projected)	(Projected)	(Projected)
	£'000	£'000	£'000	£'000
Capital Financing	21,708	21,708	21,708	21,708
Levies	14,960	15,421	15,753	16,092
CTRS	25,784	26,789	27,834	28,920
Miscellaneous	14,261	15,201	16,277	16,334
Total	76,713	79,119	81,572	83,054
Change - Inc / (Dec)		2,406	2,453	1,481

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 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	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Schools	3,454	193	393
Education and Inclusion Services	608	1,108	115
Community and Children's Services	11,087	5,073	3,868
Finance, Digital and Frontline Services	2,388	915	471
Chief Executive's Division	146	75	19
Total	17,683	7,364	4,865
			29,912

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. 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	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Value of Risk Included	-	7,646	10,464

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

Schools (ISB) Modelled Budget	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Modelled Budget	200,239	209,153	217,673
Modelled Increase	13,263	8,914	8,520

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, for both teaching and non-teaching pay, are: 5% for 2024/25, 4% for 2025/26 and 4% for 2026/27, and are based on a forward planning assumption of inflation gradually returning nearer to the Bank of England target of 2% over the medium term, recognising that this will need to be subject to on-going review, taking account of economic conditions and updated forecasts.

8.3 For the 2023/24 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 offered an increase of 5%, this being above the 3.5% forward planning assumption for the September 2023 pay award set out by the Independent Welsh Pay Review Body on 21st July 2022. It is anticipated that Welsh Government will provide additional funding to fully cover the outcome of the 2023/24 teachers pay negotiations, this being in the form of part-year funding for 2023/24 and on-going funding from April 2024.

8.4 Similarly, for the 2022/23 teachers pay award of 6.5%, effective from September 2022, it is anticipated that Welsh Government will provide on-going funding from April 2024 to fully cover the additional consolidated element of this pay award of 1.5%, noting that the additional cost for 2023/24 is being covered via one-off Welsh Government funding.

8.5 In respect of teachers pay, the Council's updated MTFP has been constructed based on the funding assumptions set out in paragraphs 8.3 and 8.4.

8.6 Employer's Pension Contributions

8.7 The Rhondda Cynon Taf Pension Fund triennial valuation (2022) has been completed and a revised employer pension contribution rate has been incorporated into 2023/24 employee budgets and maintained at this level for modelling purposes for the period of this MTFP, through to 2026/27.

8.8 In respect of the Teachers Pension Scheme (TPS), the result of the next actuarial review is to take effect in 2024/25. At present, although employer contribution rates are not yet known, it is anticipated that rates will increase significantly based on one of the key determinants (discount rate) used to calculate pension scheme contributions. This will also apply to other public service pension schemes such as the NHS, Police and Fire.

8.9 It is of note that the 2019 TPS valuation also resulted in increases to employer contributions, based on the discount rate, with the additional cost implications being fully funded by UK Government. The UK Government has also set out its commitment to provide funding for increases in employer contribution rates, as a result of the latest valuation and currently scheduled to take effect in 2024/25, and accordingly the estimated cost implications have been categorised as a

Service Financial Risk within the Council's MTFP and the working assumption that this will be fully funded by the UK Government.

8.10 **Non-Employee Inflation**

8.11 The Bank of England's Monetary Policy Committee continues to set monetary policy to meet a 2% inflation target, noting that there remains considerable uncertainty around the pace that CPI inflation will return sustainably to the 2% target. Taking the latest forecast into account, inflation is included across all expenditure and income heads at 3% for 2024/25, 3% for 2025/26 and 2% for 2026/27. 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.

8.12 **Specific Inflation**

8.13 There are some budget heads which are particularly volatile and susceptible to variations in rates of inflation which are outliers to the central forecasts, some of which, based on early indicative forecasts for 2024/25, are estimated to reduce. More detailed analysis and procurement intelligence is applied to uplifts for the following expenditure heads (that will be subject to on-going review and revision, as appropriate):

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

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

Table 8.1 – Forecasted Cost Of Inflation

Inflation	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Employee Related	18,650	16,296	16,018
Non-Employee	8,181	7,956	5,880
Total	26,831	24,252	21,898
			72,980

8.15 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 2023/24 the Welsh Government alone will provide over £1.4Billion 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 as well as ensuring grant administration and management is as efficient as possible. 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	2022/23 Amount £M	2023/24 Amount £M
<u>Community & Children Services</u>			
Arts Council Wales	Arts Portfolio Wales	0.000	0.150
Shaw Trust & Working Links	Subsidisation of Employment of Disabled Workers	0.278	0.258
Department for Work & Pensions	Housing Benefit Subsidy Bed & Breakfast Scheme	0.437	0.437
Welsh Government	Adult Community Learning	0.000	0.531
	ENABLE – Support for Independent Living	0.000	0.004
	Children’s and Community Grant	16.330	17.848
	Communities 4 Work	1.112	0.039

Award Body	Purpose	2022/23 Amount £M	2023/24 Amount £M
	Food Poverty Grant	0.030	0.000
	Inspire 2 Work	0.215	0.000
	Social Care Wales Workforce Development Programme	0.556	0.556
	Substance Misuse Action Fund	4.865	4.865
	Community Learning Grant	0.442	0.000
	Youth Support Grant	0.712	0.729
	Child Burial and Cremation Grant	0.048	0.048
	Child Development Fund	0.429	0.000
	Housing Support Grant	12.239	12.360
	Integrated Care Fund	3.125	0.000
	National Exercise Referral Scheme	0.168	0.168
	National Approach to Advocacy (Children's)	0.049	0.049
	Out of Court Grant	0.041	0.000
	Regional Facilitation Grant	0.066	0.000
	Homelessness Prevention	0.000	0.060
	Parenting Support	0.000	0.077
	Regional Facilitation Grant	0.000	0.068
	Regional Integrated Fund	0.000	3.140
Cwm Taf Health Board	Regional Integration Fund	0.550	0.000
Heritage Lottery Fund	Arts Portfolio Wales	0.150	0.000
Home Office	Community Joint Care Programme	0.068	0.068
Sport Wales	Police & Crime Commissioner	0.142	0.142
	Youth Justice Provision	0.732	0.732
	Disability Sport Wales Community Scheme	0.020	0.020

Award Body	Purpose	2022/23 Amount £M	2023/24 Amount £M
	Free Swimming	0.106	0.060
	Local Sport Plan	0.475	0.475
	60 plus Active Leisure Scheme	0.051	0.082
	Juniors Swimming Development	0.000	0.046
UK Government	Shared Prosperity Fund	0.000	1.033
Total Community & Children's Services		43.436	44.045
<u>Education & Inclusion Services</u>			
	Post-16 Provision in Schools	10.704	11.419
	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	0.160	0.158
	Pupil Deprivation Grant	8.195	8.021
	Pupil Development Grant Children Looked After	0.474	0.497
	Education Grant – PDG Access - Minority Ethnic Gypsy Roma Traveller (MERGT)	0.285	0.303
	PDGEY Non-Maintained	0.090	0.128
	PDG EOTAS	0.023	0.031
	Early Years Pupil Development Grant (estimate)	1.659	1.491
	Teachers Pay	0.216	1.747
	Seren Network	0.074	0.062
	Nursery Childcare Administration	0.279	0.279
	Nursery Childcare	2.864	1.641
	Additional Learning Needs Transformation Grant (estimate)	0.099	1.678
	Additional Learning Needs (estimate)	0.519	0.000
	Period Dignity Grant (estimate)	0.209	0.236
Welsh Government			

Award Body	Purpose	2022/23 Amount £M	2023/24 Amount £M
	Reduction in Infant Class Sizes Grant	0.209	0.000
	Online Development Plan (estimate)	0.042	0.042
	Out of School Childcare Grant	0.083	0.083
	Welsh Medium Immersion	0.100	0.114
	Professional Learning Grant (estimate)	0.957	0.955
	RRRS (estimate)	1.902	2.609
	RRRS Non-Maintained	0.280	0.294
	ICT Hwb in Schools Infrastructure Grant	0.830	0.822
	FP Nursery (estimate)	0.299	0.413
	NQT	0.303	0.000
	Virtual Schools	0.040	0.000
	Education Grant - PDG Access - School uniform grant	2.017	0.000
	Education Grant – Whole School Funding	0.347	0.301
	Education Grant – Schools Essential Grant	0.000	1.071
	Summer Holiday Enrichment Programme (estimate)	0.170	0.192
	Elective Home Education	0.090	0.090
	Universal Free School Meals	0.094	4.636
Rural Payments Agency	Infant Milk (Estimate)	0.471	0.567
Total Education & Inclusion Services		43.132	48.928
Chief Executives			
Department for Work & Pensions	Housing Benefit Administration Grant	0.773	0.753
	Various Miscellaneous Grants	0.050	0.050
Welsh Government	NDR Admin Grant	0.394	0.394
UK Government	Shared Prosperity Fund	0.000	0.657
Total Chief Executives		1.217	1.854

Award Body	Purpose	2022/23 Amount £M	2023/24 Amount £M
<u>Finance, Digital & Frontline Services</u>			
	Caru Cymru	0.030	0.030
	Sustainable Waste Management Grant	1.051	1.051
	Flood & Coastal Erosion Risk Management	0.070	0.225
	Concessionary Fares	6.839	6.839
	Road Safety	0.101	0.101
	Bus Emergency Scheme	0.028	0.028
	Bus Service Support	0.665	0.665
UK Government	Shared Prosperity Fund	0.000	0.309
Total Finance, Digital & Frontline Services		8.784	9.248
TOTAL SPECIFIC REVENUE GRANTS		96.569	104.075

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 2023/24.

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 2024.

Table 10.1 – Summary Of Expenditure Requirements and Resources Available

Budget Requirement	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Additional Budget Requirement			
Inflation	17,023	15,531	13,771
Inescapables	14,229	7,170	4,472
Risks	-	7,646	10,464
Schools (Uplift)	13,263	8,914	8,521
Authority Wide	2,406	2,453	1,481
Additional Budget Requirement	46,920	41,715	38,710
Additional Resources			
Council Tax	6,409	5,100	5,299
Transition Funding	-9,105	0	0
Social Care Workforce Grant	0	0	0
WG Resource in line with WG indicative settlement for 2024/25 (+3.1%) and a Council assumption of settlement levels: 2025/26 +2% and 2026/27 +2%	14,611	9,719	9,913
WG Resource at +3%	14,140	14,564	15,001
WG Resource at +4%	18,853	19,607	20,391

Remaining Budget Gap at Welsh Government Settlement Levels	3 Year Budget Gap			
	2024/25	2025/26	2026/27	
+3.1% increase for 2024/25, +2.0% increase for 2025/26 and +2.0% increase for 2026/27	35,005	26,897	23,498	85,400
3% increase per year	35,477	22,052	18,410	75,938
4% increase per year	30,764	17,008	13,020	60,792

Note: table not adjusted for roundings.

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 £4.7M change in resources available to the Council (based on 2023/24 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.

	2024/25	2025/26	2026/27
	£'000	£'000	£'000
0% increase per year	49,616	36,615	33,411

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, this being set in the context of the requirement for the Council to address its most significant budget gap in 2023/24 of £38M as well as year-on-year budget gaps in other years over the last decade. It is clear, that the indicative funding allocation for 2024/25 in no way reflects the reality of today and that UK Government urgently needs to provide assurance to Welsh Government / Local Government that additional funding will be forthcoming. Once again, 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 2024/25 by the 11th March 2024, then all options to further reduce council spend and generate income will need to be considered. This continues to be at a time when residents are faced with the on-going challenges of the 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 2023 were £10.240M (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 per the draft Statement of Accounts 2022/23).
- 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 Welsh Government modelled annual settlement levels at 3.1% for 2024/25 and 2% per year for 2025/26 and 2026/27, using reserves alone would require the use of over £182M of reserves and the Council would still have a need to reduce its base budget by over £85M at the end of this period.
- 11.5 The Council holds reserves for the following purposes:

Capital and Investment / Infrastructure

Reserve	Purpose
Capital Developments	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.
Infrastructure / Investment	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough.

Other Revenue Related Reserves

Reserve	Purpose
Revenue Budget Strategy 2023/24	Medium Term Financial Planning & Service Transformation Reserve (transitional funding) to be released to fund the 2023/24 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.
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.
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 once again, in the absence of any indications of additional funding being provided to local government, embark on further detail reviews 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 that is enabling more efficient and effective workforce arrangements and at the same time reducing the Council's carbon footprint via opportunities to rationalise and make better use of office accommodation.

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. This approach is to be further developed through the Council fully costing its decarbonisation plan to inform long term financial planning,

Our Workforce

- 12.8 The Council's workforce is its most valuable asset, reflecting the wide range of important roles employees undertake, and a new 'Human Resources Strategy and Council Workforce Plan 2023 – 2028' was agreed by Cabinet on [23rd January 2023](#). The new Strategy sets out the strategic and operational direction of how the Council will utilise and develop the workforce to achieve its vision and priorities in a climate of change and financial uncertainty.
- 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 providing 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, underpinned by a suite of key management information, to ensure the Council: creates the right environment to optimise workforce performance; makes best use of all staffing resources; and delivers services 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 This approach has been reviewed and updated, and brought together in a 'Council Office Accommodation Strategy Workspace Plan: Fit for the Future', agreed by Cabinet on [15th May 2023](#). The Strategy sets out the vision and clear objectives for the continued rationalisation and modernisation of the Council's

office accommodation to make best use of assets, take action to mitigate the risks of climate change and create working arrangements that support an efficient and effective organisation.

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 enable Services to fully exploit the opportunities provided by 'digital' to meet the changing needs of customers and, through the capture of timely and meaningful data insights, support service and resource planning as part of the on-going delivery of more efficient and effective services.

Balancing the Budget

- 12.15 The 2023/24 Budget Setting process identified £23.5M of budget savings (excluding school-based savings), following a detailed review of options during the year. The Council's well embedded financial planning arrangements are directing an on-going programme of work to assess further budget saving opportunities, whilst ensuring appropriate 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. 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; further modernising processes in line with customer need; school efficiency opportunities / requirements; non-pay expenditure areas; collaboration opportunities; and changes 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 further embedding 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 reducing the back-office / support service office accommodation footprint further that will reduce running costs and backlog maintenance costs and the Council’s carbon footprint; ensuring accommodation is located in areas within good public transport links, including town centres, to support regeneration; 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 support further reductions in building running costs and carbon emissions; and reviewing rental agreements to maximise income.
- e. Social Services Transformation Programme – the delivery of our new ‘Residential Care Homes for Older People Strategy’ and ‘Looked After Children: Residential Care Transformation Strategy 2022-2027’ (both agreed by Cabinet on [28th February 2023](#)). 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, 2023/24 to 2025/26 was agreed by Council on the 8th March 2023.
- 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 amounts to £187M and includes further additional available funding of £7.1M for investment in priorities aligned to the Council's Corporate Plan, and has been funded from the Council's Infrastructure Reserve and General Capital Grant. The updated Capital Programme also includes the capitalisation of £4M of expenditure, that was funded from revenue budgets in previous years, for example, ICT software licenses, Cardiff Capital Region City Deal contribution and vehicle purchases, this being in line with accounting rules and as set out in the approved 2023/24 Revenue Budget Strategy.
- 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		
	2023/24	2024/25	2025/26
	£M	£M	£M
Community & Children's Services			
Adult & Children's Services	7.105	0.300	0.300
Public Health, Protection & Community Services	3.782	2.419	0.315
Education & Inclusion Services			
Schools	32.560	8.844	0.100
Supplementary Capital Programme	5.808	2.775	2.775
Chief Executive's Division			
Regeneration	3.760	15.872	0.430
Cardiff Capital Region City Deal	1.000	1.000	1.000
Planning & Countryside	0.078	0.078	0.000
Private Sector Housing	11.720	6.870	3.475
Corporate Estates	2.325	0.975	0.975
Finance & Digital and Frontline Services			
Finance & Digital Services	1.460	1.460	1.460
Highways Technical Services	10.725	1.805	1.705
Strategic Projects	16.940	8.080	0.125
Parks	0.820	0.070	0.070
Storm Dennis Flood Recovery	20.109	0.000	0.000
Waste Strategy	1.200	0.000	0.000
Fleet	1.200	1.600	1.600
Buildings	0.150	0.050	0.050
TOTAL CAPITAL BUDGET	120.742	52.198	14.380

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 2024/25 budget strategy.
- 14.2 The MTFP will be used as a basis of planning for our 2024/25 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 2023.

Section 15 Other Relevant Documents

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

Budget Book (2022/23)

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

Statements of Account

2020/21 Audited Statement of Accounts -

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

2021/22 Audited Statement of Accounts –

<https://www.rctcbc.gov.uk/EN/Council/Performancebudgetsandspending/RelatedDocuments/StatementofAccounts/202223/StatementofAccounts2021to2022.pdf>

2023/24 Capital Strategy Report incorporating Prudential Indicators

<https://rctcbc.moderngov.co.uk/documents/s40522/Report.pdf?LLL=0>

2023/24 Treasury Management Strategy incorporating Investment Strategy, Treasury Management Indicators and Minimum Revenue Provision (MRP) Statement

<https://rctcbc.moderngov.co.uk/documents/s40521/Report.pdf?LLL=0>

Council Performance Reports

Quarter 4 2021/22 -

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

Quarter 4 2022/23 –

<https://rctcbc.moderngov.co.uk/documents/s41942/Report.pdf?LLL=0>

Corporate Plan (2020-2024)

<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2020/03/04/Reports/AgendaItem6CouncilsDraftCorporatePlan20202024.pdf>

Council 3 Year Capital Programme 2023/24 to 2025/26

<https://rctcbc.moderngov.co.uk/documents/s40014/Report.pdf?LLL=0>

GENERAL FUND REVENUE : SERVICES PROVIDED

2022/23 Budget		2023/24 Budget
£M		£M
	<u>Community & Children's Services</u>	
103.528	Adult Services	114.826
58.852	Children's Services	62.112
1.560	Transformation	1.541
18.766	Public Health, Protection & Community Services	23.669
182.706		202.148
	<u>Education & Inclusion Services</u>	
33.674	Education & Inclusion Services (Non Delegated)	36.024
174.745	Delegated Schools	186.976
208.419		223.000
	<u>Chief Executive</u>	
0.405	Chief Executive	0.411
13.066	Human Resources	13.163
5.159	Legal & Democratic Services	5.301
4.663	Corporate Estates	6.405
3.062	Prosperity & Development Services	3.219
26.355		28.499
	<u>Finance, Digital & Frontline Services</u>	
12.529	Finance & Digital Services	11.889
61.678	Frontline Services	67.706
74.207		79.595
491.687	Total Group Budgets	533.242
	<u>Authority Wide Budgets</u>	
21.308	Capital Financing	21.708
13.202	Levies	14.96
14.583	Miscellaneous	13.836
0.425	NDR Relief	0.425
25.587	Council Tax Reduction Scheme	25.784
75.105	Total Authority Wide Budgets	76.713
566.792	TOTAL REVENUE BUDGET	609.955

ANNEX 2

COUNCIL REVENUE BUDGET BY PRIORITY AREA

<u>COUNCIL REVENUE BUDGET - BY PRIORITY AREA</u>		
Budget 2022/23	Priority Area	Budget 2023/24
£'000		£'000
	<u>PEOPLE</u>	
59,603	Children's Services	62,843
109,169	Adult Services	120,287
5,099	Leisure (including physical participation) / Heritage Sites	9,720
173,871		192,851
	<u>PLACES</u>	
7,490	Libraries / Parks / Play Areas	8,346
1,503	Crime Reduction (including hate crime) / Anti-Social Behaviour / Domestic Violence / Substance Misuse	1,226
6,018	Highway cleanliness	7,050
24,400	Waste / Recycling	24,748
10,267	Highways Infrastructure and Road Maintenance / Condition	10,978
49,679		52,349
	<u>PROSPERITY</u>	
27,627	Economically active people / Job Seekers Allowance Claimants / Job Creation / Adult Education / Town Centres	28,228
220,058	School Attainment	238,111
425	Town Centre Vacancy Rates (businesses)	425
1,461	Housing / Affordable Housing Delivered / Homelessness Prevention	1,758
249,571		268,522
	<u>LIVING WITHIN OUR MEANS</u>	
1,384	Customer Care	1,064
6,618	Office Accommodation/Buildings	8,230
8,002		9,294
481,122	TOTAL SPEND ON COUNCIL PRIORITIES	523,016
6,577	REGULATORY PUBLIC SERVICES	7,844
2,399	OTHER SERVICES TO THE PUBLIC	1,995
49,093	AUTHORITY WIDE COSTS	50,504
27,601	CORE SUPPORT	26,595
566,792	TOTAL COUNCIL BUDGET	609,955

ANNEX 3

COUNCIL CAPITAL PROGRAMME BY PRIORITY AREA

Priority/Scheme	3 Year Capital Programme 2023 - 2026			
	2023/24 Budget	2024/25 Budget	2025/26 Budget	Total 3 Year Budget
	£M	£M	£M	£M
People				
Adult Services	11.149	4.012	3.563	18.724
Children's Services	0.496	0.316	0.248	1.060
Total - People	11.645	4.328	3.811	19.784
Places				
Parks, Leisure, Libraries, Culture & Heritage, Open Spaces	5.384	0.419	0.200	6.003
Crime Reduction	0.171	2.171	0.050	2.392
Highways Cleanliness	0.234	0.054	-	0.288
Highways Infrastructure	48.395	10.586	1.880	60.861
Waste Strategy	1.325	0.307	1.553	3.185
Total - Places	55.509	13.537	3.683	72.729
Prosperity				
School Attainment	38.368	11.619	2.875	52.862
Business Support	1.574	1.998	1.140	4.712
Town Centres	1.893	14.074	0.290	16.257
Housing	7.784	3.695	-	11.479
Total - Prosperity	49.619	31.386	4.305	85.310
Living Within Our Means				
Management and rationalisation of service accommodation	2.365	1.092	1.015	4.472
Total - Living Within Our Means	2.365	1.092	1.015	4.472
Total Capital Budget Allocated to Council Priorities	119.138	50.343	12.814	182.295
Regulatory Public Services	0.144	0.331	0.106	0.581
Authority Wide Costs	-	0.064	-	0.064
Core ICT Systems Support	1.460	1.460	1.460	4.380
Total Capital Budget	120.742	52.198	14.380	187.320

COUNCIL EARMARKED RESERVES***Capital and Investment / Infrastructure**

Reserve	Purpose	Balance at 31/03/22	Transfers Out	Transfers In	Balance at 31/03/23
		£'000	£'000	£'000	£'000
Capital Developments	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	75,534	(17,417)	22,058	80,175
Investment / Infrastructure	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough	19,800	(7,504)	12,654	24,950
Total		95,334	(24,921)	34,712	105,125

Other Revenue Related Reserves

Reserve	Purpose	Balance at 31/03/22	Transfers Out	Transfers In	Balance at 31/03/23
		£'000	£'000	£'000	£'000
Revenue Budget Strategy 2022/23	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2022/23 budget.	963	(963)	0	0
Revenue Budget Strategy 2023/24	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2023/24 budget.	0	0	9,105	9,105
Joint Committee Reserve	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.	2,247	(2,247)	2,331	2,331
Revenue Grant Reserves (IFRS)	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.	5,743	(5,743)	3,619	3,619
Financial Management and Human Resources Risk Management	Resources set aside as cover for future liabilities relating to various risks identified and being managed.	36,057	(26,770)	17,587	26,874
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.	7,938	0	323	8,261
Prior Year Commitments	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	34,776	(19,071)	10,245	25,950
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.	3,645	(4,105)	5,347	4,887
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	4,222	(2,565)	1,770	3,427
Invest to Save	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.	4,969	(472)	2,390	6,887
Total		103,025	(61,936)	52,717	93,806
Total Earmarked Reserves		198,359	(86,857)	87,429	198,931

* Council Earmarked Reserves – draft position as at 31st March 2023, subject to audit.