



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023-2024

COUNCIL

17th JANUARY 2024

THE COUNCIL'S 2024/25 REVENUE BUDGET (PROVISIONAL SETTLEMENT)

REPORT OF THE DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR OF FINANCE, DIGITAL AND FRONTLINE SERVICES

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1.0 PURPOSE OF THE REPORT

- 1.1 This report provides Members with information in respect of the 2024/25 Provisional Local Government Settlement, and initial comments on its likely implications for the delivery of Council services.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the Provisional 2024/25 Local Government Settlement, announced by the Minister for Finance and Local Government on the 20th December 2023;
- 2.2 Note that the Final 2024/25 Local Government Settlement is expected during early March 2024; and
- 2.3 Note the approach to budget consultation for 2024/25 as already determined.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 To update Members on the implications of the Provisional Settlement for 2024/25 following receipt of information on the 20th December 2023.

4.0 BACKGROUND

4.1 The timing of the Local Government Settlement in Wales for 2024/25 has followed the UK Government Autumn Statement as announced on the 22nd November 2023.

4.2 On the 20th December 2023, the Minister for Finance and Local Government (Rebecca Evans MS) announced the Provisional 2024/25 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.

4.3 The "headlines" of the Provisional 2024/25 Settlement are as follows:-

- a. The overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) funding for 2024/25 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is 3.1% (+£169.8M).
- b. The settlement for Rhondda Cynon Taf, amounts to an increase of 2.8% which is below the average all Wales increase. Settlement figures across Wales range from 2.0% to 4.7%.
- c. A funding 'floor' protection has been included for 2024/25 so that no Council receives a settlement below 2.0%.
- d. There are no transfers into / out of the Settlement for 2024/25.
- e. The Settlement provides no indication of future year settlement levels.
- f. Provisional figures and indicative estimates for 2024/25 are also included for specific grants, at an all Wales level. The Social Care Workforce Grant will reduce from £45M to £35M (all Wales level), a reduction of £0.815M for this Council. This funds our core base budget.
- g. The Council's General Capital Funding allocation is reduced by £0.086M to £13.800M.

5.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2024/25 PROVISIONAL SETTLEMENT

5.1 The provisional settlement indicates that our 2024/25 RSG and NDR funding will total £484.111M.

5.2 Whilst the all Wales settlement is confirmed at the level previously indicated, this Council's settlement has been impacted negatively by

changes in a number of data sets (relative to other councils), in particular pupil and free school meal numbers.

- 5.3 Cabinet on the 20th November 2023 determined the Council Tax Base for 2024/25 at £79,696.89. The impact on the modelled budget gap of our updated tax base can also now be reflected.
- 5.4 The combined effects of the above can now be updated to the position previously reported in the Medium Term Financial Plan (MTFP) and the impact on the budget gap position which the Council faces. This is now shown at table 1.

Table 1 : Restated Budget Gap at Provisional Settlement

	£'000
Budget Gap at MTFP	35,005
<u>Provisional Settlement</u>	
RSG Reduction (3.1% to 2.8%)	1,817
SS Workforce Grant Reduction	815
Council Tax Base	- 983
Restated Gap at Prov Settlement	36,654

- 5.5 In preparation for the 2024/25 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) inflationary implications, 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.
- 5.6 Whilst the overall settlement has been protected at +3.1% in line with the indicative settlement, it remains a challenge for local government, as the following extract from the Minister's statement recognises :
- "I recognise that while the recent very high rates of inflation are now decreasing, they are still high by the standards of the last 15 years. Baseline costs for staff and services have increased and are not reducing. Demand for services, alongside cost pressures mean that your Authorities will need to make difficult decisions on services, efficiencies, and council tax in setting your budgets."*
- 5.7 Members have continued to receive updates on the projections of the Council's revenue budget position for the period to 2026/27, as part of our Medium Term Service Planning arrangements. The latest of these

assessments was considered by Council on the 20th September 2023 which, based on a range of modelled settlement levels, projected a funding gap of £35.005M (at the provisional All Wales +3.1% settlement level).

- 5.8 Alongside and since the preparation of the MTFP, officers have continued to review options for budget reduction measures, continuing our approach of early preparatory and delivery work which has benefitted us so well over recent years in particular.
- 5.9 Cabinet have already considered and agreed a number of proposals and also received an update at the meeting in November regarding Early Budget Reduction Measures. The financial implications of these can now be set against the budget gap faced. This is set out at Table 2.

Table 2 : Agreed Budget Reduction Measures

	£'000
Early Budget Measures	- 8,245
Base Budget Adjustments	- 841
Learning Disability Day Services Offer	- 220
Supported Living Service for People with a Learning Disability	- 544
Domiciliary Home Care	- 753
Day Services for Older People	- 140
Total Agreed Budget Reduction Measures	- 10,743

- 5.10 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 2024/25

	£'000
Budget Gap at MTFP	35,005
Provisional Settlement and Tax Base Implications	1,649
Agreed Budget Reduction Measures	- 10,743
Remaining Budget Gap at Provisional Settlement	25,911

- 5.11 It will now be for the Cabinet to consider the implications of the above scenario in the preparation of its draft budget strategy. As part of this, consideration will be given to the outcome of the first phase of the budget consultation process.
- 5.12 In light of the scale of the challenge as set out in the MTFP, Senior Finance Officers have worked alongside service managers to identify both a range of service efficiency and service operational reconfiguration opportunities. This work provided the opportunity to deliver early budget reduction measures as has been identified above. Notwithstanding, the

scale of the challenge remains significant especially following the £38M budget gap which was balanced for the current financial year, the largest which this Council has ever faced.

- 5.13 Cabinet will clearly wish to consider carefully the wider and ongoing implications of the cost of living crisis on our services and staff, residents, businesses and communities. This will include council tax levels, the treatment of schools, our levels of fees and charges for next year and any opportunities to allocate additional resources to priority service areas.
- 5.14 It is inevitable, however that the resources available for next year are not going to be sufficient for us to continue to fully fund and maintain all of our services at their current levels and difficult decisions and choices will need to be made. In this regard we do have a track record of making decisions early and on an ongoing basis and use our reserves proportionately and pragmatically as part of setting balanced budgets each year.

6.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2024/25

- 6.1 Against the backdrop of a sustained period of financial challenges the Council must maintain a focus on robust financial management and stability. A key component of this is the responsible approach taken to how we address the development of our annual budgets. Therefore, we still, as in previous years, need to ensure that the parameters for producing the 2024/25 budget are adhered to, these being :-
- a) Maintain the Council's financial stability, whilst targeting any available funding, in an efficient and effective manner, towards our key services and priorities;
 - b) Look to protect those key services and jobs wherever possible;
 - c) Review **all** areas of service provision, including eligibility to those services and charging policies in place;
 - d) Take maximum advantage of funding opportunities made available by the Welsh Government and others where it is in the best interests of the Council with appropriate exit arrangements when the funding ceases;
 - e) "Top slice" appropriate necessary sums to fund corporate budgets;
 - f) Allocate across our Services, initially, an adequate allowance for movements in employee costs;
 - g) Allocate an appropriate level of funding to support our schools;

- h) Continue to deploy our procurement strategy to offset the impact of certain supplies and services inflation in the coming financial year;
 - i) Actively pursue efficiency in all areas of the Council, for example, through continuing our work on digitalisation, reducing office accommodation, on-going transformational change and a focus on invest to save and early intervention and preventative activities;
 - j) Use the strength of our balance sheet and reserves appropriately and prudently to balance service provision alongside the corporate and longer term financial health and standing of the Council.
- 6.2 These parameters will provide an effective and pragmatic framework for the delivery of a fair and equitable Council budget.

6.3 Council Tax Levels

- 6.4 As is the case every year in respect of Council Tax levels, the Council will have due regard to the level of increase and the ability of residents to pay, but it also has to balance this against the need to fund important services. The 'modelled' increase at this time, in line with the MTFP is +3.90% for 2024/25 and it is now for Cabinet to consider and recommend the level of Council Tax for next financial year.
- 6.5 The local Council Tax Reduction Scheme (CTRS), will continue to operate in line with the national framework, and at the same level of funding as that originally provided for through Revenue Support Grant in 2014/15. Costs therefore associated with Council Tax uplifts and changing caseloads remain a risk that the Council must fund. To illustrate the cost implications further, a 1% increase in Council Tax will generate an additional income for the Council of £1,286k (at the 2024/25 tax base level), but will also cost £258k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £1,028k, or stated another way, 20% of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.

7.0 MEDIUM TERM FINANCIAL PLANNING IMPLICATIONS

- 7.1 Whilst the primary focus is necessarily on setting out an annual budget strategy and required Council Tax levels for the forthcoming financial year, the medium term financial and service planning emphasis has been a cornerstone of robust financial management at this Council.
- 7.2 The provision by Welsh Government of an all Wales indicative settlement for 2024/25 was helpful for our medium term financial planning arrangements, notwithstanding the level of indicative settlements itself

presented us with a significant challenge. Whilst we have received no indication of funding levels for the following years (2025/26 and beyond) from Welsh Government, the outlook for public sector finance remains extremely challenging. 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.

7.3 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.

7.4 Work is now underway to revisit all of the assumptions through to 2026/27 within the Medium Term Financial Plan and this will be reported to Members when available. The Council must continue to identify opportunities for efficiency and savings and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2024/25 by March of this year, we must also have full regard to medium and longer term requirements.

8.0 EQUALITY & DIVERSITY IMPLICATIONS AND SOCIO ECONOMIC DUTY

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

9.0 CONSULTATION

9.1 The proposed approach to budget consultation for 2024/25 is set out in the Cabinet report dated 23rd October 2023. It comprises 2 phases as follows :

Phase 1 - to provide 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.

10.0 FINANCIAL IMPLICATIONS

10.1 The financial modelling assumptions and implications are set out in the detail of this report. Members are not being asked to make any new financial decisions at this stage.

11.0 LEGAL IMPLICATIONS or LEGISLATION CONSIDERED

11.1 There are no legal implications aligned to this report.

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

12.1 The budget strategy is a key enabler for the delivery of the Council's Corporate Plan.

12.2 With regard to the Well-being of Future Generations (Wales) Act 2015, at the 4th March 2020 Council meeting, it was agreed that the Corporate Plan priorities would also serve as its Well-being Objectives in line with the Act.

13.0 CONCLUSIONS

13.1 The Minister for Finance and Local Government (Rebecca Evans MS) announced the Provisional 2024/25 Local Government Settlement on the 20th December 2023.

13.2 The reported Provisional Settlement represents an increase in revenue funding for the Council of +2.8% and small decrease in capital support.

13.3 The Council's primary objective continues to be setting a budget in 2024/25 that maintains key services and jobs wherever possible as well as ensuring the ongoing financial stability of the Council.
