

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**24<sup>th</sup> JANUARY 2024**

**A DISCUSSION PAPER PREPARED BY THE SENIOR LEADERSHIP TEAM IN  
RESPONSE TO THE 2024/25 LOCAL GOVERNMENT SETTLEMENT**

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**1.0 BACKGROUND**

- 1.1 The Constitution sets out the procedure, which must be adhered to when setting the Council's annual revenue budget. It is a specific requirement of the Constitution that the Council's Chief Officers first report to the Cabinet, to advise Members on the issues involved (see extract of the Constitution at Appendix 1). Following due consideration of that report, and after having conducted an appropriate budget consultation exercise, it will then be for the Cabinet to determine a strategy and recommend a budget to Council, for final approval. A timetable for this process is attached at Appendix 2.
- 1.2 Prior to determining its preferred budget strategy for the financial year ending the 31<sup>st</sup> March 2025, the Cabinet must consider:
- The Council's own financial position.
  - The financial and service implications of the Welsh Government's (WG) 2024/25 local government settlement.
  - The Cwm Taf Morgannwg – Our Wellbeing Plan 2023 -2028.
  - The Council's Corporate Plan.
  - The level of demand and the statutory basis for delivery of services.
  - The results of the General Budget Strategy consultation exercise.
  - The critical role of the Council in continuing the recovery from the pandemic and supporting and protecting our residents, businesses and communities through the ongoing cost of living crisis.
- 1.3 If Members are to arrive at the best possible outcome for our residents, it will be important that an appropriate weighting is given to each of the key determinants in paragraph 1.2 above, so that relative resourcing and spending priorities can be properly determined.
- 1.4 Accurate and up-to-date information is readily available in respect of the Council's own financial position, and officers have now analysed the 2024/25 local government settlement from Rhondda Cynon Taf's perspective.

**2.0 THE COUNCIL'S FINANCIAL POSITION**

- 2.1 Members have continued to receive regular updates on the financial position and projections for this Council during 2023/24. A key starting point and important consideration is the annual statement of accounts. The completion of the audit of the Council's accounts was presented to the Council meeting on the 29<sup>th</sup> November 2023, with an unqualified (clean) opinion provided by Audit

Wales. The level of General Fund Balances which the Council holds, at the 31<sup>st</sup> March 2023 amounts to £10.240M.

- 2.2 Given the continuing financial pressures the Council is working under, it remains my view, that the Council should hold a minimum of £10M as General Fund Balances, (i.e. its working balance). This level is set given the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward.
- 2.3 Members will be aware that in addition to General Fund Reserves, the Council also holds a number of earmarked reserves that are kept under continuous review and are assessed each year by Audit Wales. I provided an update on these reserves to Council in September 2023 alongside the Council's Medium Term Financial Plan.
- 2.4 Members will be aware that included in these Reserves is a Medium Term Financial Planning and Service Transformation Reserve that has been successfully used as transitional funding to balance our annual budget as part of the Council's Medium Term Service Planning arrangements. It has achieved this through helping to smooth the delivery of budget savings over a number of years, whilst still allowing an annual balanced budget to be delivered. The starting point for the Medium Term Financial Planning and Service Transformation Reserve as at the 31<sup>st</sup> March 2023 is £4.887M. As part of our ongoing strategy, we have continued to identify and deliver savings in-year which means we have been able to increase the level of transitional funding available and the latest position is that this reserve has now increased to £7.029M (additional in year savings to date of £2.142M).
- 2.5 We must remain disciplined, if we are to maintain our long-term goal of driving forward continuous improvement of key services, though this becomes increasingly harder to achieve following a period of such severe financial pressures. For the current financial year, the budget strategy balanced a £38.3M budget gap, the largest this Council has ever faced, and it is against this backdrop that the 2024/25 budget requirement is being formulated.
- 2.6 It is clear that Members continue to take their fiduciary duty extremely seriously as evidenced by the positive reports received from the regulators and the track record of budgetary control across services.
- 2.7 The latest Audit Wales Assurance and Risk Assessment Review (Nov 2022) referenced :
  - *The Council is now facing significant financial pressures, but remains well-placed to respond to these;*
  - *We remain assured about the Council's financial position and its arrangements to help it address these pressures;*
  - *The Council has not yet set out in detail how it will meet the increased budget gap. However, overall, we remain assured that the Council has a solid financial position and arrangements to help it prepare for the pressures it is facing. It continues to have a range of options available to it to manage its budget pressures;*
  - *We have continued to find no major concerns about the Council's management of its reserves;*

- *It continues to have a healthy reserves position. This gives the Council a degree of resilience to help it manage its budgetary pressures.*

2.8 The challenge once again, therefore, is to construct a prudent, equitable and fair revenue budget for the financial year ending the 31<sup>st</sup> March 2025. This must involve an approach which publicly demonstrates sound financial stewardship; which does not take unnecessary risks; which maximises income generation; continues to deliver (as far as possible, and where available) year on year efficiency savings and which delivers the services that are needed and we can afford, as well as protecting as many jobs as possible.

### **3.0 THE 2024/25 LOCAL GOVERNMENT SETTLEMENT**

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

3.2 On the 20<sup>th</sup> 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 3<sup>1</sup>.

3.3 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 £0.058M to £13.828M<sup>1</sup>.

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<sup>1</sup> Provisional Local Government Settlement - as reissued with minor updates 11<sup>th</sup> January 2024.

#### **4.0 IMPLICATIONS OF THE 2024/25 PROVISIONAL SETTLEMENT**

- 4.1 The provisional settlement indicates that our 2024/25 RSG and NDR funding will total £484.112M.
- 4.2 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.
- 4.3 Cabinet on the 20<sup>th</sup> 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.
- 4.4 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

	<b>£'000</b>
<b>Budget Gap at MTFP</b>	<b>35,005</b>
<u>Provisional Settlement</u>	
RSG Reduction (3.1% to 2.8%)	1,816
SS Workforce Grant Reduction	815
Council Tax Base	- 983
<b>Restated Gap at Prov Settlement</b>	<b>36,653</b>

- 4.5 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.
- 4.6 Whilst the overall settlement has been protected at +3.1% in line with the indicative settlement provided alongside the current year's budget, 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."*

- 4.7 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 20<sup>th</sup> September 2023 which, based on a range of modelled settlement levels, projected a funding gap of £35.005M.
- 4.8 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.
- 4.9 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

	<b>£'000</b>
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
<b>Total Agreed Budget Reduction Measures</b>	<b>- 10,743</b>

- 4.10 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

	<b>£'000</b>
Budget Gap at MTFP	35,005
Provisional Settlement and Tax Base Implications	1,648
Agreed Budget Reduction Measures	- 10,743
<b>Remaining Budget Gap at Provisional Settlement</b>	<b>25,910</b>

- 4.11 This reflects the position which was presented to Council on the 17<sup>th</sup> January 2024 and it is against this backdrop that we must consider our budget strategy for 2024/25.

## **5.0 DEVELOPING AN EQUITABLE, DELIVERABLE AND BALANCED BUDGET FOR 2024/25**

- 5.1 The settlement from WG for 2024/25, is significantly short of funding the significant pressures which we face and at a time when our residents, businesses and communities are continuing to face a cost of living crisis. It is against this context that we need to develop a balanced budget for next year. There remain significant pressures upon many of our services together with a

limited ability to increase Council Tax income, and a low tax base. Within these parameters, we will therefore need to take appropriate decisions to ensure that next year's budget is equitable for all, does not compromise our financial stability and protects our key services wherever possible.

- 5.2 I touched upon the Council's overall financial position in Section 2 of the report. In my view, it is vital that we continue with the strategy we have adopted to date that takes account of the importance of sound financial management, including the level of General Fund balances and appropriate use of the "Medium Term Financial Planning and Service Transformation Reserve" as transitional funding along with any other available reserves, whilst targeting and protecting resources for our high priority, customer-focused public services.
- 5.3 Every year, there are certain corporate financial provisions that must be "top sliced" locally, before service budgets can be allocated. Next year will be no different. There will be a requirement for:
- a) A provision to meet levies from External Bodies;
  - b) A provision for Capital Charges;
  - c) A provision for all other "Miscellaneous Finance" items (Audit Fees, Insurance Costs, Bank Charges, etc.) which are non-specific to any particular Service Group; and
  - d) Resources to fund the Council Tax Reduction Scheme.
- 5.4 As part of our updated budget requirement, appropriate sums have been set aside for these corporate financial requirements.
- 5.5 The Council also continues to monitor the financial implications of service demand post pandemic, alongside ensuring ongoing service continuity at a time of unprecedented cost increases both to the Council and its partners and contractors.

## **6.0 COUNCIL TAX LEVELS**

- 6.1 This Council has always acted reasonably when setting its Council Tax, balancing the impact upon services and the ability of the public to pay, recognising that those eligible will receive support through the Welsh Government's Council Tax Reduction Scheme (CTRS). Our MTFP has been modelled based on an increase in Council Tax for 2024/25 of 3.90%.
- 6.2 Members will be aware that the costs of the CTRS impacts on the net income generated through any increase in Council Tax. A 1% increase in Council Tax will generate an additional income for the Council of £1.286M (at the 2024/25 tax base level) but will also cost £0.258M in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £1.028M, or stated another way, 20% of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.
- 6.3 It is proposed that the level of Council Tax for next year now be remodelled and set at an increase of 4.90%. This would align with the expectations of the Cabinet in terms of avoiding excessive increases in Council Tax levels and in light of the remaining budget gap which the Council faces and the desire to maintain as many services as possible.

6.4 The additional income which this would generate, as compared to that previously modelled would be £1.029M.

## **7.0 SCHOOLS BUDGET (ISB)**

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

7.2 The Schools Budget (ISB) has increased and been protected from the worst of the impact of austerity, with an increase over the last 10 years of 34%, at a time when other council budgets have increased by 17%. This would equate to an extra £26M having been provided to schools as compared to other council services.

7.3 The budget gap of £37M which the Council now faces equates to 6.6% of our budget, excluding authority wide budgets. Schools have benefitted from significant one off resources from WG over recent years and have been previously advised to use their reserves responsibly to assist them in their financial planning over this challenging period. For context, the aggregate level of school balances increased from £12M to £20M over the course of the financial year 2021/22 and were £15M as at the 31<sup>st</sup> March 2023. It is noted that schools will have used reserves as part of agreeing their budget for this financial year (2023/24).

7.4 The strategy now proposed will see schools allocated funding next year to cover in full all their pay pressures including all pay awards. This is notwithstanding the fact that WG have not provided additional funding in respect of the costs of increased teacher pay awards for the current year.

7.5 Over and above this and after adjusting for reduced energy costs, the Council will provide schools with a further £1M base budget toward their non pay costs. This includes the funding from the proposed charge for the additional childcare available alongside free breakfast club provision. This will see the schools budget increase by £11.9M for next year, or 6.4%.

7.6 After absorbing non pay inflationary costs, as all other Council Services are being required to do, this would mean that schools would have to contribute to balancing the overall budget gap by delivering an efficiency of 1.3%.

7.7 Funding in respect of the additional costs associated with Teachers Pensions remains expected to be provided by UK Government so these costs are assumed to be fully funded.

*“The Chancellor’s Autumn Statement referred to the changes to the SCAPE rate, which has implications for the costs of employers’ contributions to teachers and fire-fighter pensions. This in turn has implications for Local Authority budgets. Funding for this is expected to be provided by UK Government but not until 2024-2025. I will be writing to the Chief Secretary to the Treasury to press for assurances on the level and timing of this funding. My officials will keep your officers informed.”*

## 8.0 EFFICIENCY

- 8.1 Council services have for many years now delivered against ambitious efficiency targets, making considerable budget reductions without adversely impacting on front line service provision.
- 8.2 As part of the current year's budget strategy, efficiencies of £16.1M of Efficiency and Service Operational Reconfiguration measures were identified and delivered.
- 8.3 Senior officers continued to work through the year to identify options to deliver budget reduction measures early and to ensure that front line services continue to be protected as much as possible. Service managers were engaged across all service areas ensuring that all contributed to the challenging position which we were facing.
- 8.4 Over a number of months including challenge sessions with the Senior Leadership Team, options have been identified and assessed against the service level and resident impact to ensure that our vital services were protected and maintained wherever possible. Following this assessment the Senior Leadership Team have already been able to agree proposals amounting to £8.245M as was reported to Cabinet on the 20<sup>th</sup> November 2023.
- 8.5 Following the continuation of this work, the Senior Leadership Team have been able to identify a further range of measures which would reduce our base budget requirement by **£5.246M**.
- 8.6 The proposals can be summarised as follows :

Table 4 : Efficiency and Service Operational Reconfiguration

<b>Categorisation</b>	<b>£'000</b>
General Efficiency Measures - cost reduction / additional income	2,104
General Efficiency Measures - service restructuring and vacancy management	1,081
Operational Service Reconfiguration	905
General Efficiency Measures - Recharge of costs / use of external funding	1,156
<b>Grand Total</b>	<b>5,246</b>

- 8.7 The Senior Leadership Team can again provide assurance to Cabinet, that the measures proposed can be delivered operationally and without a significant detrimental impact on our front line services.
- 8.8 Of particular note would be the Operational Service Reconfiguration proposals. Whilst these have been properly determined as operational decisions taken by the Senior Leadership Team, they are included here for Cabinet's information and for completeness.



Table 5 : Operational Service Reconfiguration

<b>Operational Service Reconfiguration</b>	<b>£'000</b>
YEPS - Reduce after school provision from 2 evenings per week to 1 evening per week - reduce commissioned provision	75
Remodel Home & Group Tuition	100
Children's Services – delivery of transformation (CLA residential and CLA prevention) strategies	440
Adult Services - Care Package Reviews	250
Mayoral support - Withdrawal of dedicated support	40
<b>Total Operational Service Reconfiguration</b>	<b>905</b>

## **9.0 SPECIFIC SERVICE / EXPENDITURE CHANGES**

- 9.1 This Council has taken proactive steps to dealing with the budget pressures it continues to face including delivery of saving proposals early with a clear focus maintained across the medium term planning horizon. The Council has continued to deliver robust, balanced budgets and taken the opportunity to use our Medium Term Financial Planning and Service Transformation Reserve, as transition funding, to sensibly support the overall budget strategy. This approach is one which I would recommend is continued.
- 9.2 As part of this budget strategy, a number of reviews have also been undertaken to ensure that the budget reflects updated projections of demand and cost.

### **a. Energy**

The current year increases for our energy costs were around a 283% increase for gas and a 147% increase for electricity. At the time we set the budget, latest forecasts were projecting likely lower costs for the following year 2024/25, and to recognise this “spike” in costs an energy reserve (£5M) was set up to fund the costs during 2023/24.

Detailed monitoring and scrutiny has taken place across our energy budgets during the current year alongside the most up to date forecasts for costs into next financial year.

The position anticipated above (ie a spike in cost for the current year) materialised and we are consequently able to reduce our base budget requirement for next financial year.

In addition, the development of a proposed Council owned solar farm is now progressing with completion anticipated during 2024/25 financial year. The funding arrangements will be set out in the Council’s new 3 year capital programme but we are now able to factor in a part year income stream from the generation and sale of energy in line with an agreement already in place.

As a consequence of the above, it is possible to reduce the Council’s budget requirement by **£4,479k**.

## **b. Base Budget Updates**

The Council has reviewed its base budget requirements in light of ongoing service requirements and pressures and can make a number of adjustments in this respect. This includes :

- Funding arrangements in respect of Graduates and Apprentices, recognising that such roles are now being mainstreamed and funded by service areas as part of their workforce planning arrangements;
- Income being generated from the successful roll out of our staff benefits scheme and over and above the level which has already been reinvested back into our staff development programmes;
- Reflecting the updated contribution levels to joint arrangements including the Central South Consortium Joint Education Service and the updated arrangements for the delivery of the Council's Internal Audit Service;
- Reflecting up to date caseload and demand pressures for the Council Tax Reduction Scheme.

The above base budget updates reduce the Council's budget requirement by **£1,338k**.

## **c. Additional Childcare prior to the Commencement of Free Breakfast Cub Provision**

The Cabinet have agreed to consult on a proposal to charge for the wraparound childcare element which is provided alongside the Free Breakfast provision at £1 per day.

The Consultation process ran from the 27<sup>th</sup> November 2023 to the 8<sup>th</sup> January 2024. The consultation feedback and decision whether to progress with the proposal is to be considered by Cabinet alongside this report.

If Cabinet determine to proceed with the proposal, as consulted upon, then it would reduce the Council's budget by **£495k** (full year) with this ringfenced and reinvested into our schools' budget.

## **d. Capitalisation**

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

SLT have considered the impact upon our capital programme, in the context of the overall quantum of the programme across 3 years and concluded that a reduction in our core programme can be delivered. Opportunities will be taken to top up any specific areas of demand or areas of particular impact through one off investment funding opportunities and / or additional in-year funding approvals going forward. The Council's updated 3 year capital programme 2024/25 to 2026/27 will set out full details.

The proposal would reduce the revenue budget by **£500k**.

## e. Fees and Charges

It is proposed that all Fees and Charges are subject to a 5.0% standard increase, recognising the significant increase in our cost base and subsequent level of subsidy. A number of areas are proposed to be subject to specific treatment, as set out in the Fees and Charges Proposals 2024/25 being considered by Cabinet alongside this report.

These proposals would generate additional income of **£452k**.

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

Table 6 : Budget Strategy - Specific Service / Expenditure Changes

	£'000	£'000
<b>Remaining Budget Gap at Provisional Settlement</b>		<b>25,910</b>
Schools Budget	- 3,418	
Council Tax	- 1,029	
Service Efficiencies	- 5,246	
Energy Budget Requirement	- 4,479	
Base Budget Adjustments	- 1,338	
Charging for Childcare (alongside free breakfast clubs)	- 495	
Capitalisation	- 500	
Fees and Charges	- 452	
		- 16,957
<b>Remaining Budget Gap</b>		<b>8,953</b>

*Note, part year savings have been assumed where appropriate.*

- 9.4 *Medium Term Financial Planning and Service Transformation Reserve (Transitional Funding)* – We have for many years used our transition funding reserve sensibly as part of our balanced budget strategy, at a level which does not compromise the robustness of our budget and which can be replenished with some certainty, given our ongoing strategy of delivering savings early.
- 9.5 As previously referenced the reserve currently stands at **£7.029M**, having been replenished during this year (2023/24) by £2.142M to quarter 2.
- 9.6 A review of other Earmarked Reserves has been undertaken in order to identify further one-off resource which could be reprioritised to support balancing next years budget. An amount of £2.500M (pay volatility reserve) has been identified which can be reprioritised for this purpose. As inflation continues to reduce more toward the Bank of England's target rate, then it is not unreasonable to expect some correlation with future pay awards with the risk which this reserve is covering reducing.
- 9.7 Therefore, to address the remaining budget gap, it is proposed that an allocation of £2.500M is added to the Transition Reserve taking that balance to £9.529M. Releasing £8.953M would then leave £0.576M in the reserve

(subject to the year-end assessment of reserves). I am confident that processes are sufficiently well embedded to ensure that savings are achieved in-year and that this reserve can continue to be replenished.

	£'000
Remaining Budget Gap	8,953
Use of Transition Fund / Reserves	- 8,953
<b>Remaining Budget Gap 2024/25</b>	<b>-</b>

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

## **10.0 MEDIUM TERM FINANCIAL PLANNING**

10.1 Whilst the focus for this report is necessarily on 2024/25, the pressures on our services means that our Medium Term Financial and Service Planning arrangements remain key to ensuring that financial stability is maintained as the cornerstone of our overall financial health as a Council.

10.2 The provision by Welsh Government of an all Wales 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.

10.3 The delivery of efficiency savings early and as part of our medium term planning has positioned us extremely well in our ability to respond to funding challenges and uncertainties and continues to contribute to the delivery of a lean, efficient and effective organisation.

10.4 Acting early, decisively and proactively has doubtlessly positioned us well in responding to the financial challenge which we faced for 2024/25 and it is essential that we retain this focus and approach over the coming period. Unfortunately, the outlook for local government finance and services continues to be extremely challenging but we remain well placed to respond and to ensure that we protect our valued public services upon which our residents, businesses and communities rely.

10.5 **Our firm recommendation in this regard will be for the Cabinet to agree to continue to receive proposals to reduce our cost base and transform our services on an ongoing basis.**

## **11.0 SERVICE PRIORITIES**

11.1 Even after a period of significantly reduced resources and hence financial pressure on all services, this Council remains committed as far as it possibly can to continue to deliver its key services, stronger communities and social justice. The Council's Corporate Plan 2020-2024 set out that our key purpose

is to provide strong community leadership and create the environment for people and businesses to be independent, healthy and prosperous.

- 11.2 The Senior Leadership Team have had due regard to the plan in formulating the proposals set out in this report.
- 11.3 In addition to our revenue base budget requirements, opportunities also continue to be taken to deliver investment in key strategic areas through one off funding made available via a risk based review of earmarked reserves and through early identification of in-year savings opportunities. The Council has already invested over £161M (over and above the normal Capital Programme) in areas supporting key Corporate Plan priorities since October 2015, the latest investment (£7.730M) being agreed by Council in September 2023.
- 11.4 A report setting out the updated capital programme for 2024/25 to 2026/27 will be reported for Members consideration shortly. As was noted at Section 3, the Council's General Capital Funding allocation has reduced by £0.058M to £13.828M for next year.

## **12.0 2024/25 SERVICE GROUP BUDGETS**

- 12.1 The Council adopts a comprehensive budget challenge process involving finance officers and senior managers from each Service area, with a subsequent detailed review and assessment being conducted by the Senior Leadership Team, to ensure consistency and fairness across all service areas.
- 12.2 The 2023/24 revenue budget and the regular performance monitoring reports are available to the Cabinet, to act as a benchmark to evaluate service delivery options, priorities and savings proposals. It is, of course, important to note that the current year's figures are for information purposes only and are not meant to represent a base service requirement, or target. Indeed, budget provision for next year could be more, or less, than the 2023/24 levels, depending upon Members' decisions and spending priorities, and following the impact of the 2024/25 local government settlement.
- 12.3 All of our services continue to complete and have available self assessment and delivery plans. Funding will be a key consideration for these plans and the Senior Leadership Team's budget proposals are intended to underpin these actions. This will allow the budget to be built "bottom up", on the basis of properly identified service need, within the framework provided by the Cwm Taf Morgannwg Wellbeing Plan and our own Corporate Plan.
- 12.4 Members will, of course, be keen to demonstrate that the Council is properly discharging all its statutory obligations, but with funding at a premium, will also wish to ensure that our services are being delivered in the most economic, efficient and effective manner. The basic principle which should, therefore, underpin the construction of the 2024/25 budget, is that Members will look to target adequate funding towards the delivery of our key services whilst, at the same time, ensuring that the resultant Council Tax levied next year is reasonable and can be justified to our residents. Attached at Appendix 4 is an outline budget proposal, including efficiency and service funding requirements.

### **13.0 THE 2024/25 GENERAL BUDGET STRATEGY CONSULTATION PROCESS**

- 13.1 As in previous years, the Council has been keen to consult with the public and other interested stakeholders on its general budget strategy and how services are delivered.
- 13.2 The proposed approach to budget consultation for 2024/25 is set out in the Cabinet report dated 23<sup>rd</sup> October 2023. It comprises 2 phases as follows:
- Phase 1** - provided residents and stakeholders with the opportunity to feedback their views on some of the key strategic building blocks used to construct the Council's budget.
- Phase 2** - once Cabinet have agreed a draft budget strategy, and in light of the provisional local government settlement, then this draft strategy will itself be consulted upon as part of Phase 2.
- 13.3 The Phase 1 Consultation report has been available to support the preparation of these proposals and is attached at Appendix 5.
- 13.4 The general budget consultation also incorporated the requirements to consult on discretions available locally for the Council Tax Reduction Scheme (which has been used to inform the Council's decision on its scheme for 2024/25 as considered by Council on the 17<sup>th</sup> January 2024).
- 13.5 In addition, specific consultation activity was undertaken with the Overview and Scrutiny Committee, the School Budget Forum and the Joint Consultative Committee, the minutes of which are attached at Appendix 6, 7 and 8 respectively.

### **14.0 CONCLUSIONS**

- 14.1 On the 20<sup>th</sup> December 2023, the Minister for Finance and Local Government (Rebecca Evans MS) announced the Provisional 2024/25 Local Government Settlement which showed this Council's increase in resources was set at 2.8%.
- 14.2 Whilst the Council's overall financial position remains sound, its level of General Fund Balances are not excessive. The Council must, therefore, retain its focus on maintaining the minimum level of General Fund Balances of £10M, in order to mitigate any risk of future budget instability. Alongside this, there is the opportunity to pragmatically use the Medium Term Financial Planning and Service Transformation Reserve as transitional funding without compromising the Council's financial stability, or reducing our General Fund Balances. As detailed in the report, the use of such transitional funding would produce a balanced budget for 2024/25.
- 14.3 This Council has continued to deliver year on year robust and balanced budgets alongside an investment programme supporting key priorities. The challenge remains however, for positive and proactive management from the Senior Leadership Team and clear direction from Cabinet to produce a financially sustainable budget into the medium term in what continues to be an extremely challenging and uncertain financial climate.

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