



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

17TH JULY 2018

MEDIUM TERM FINANCIAL PLAN 2018/19 TO 2021/22

REPORT OF THE GROUP DIRECTOR CORPORATE & FRONTLINE SERVICES IN DISCUSSION WITH THE RELEVANT PORTFOLIO HOLDER, COUNCILLOR M NORRIS

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1. PURPOSE OF THE REPORT

- 1.1 This report provides Members with an update on the Medium Term Financial Plan for 2018/19 to 2021/22, based on current modelling assumptions in advance of formulating the detailed budget strategy proposals for 2019/20 during the autumn.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Cabinet:
- i. Note the current position modelled in respect of the 'Medium Term Financial Plan 2018/19 to 2021/22' and receive further updates in the Autumn as part of the annual budget setting process; and
 - ii. Determine any requirements for wider communication and engagement with full Council and the Finance and Performance Scrutiny Committee.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The need to keep Members informed of the budget modelling work being undertaken as part of the Council's Medium Term Financial Planning arrangements. This work is in advance of the Provisional Local Government Settlement, due from Welsh Government in October 2018.

4. BACKGROUND

- 4.1 Each year as part of the Council's robust financial management arrangements, an update on the Medium Term Financial Planning assumptions is provided to Members in advance of the detailed budget strategy work in the autumn.

- 4.2 The Public Sector continues to face a prolonged period of ongoing austerity with national forecasts pointing to challenging times for services across local government. This is coupled with increasing demand and costs associated with many services, in particular Social Care Services.
- 4.3 Locally, this Council has demonstrated its ability and willingness to invest in services, linked to our Corporate Plan priorities in order to meet the changing needs of our people and communities. The significant ‘additional’ investment already agreed by Members during recent years is providing real improvements across many areas including Leisure Centres, Roads and Information Technology.
- 4.4 Whilst investment through the use of one off funds has been very positive, the Council recognises that it must still address base budget shortfalls and make difficult decisions to balance its ongoing revenue budget into the medium term. This report provides an interim view on the scale of the challenge faced and the actions and arrangements being put in place to address any shortfalls across the planning period.

5. CURRENT MODELLING ASSUMPTIONS

- 5.1 The detailed modelling assumptions are included as part of the updated ‘Medium Term Financial Plan 2018/19 to 2021/22’ and is attached at **Appendix 1**. The updated plan sets out the detailed basis of the medium term strategy with references to revenue spending, capital plans, income levels and reserves.
- 5.2 Key assumptions used in the construction of the revenue budget modelling to 2021/22 are shown below:
- 5.3 Income

- Local Government settlement levels are projected to be:

Year	Potential Settlement
2019/20	-1.0%
2020/21	-1.0%
2021/22	-1.0%

- Council Tax increases are currently being modelled at 3% per annum
- Fees and charges uplifted by inflation only.

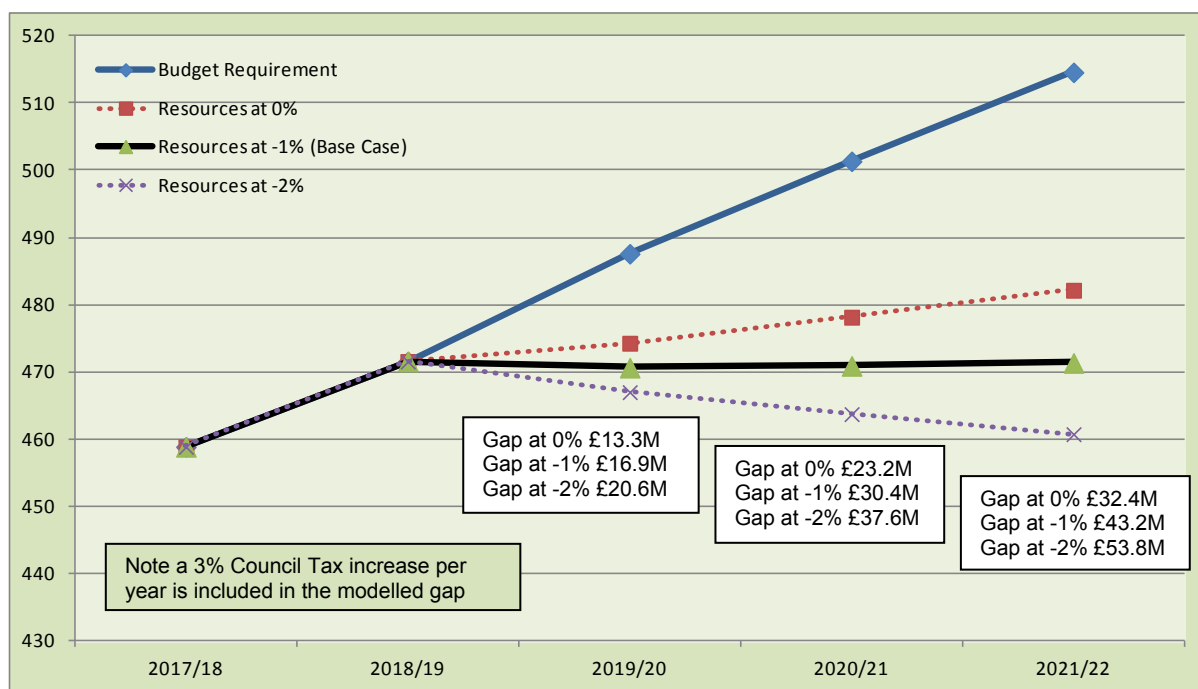
5.4 Expenditure

- Service area pressures reflected which arise from statutory requirements, demand led pressures, demographics etc.
- Uplifts included for pay, pensions and non pay inflation
- Authority wide requirements reflected including Capital Financing, Levies and the Council Tax Reduction Scheme
- Schools budget is modelled to receive a cash uplift of £1M per year (a minimum increase and in the context of the projected level of WG settlements)

6 CURRENT MODELLING OUTCOMES

- 6.1 The modelling uses a number of assumptions which are all subject to change and will be reviewed as part of the detailed budget strategy work in the autumn. The 'base case' includes a reduction in Welsh Government funding of 1% per annum over the three year period. The variability of the potential level of Provisional Settlement from Welsh Government has a significant impact on the budget gap, at £3.6M per 1%. Figure 1 illustrates the outcome of the current 'base case' modelling (pre Provisional Settlement announcement), plus some sensitivity analysis should the Provisional Settlement be more positive (set at 0% flat) or worse (-2%):

Figure 1 : Modelled Budget Gap 2019/20 to 2021/22



7 BALANCING THE BUDGET

- 7.1 The Council continues to focus on the budget gap position over the medium term and has successfully implemented a strategy of early identification and delivery of base budget reducing measures in-year. This has enabled the Council to deliver financial savings early and to replenish the Medium Term Financial Planning and Service Transformation Reserve which has been used proactively as part of the budget strategy for a number of years.
- 7.2 Plans are already being developed across a number of areas to balance the projected budget gap for 2019/20 and the medium term. In particular the focus thus far has been on the continued delivery of an annual efficiency target which protects frontline services. Inevitably the focus at annual budget setting time is for the forthcoming financial year, that is, 2019/20, and the savings quantum required is still to be confirmed pending receipt of the Local Government Settlement from Welsh Government.
- 7.3 Using our 'base case' (-1%) modelling forecast, Figure 2 summarises the current savings requirement position, after taking into account an efficiency target for 2019/20 and after factoring in the impact of decisions already made.

Figure 2: Budget Gap and Savings

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
Budget Gap Annual	16,949	13,490	12,795
Budget Reduction Measures			
General Efficiencies - Target	- 6,000		
Sporting Exemption (VAT)	-600		
Social Care Charges wef October 2018 (full year impact in 2019/20)	-314		
Management Structure full year savings	-113		
Total Budget Reduction Measures	- 7,027	-	-
Remaining Budget Gap	9,922	13,490	12,795

- 7.4 To close the remaining budget gap identified in Figure 2, work is progressing urgently and will be reported to Members as part of the budget strategy work this autumn.

7.5 We have identified a number of themes to focus and prioritise our efforts over the medium term to identify and deliver a transformation agenda across all of our services. These are :

- *Digitalisation* – taking the opportunity new technology provides to deliver better services for residents, visitors, businesses and how we operate internally.
- *Commercialism* – utilising our scale and expertise to deliver services for other organisations and customers and thereby generate income.
- *Early Intervention and Prevention* – investing in preventative services to deliver savings in the medium term.
- *Independence* – reshaping our services for vulnerable residents to ensure that we promote independence and deliver first class care services.
- *Efficient and Effective Organisation* – challenging our ongoing service delivery and driving out further efficiencies through for example, a reduction in administration costs and reducing property costs linked to new ways of working, for example through agile working.

7.6 As work develops through the themes described in 7.5 above, this will be reported through to Members as appropriate.

7.7 Greater clarity will be available on the level of savings required post the Provisional Local Government Settlement in October. The position will be reported to Members as soon as possible after the settlement publication.

8 EQUALITY & DIVERSITY IMPLICATIONS

8.1 There are no immediate equality and diversity implications to consider as an Equality Impact Assessment will be an integral part of the budget strategy itself that will be reported on during the autumn.

9 CONSULTATION

9.1 There are no specific consultation requirements at this time.

10 FINANCIAL IMPLICATIONS

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

11 LEGAL IMPLICATIONS

11.1 There are no legal implications aligned to this report.

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

12.1 The proposal supports our corporate priority - Living within our Means.

12.1 The Medium Term Financial Plan is a key enabler for the delivery of the Council's Corporate Plan and its obligations to support wider partnership objectives.

13 CONCLUSIONS

13.1 This report and the accompanying 'Medium Term Financial Plan 2018/19 to 2021/22' sets out the current position on the financial challenges facing the Council in the medium term. The report notes, that subject to the level of funding from Welsh Government, a significant budget gap is likely to be faced in 2019/20 and for the following two years.

13.2 The report clearly states that the proactive strategy adopted in recent years through early identification of savings and the targeting of key areas such as procurement and new ways of working can still deliver significant efficiency savings.

13.3 The focus will switch to the 2019/20 budget strategy upon receipt of the Provisional Local Government Settlement. Given the actions already being worked through, any budget gaps will in the first instance be addressed through efficiency actions and process changes thereby protecting, as far as possible, our much valued frontline services.

Other Information.

Relevant Scrutiny Committee – Finance & Performance Scrutiny Committee