

RHONDDA CYNON TAF COUNCIL CABINET COMMITTEE

Minutes of the meeting of the Cabinet held on Tuesday 18th July, 2017 at 4pm at the Council Headquarters, Clydach Vale.

County Borough Councillors – Cabinet Members in attendance:-

A Morgan (Chair), M Webber

M Webber J Rosser C Leyshon

R Bevan R Lewis A Crimmings G Hopkins

Other County Borough Councillors in attendance

G.Thomas, J.James, A.Chapman, J.Williams, M.Diamond

D.Owen-Jones, M.Adams, W.Jones, C.Willis, W.Lewis

S.Bradwick, J.Bonetto, R.Yeo, E.George, T.Williams

Officers in attendance

Mr C Bradshaw – Chief Executive

Mr C Jones – Director, Legal & Democratic Services

Mr C Hanagan – Director, Cabinet & Public Relations (Secretary to the Cabinet)

Mr C Lee – Group Director, Corporate & Frontline Services

Ms E Thomas – Temporary Director, Education & Lifelong Learning

Mr N Wheeler – Director, Highways & Streetcare Services

Mr P Mee – Service Director, Public Health & Protection

Mr R Waters – Service Director, Highways & Streetcare Services

25. DECLARATION OF INTEREST

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

26. MEDIUM TERM FINANCIAL PLAN 2017-18 TO 2020-21

The Group Director, Corporate & Frontline Services provided Cabinet Members with a presentation (attached) with an update on the Medium Term Financial Plan for 2017/18 to 2020/21, based on current modelling assumptions in advance of formulating the detailed budget strategy proposals for 2018/19 during the autumn.

The officer explained that the Public Sector would continue to face a prolonged period of austerity with national forecasts pointing to challenging times ahead for services across Local Government. However, the officer explained that despite the difficult times, the authority had remained committed to its Corporate Plan priority of significant investment in areas such as leisure, roads and IT.

The Members were referred to the current modelling assumptions which had been put in place in advance of the Welsh Government settlement to be announced in autumn, to set out the detailed basis of the medium term strategy with references to spending, capital plans, income levels and reserves.

A graph was displayed which outlined the constant Budget Requirement to 2020-21 against the resources measured at -2%(Base Case), -4% and 0%. This provided Members with a clearer picture in respect of what the Council faces in the coming years, with even the best case model of 0% pa indicating a gap of £30.3M in 2020-21.

The officer provided Members with a budget timeline, which advised that the provisional settlement would be announced in October and the final in December.

The officer concluded the presentation by assuring Members that further reports on budget developments would be presented to them as appropriate.

The Leader advised that although the provisional settlement would be announced in October, the UK Government Budget would be announced in November which could significantly change outcomes prior the final settlement announcement in December, 2017.

The Leader explained that a freeze in the budget would be optimistic, but even then, it would mean the Council would begin the 2018/19 financial year with an £11.5million Budget Gap. The Leader reiterated the officer's comments that the coming years were bleak for the Council in terms of the need to reduce the gap, but that the focus on modernising services would result in further investment:

- Investment in LED lighting & Energy Saving
- Agile Working
- Digitalisation
- Early Intervention & Prevention
- Independence – reshaping the service to allow residents to live at home longer

The Deputy Leader commented that the Council were legally bound to present a balanced budget every year despite the current financial climate so it was the opportunity for Members to put forward practical suggestions for a way forward.

The Leader gave all Members present the opportunity to raise any questions they may have had but as none were put forward, he suggested they contact the officers via email should they wish to do so.

The Cabinet **RESOLVED:**

- a) To note the current position modelled in respect of the 'Medium Term Financial Plan 2017/18 to 2020/21' and receive further updates in the autumn as part of the annual budget setting process.

The meeting closed at 4:30pm

Cllr A Morgan

Chair

Medium Term Financial Strategy

Update for Cabinet

18th July 2017



Contents

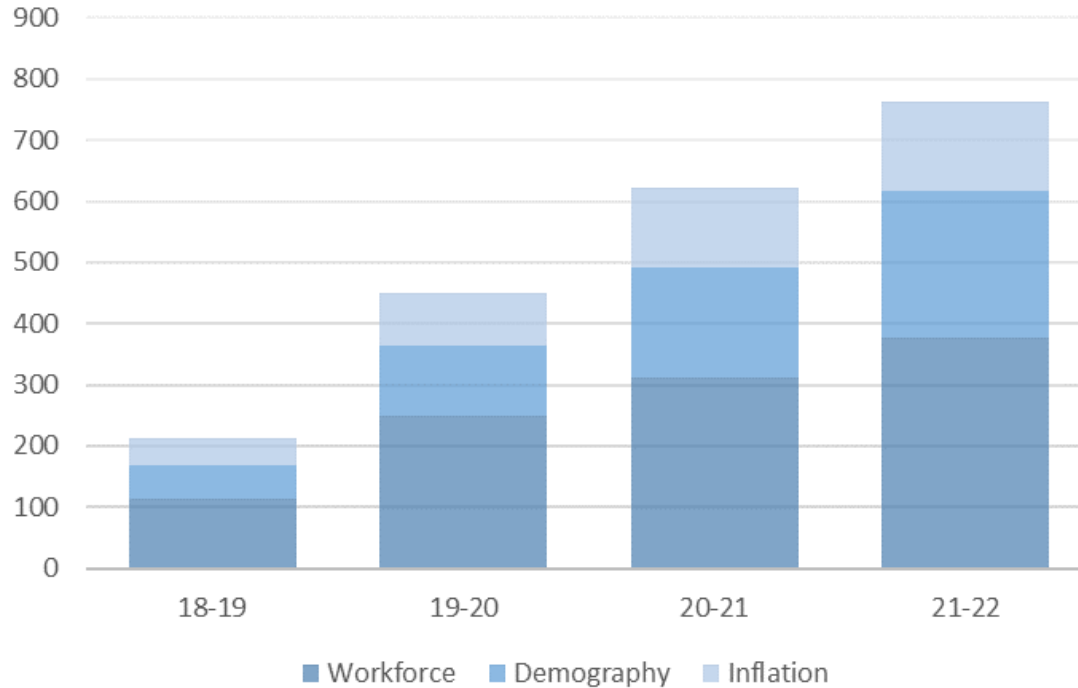
- National Drivers
- Locally Taking Opportunities
- An updated Financial Forecast to 2020/21
- Balancing the budget
 - Efficiency Target Requirements
 - Transformation Areas
- Timelines for further work
- Conclusions and next steps

National Drivers

- Continued uncertainty over Public Sector finances
 - Austerity – a potential further £3.5Bn cuts (£175M impact on Welsh Budget)
 - Brexit – final impact as yet unclear?
 - Post election position – a new political landscape?
- Restrictions on funding likely into the medium term

National Drivers

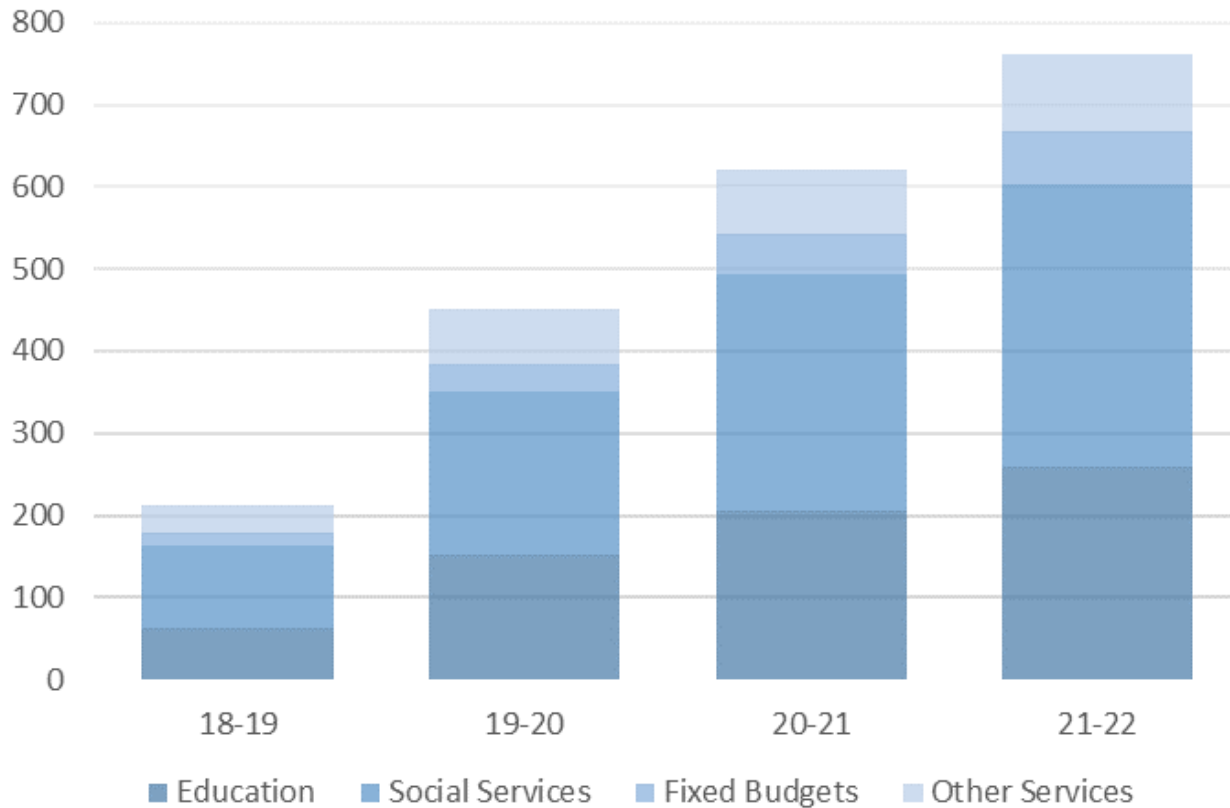
- Cost pressures increasing (£M)



Source: Base estimates: RO and RA returns (2014-15 to 2015-16)

National Drivers

- By Service Areas (£M)



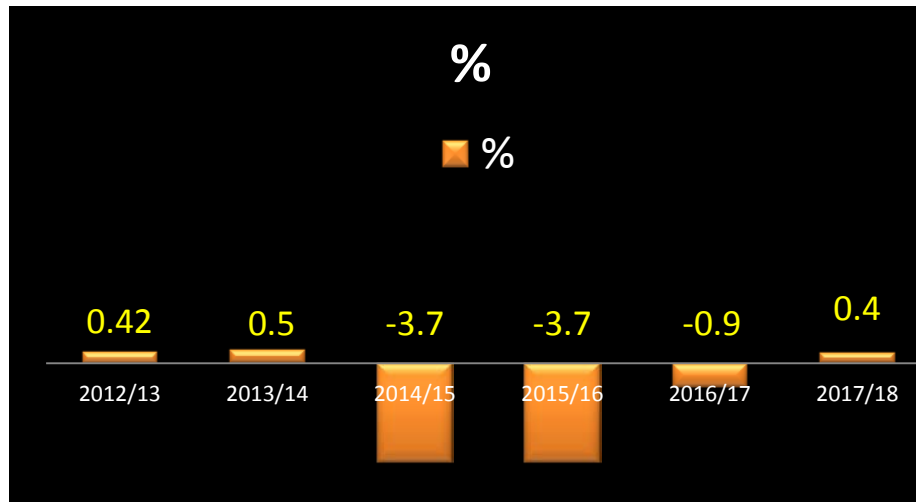
Source: Base estimates: RO and RA returns (2014-15 to 2015-16), NLW impact: WLGA Survey (2016)

Locally Taking Opportunities

- Despite austerity a willingness to invest in key areas and support Corporate Plan Priorities
- £36.588M invested over and above Revenue and Capital budget strategies since October 2015 e.g. Leisure, highways infrastructure, apprenticeships, Taff Vale etc..
- Opportunities arise through utilising a proactive and effective Reserves Policy
- Playing a key role regionally
 - City Deal
 - New housing development opportunities
 - Responding to the Welsh Government collaborative agenda

Updating the Base

- Update now to 2020/21
- key assumptions
 - Income
 - Settlement ‘base case’ -2% per annum...variations seen over the years:



- Council tax +3% each year
- Fees & Charges uplift by inflation

Updating the Base

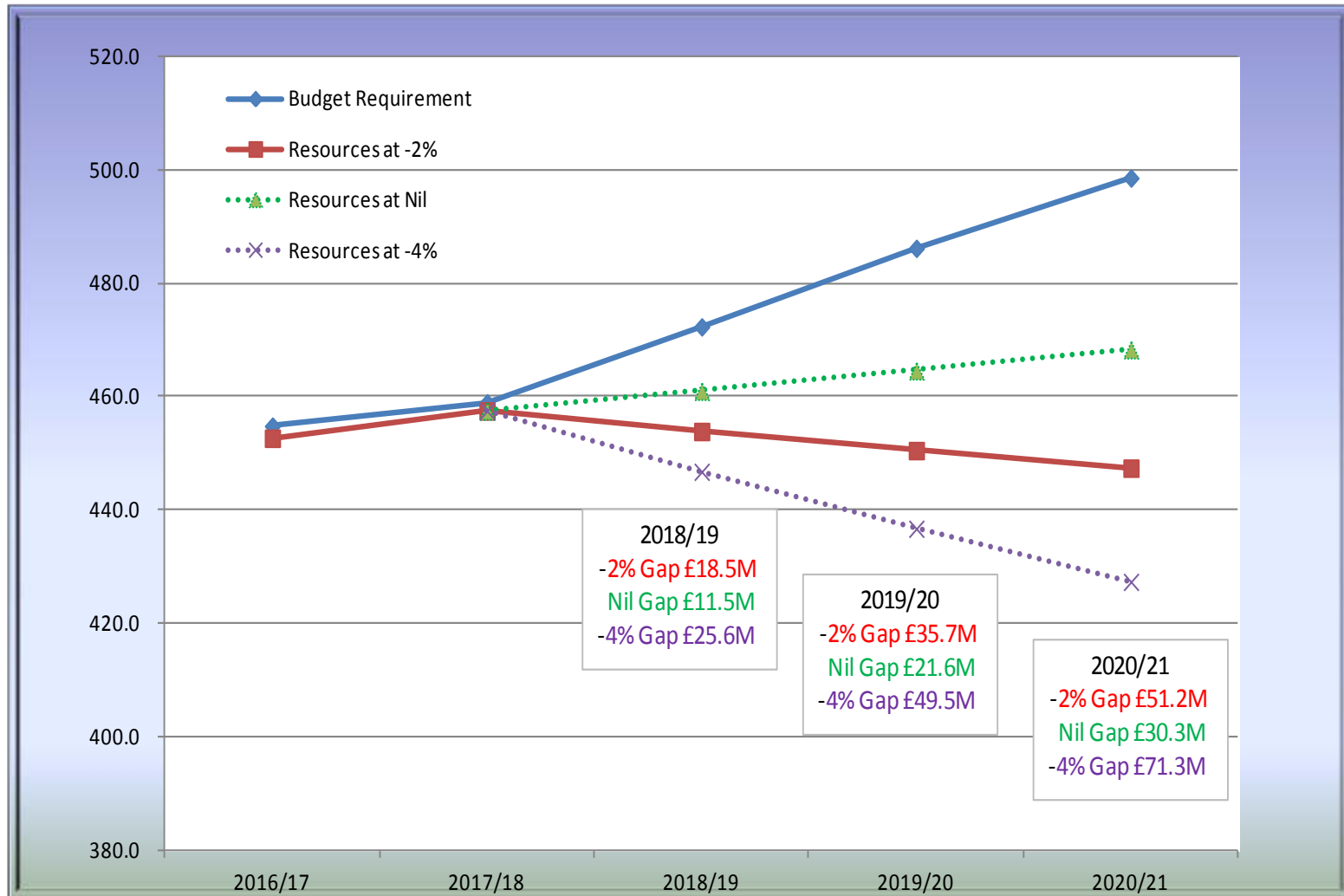
- key assumptions

- Expenditure:

- Pay inflation +1% each year (assuming some higher increases at lower grades)
 - General inflation +2%, +2.1%,+2.1%
 - Authority wide, service pressures and risks included
 - Schools an additional £1M allocation factored in – Consistently treated more favourably than other Council Services:

Year	School (ISB) Increase	RCT Settlement Level
2012/13	+1.58%	+0.42%
2013/14	+2.08%	+0.5%
2014/15	+0.9%	-3.7%
2015/16	+0.6%	-3.7%
2016/17	+1.85%	-0.9%
2017/18	+1.5%	+0.4%

A Projected Budget Gap to 2020/21



A Projected Budget Gap to 2020/21 – Sensitivity Analysis (Welsh Gov Grant)

Budget Gap - Sensitivity Analysis	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Budget Gap at -2% pa (Base Case)	18,458	35,679	51,190
Budget Gap at 0% pa	11,349	21,604	30,287
Budget Gap at -4% pa	25,567	49,471	71,258
Budget Gap at -1% pa	14,903	28,677	40,844
Budget Gap at 0, -1%, -2%	11,349	25,158	40,880
Budget Gap at -1%, -2%, -2%	14,903	32,196	47,777

Balancing the Budget

- We will continue the successful policy of identifying and delivering savings early
 - Look to replenish our transitional funding and support medium term decision making
- Efficiency targets set for Services and if applied to ‘base case’:

Budget Gap Annual	18,458	17,222	15,511
Budget Reduction Measures			
General Efficiencies	- 6,000	- 6,000	- 6,000
Remaining Budget Gap	12,458	11,222	9,511

Balancing the Budget

- Detailed work underway across all services to close any budget gap
- A focus on Service Transformation:
 - **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.
 - **Property Rationalisation** – reducing property costs linked to new ways of working, for example through agile working.
 - **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.

Outline Timelines

- July – October - Refinement of budget model and services consider opportunities for savings. Services consider their budget requirements for the following year
- October (TBC) – Provisional settlement
- December (TBC) - Final settlement
- November to February – options for next year's budget to be considered, including consultation processes to be undertaken
- March 2018 – Council sets budget and Council Tax levels for 2018/19

Conclusions and Next Steps

- Significant financial and service challenge forecast into the Medium
- Track record of successful financial management and an investment focus
- MTFP model to be updated regularly and formally in response to Provisional Settlement announcement this autumn.
- Further reports to Members on budget requirements and developments as appropriate