



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020-2021

COUNCIL

20 JANUARY 2021

**THE COUNCIL'S 2021/22 REVENUE BUDGET – THE PROVISIONAL
SETTLEMENT**

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES

**AUTHOR: Barrie Davies, Director of Finance and Digital Services (01443
424026)**

1.0 PURPOSE OF THE REPORT

- 1.1 This report provides Members with information in respect of the 2021/22 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 2021/22 Local Government Settlement, announced by the Minister for Housing and Local Government on the 22nd December 2020;
- 2.2 Note that the Final 2021/22 Local Government Settlement is expected during early March 2021; and
- 2.3 Note the approach to budget consultation for 2021/22 as already determined.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 To update Members on the implications of the Provisional Settlement for 2021/22 following receipt of information on the 22nd December 2020.

4.0 BACKGROUND

- 4.1 The timing of the Local Government Settlement for 2021/22 has been extremely uncertain throughout the autumn period as a consequence of the timing of the UK Government Spending Review and the period it would cover, originally planned for 3 years but revised to one year.
- 4.2 On the 22nd December 2020, the Minister for Housing and Local Government (Julie James MS) announced the Provisional 2021/22 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.
- 4.3 The "headlines" of the Provisional 2021/22 Settlement are as follows:-
- a. The overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) funding for 2021/22 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is 3.8% (+£172M).
 - b. The settlement for Rhondda Cynon Taf, amounts to an increase of **3.8%** which equates to the average all Wales increase. Settlement figures across Wales range from 2.0% to 5.6%.
 - c. No 'floor' protection has been included for 2021/22.
 - d. The Settlement figures for 2021/22 include transfers into the settlement in respect of the Teachers Pay Grant (£3.981M) and the Coastal Risk Management Programme (not applicable to this Council). The value of the Teachers Pay Grant for this Council is £0.328M. Whilst the part year (2020/21) implications of the Teachers Pay Grant transfer into the settlement, the additional full year implications are to be funded from within the settlement increase.
 - e. There is no indication of settlement levels beyond 2021/22.
 - f. Provisional figures and indicative estimates are included for specific grants, at an all Wales level. Of particular note, would be the continuation and increase (from £40M to £50M) in the Social Care Workforce Grant. This funds our core base budget.
 - g. The Council's General Capital Funding allocation has increased by £0.087M to £13.764M.

5.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2021/22 PROVISIONAL SETTLEMENT

- 5.1 The provisional settlement indicates that our 2021/22 RSG and NDR funding will total £404.375M.

5.2 In anticipation of the 2021/22 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) inflation, including energy and fuel;
- Corporate financing requirements and levies; and
- Full year effects of any additional burdens imposed on the Council.

5.3 The Provisional Settlement is within the range modelled in the most recent Medium Term Financial Plan and recognises some of the intense funding pressures which are being experienced across local government in general but also within Rhondda Cynon Taf. **It also importantly recognises the critical role which local government continues to play in responding to the pandemic and protecting our communities and residents.**

5.4 Members have continued to receive updates on the projections of the Council's revenue budget position for the period to 2023/24, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Council on the 21st October 2020 which, based on a range of modelled settlement levels, projected a funding gap of £9.9M (at +4% settlement), £13.8M (at +3% settlement) and £17.7M (at +2% settlement).

5.5 As referenced at section 4, the provisional settlement provides this Council with an uplift of 3.8%. There is also an increase in the Social Care Workforce Grant, which funds our core base budget.

5.6 Cabinet on the 17th November 2020 determined the Council Tax Base for 2021/22 at £77,197.81. The impact on the modelled budget gap of our updated tax base can also now be reflected.

5.7 The combined effects of the above updates is shown in table 1.

Table 1 : Revised Budget Gap at Provisional Settlement

	£'000
MTFP Budget Gap at 3%	13,809
Additional Resources at Provisional Settlement (including impact of updated Tax Base)	- 4,049
Additional Social Care Workforce Grant	- 675
Revised Budget Gap	9,085

- 5.8 Our base budget requirements for 2021/22 have continued to be reviewed since the preparation of the MTFP and a number of updates can now be made.
- 5.9 The UK Government Spending Review in November 2020 included a proposed pause of national public sector pay, an effective pay freeze for public sector staff with the exception of a pay increase of £250 per year for salary points below £24,000. Consequently, Welsh Government did not receive any further funding in this respect from UK Government. It is anticipated that the appropriate pay negotiating bodies and arrangements will comply with this, including with regard to teachers pay which is a devolved matter for Wales.
- 5.10 Our waste management costs have increased as a consequence of the impact the pandemic has had on residents and businesses. The overall quantum of waste has moved toward more kerbside residential collection, away from trade waste with a changed composition and an increase in the volume of residual waste.
- 5.11 Other base update requirements have also been made in respect of:
- Drainage Team
 - Children’s Services - Additional Cost Pressures
 - Adult Social Care Costs
 - Additional Learning Needs
 - Other (including fleet / vehicle costs and community resilience)
- 5.12 These updates are summarised in table 2.

Table 2: Base Budget Updates

	£'000
Public Sector Pay	- 7,861
Additional Waste Management and Disposal Costs	1,000
Drainage Team	500
Children's Services - Additional Cost Pressures	1,302
Adult Social Care Costs	1,048
Additional Learning Needs	500
Other	360
Total Base Updates	- 3,151

- 5.13 In the MTFP, a number of risk items were identified and estimated in financial terms. In light of the above updates it is now appropriate that these risks are removed from our base budget requirement for next year, albeit they will continue to be monitored as we go forward and continue to refresh our MTFP.

Table 3: Risk Value to Remove

	£'000
Removal of Risk Items	- 1,877

- 5.14 The combined effects of the above updates on the budget gap are now shown in table 4.

Table 4: Revised Budget Gap 2021/22

	£'000
Budget Gap at Provisional Settlement	9,085
Updated Base Budget Requirements	- 3,151
Removal of Budget Risks	- 1,877
Remaining Budget Gap	4,057

- 5.15 It will now be for 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.
- 5.16 It is customary for our services to deliver on an efficiency requirement year on year which for the current year (2020/21) amounted to £6M. Senior Finance Officers continue to work in the background to identify any such opportunities which can be factored into the 2021/22 budget strategy, noting that the focus of our service managers remains appropriately concentrated on responding to the pandemic.
- 5.17 It is important to note that our base budget as set out above, does not include any additional cost implications which continue to arise as a direct consequence of the pandemic. Welsh Government continue to fund these costs outside of the base budget, an arrangement which is set to continue into 2021/22.
- 5.18 Cabinet may though wish to consider the wider and ongoing implications of the pandemic 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.

6.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2021/22

- 6.1 Against the backdrop of a sustained period of financial challenges and more recently significant storm damage and the pandemic, the Council must maintain a focus on robust financial management and stability. A key ingredient 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 2021/22 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 all new funding opportunities made available by the Welsh Government and others where it is in the best interests of the Council;
- e) "Top slice" appropriate necessary sums to fund corporate budgets;
- f) Fully allocate any sums "earmarked" for specific services which are demonstrably the direct result of legislative changes included in the 2021/22 Local Government Settlement, in accordance with the guidance issued by the Welsh Government;
- g) Allocate to our Service Groups, initially, an adequate allowance for movements in employee costs;
- h) Allocate an appropriate level of funding to support our schools;
- i) Continue to deploy our procurement strategy to offset the impact of certain supplies and services inflation in the coming financial year;
- j) Actively pursue efficiency in all areas of the Council, for example, through continuing our work on digitalisation, reducing office accommodation, on-going transformational change as a result of the pandemic and a focus on invest to save and preventative activities.

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 assumed at this time is +2.85% for 2021/22.

- 6.5 The Local Council Tax Reduction Scheme (CTRS), will continue to operate within a 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 £1,157k (at the 2021/22 tax base level), but will also cost £247k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £910k, or stated another way, 21 per cent of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.
- 6.6 The cost of the CTRS during this year (2020/21) has increased substantially as a consequence of significantly more residents qualifying for support, clearly linked to the economic impact of the pandemic. These costs have been funded by WG during 2020/21 and we would anticipate this arrangement to continue into 2021/22, noting that it is of course a national scheme in Wales.

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 Work is now underway to revisit all of the assumptions through to 2023/24 within the Medium Term Financial Plan and this will be reported to Members when available. The Council must continue to identify opportunities for savings and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2021/22 by March of this year, we must also be mindful of the medium and longer term requirements.

8.0 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 and will be reported on later in the process.

9.0 CONSULTATION

- 9.1 The proposed approach to budget consultation for 2021/22 is set out in the Cabinet report dated 13th October 2020. 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 2020 – 2024 "Making a Difference".

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 Housing and Local Government (Julie James MS) announced the Provisional 2021/22 Local Government Settlement on the 22nd December 2020.

13.2 The reported Provisional Settlement represents an increase in revenue funding for the Council of +3.8% and a slight increase in capital support.

13.3 The Council's primary objective continues to be setting a budget in 2021/22 that maintains key services and jobs as well as ensuring the ongoing financial stability of the Council.



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Provisional Local Government Settlement 2021-22**

DATE **22 December 2020**

BY **Julie James MS, Minister for Housing and Local Government**

Today I am publishing details of the core funding allocations for unitary authorities for the forthcoming financial year through the Provisional Local Government Revenue and Capital Settlements for 2021-22 (the Settlement).

Adjusting for transfers, the core revenue funding for local government in 2021-22 will increase by 3.8% on a like-for-like basis compared to the current year. In 2021-22, local authorities will receive £4.65 billion from the Welsh Government in core revenue funding and non-domestic rates to spend on delivering key services.

In addition to this, I am publishing information on revenue and capital grants planned for 2021-22. These amount to nearly £1 billion for revenue and over £720 million for capital. The Government is providing these indicative grant values and distributions now so that local authorities are able to plan their budgets efficiently. This information will be further updated for the final settlement.

As set out in yesterday's draft budget the Welsh Government's funding priorities continue to be health and local government services. While I know local government has been facing significant pressures, particularly arising from the COVID-19 pandemic, I hope that this increase, building as it does on a significantly improved settlement in 2020-21, enables Authorities to continue to support and deliver critical and valued local services. In setting the overall Settlement at this level the Government has responded to the negative impact of the pandemic on Non Domestic Rate (NDR) collection. The baseline Settlement increase of £176m reflects a larger increase in the Revenue Support Grant (RSG) to compensate for the fall in NDR. It also accounts for the impact of freezing the NDR multiplier. After adjusting for transfers into the Settlement, this equates to an increase of £172 million in Settlement funding, compared with 2020-21.

The Minister for Finance and Trefnydd was clear in the draft budget that one of the hard choices we have faced in setting our spending plans for next year is our approach to public sector pay. The reality is that we did not receive any additional funding through the Barnett

formula to provide for public sector wide pay awards next year given the UK Government's decision to pause public sector pay rises, with the exception of the NHS and those on the lowest wages. The implications of pay awards in 2021-22 will therefore need to be accommodated within Authorities' budget planning in the light of this Settlement. Our decisions in the budget, target as much support as we can to health and local government to support pressure in frontline services focusing on schools and social services.

Whilst we did not receive any additional funding from the UK Government for public sector pay, in determining the distribution of funding across authorities for the Settlement, we have recognised the decisions made on the 2020/21 teachers' pay deal and the commitment made by local government to fund this deal by directing funding into the schools part of the formula. We are also continuing to provide funding for our proposals for new eligibility criteria for free school meals, given the continued rollout of Universal Credit by the UK Government.

Through this Settlement, we are continuing to provide £4.8 million for authorities to deliver additional discretionary rates relief for local businesses and other ratepayers to respond to specific local issues.

In line with the Government's focus on countering the effects of poverty, we remain committed to protecting vulnerable and low-income households from any reduction in support under the Council Tax Reduction Schemes, despite the shortfall in the funding transferred by the UK Government following its abolition of Council Tax Benefit. We will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2021-22 and are again providing £244 million for CTRS in the Settlement in recognition of this.

Alongside the Settlement we are continuing to provide funding to support local government to waive fees for child burials. This shared commitment ensures a fair and consistent approach across Wales.

I am not minded to provide for a funding floor for this year given the increased settlement for 2020-21 and the proposed allocations I am announcing today for 2021-22. I have accordingly allocated all the funding available up front.

A wide range of services of course have been significantly impacted by the pandemic. As the Finance Minister's statement on the budget made clear, we recognise the need to continue to provide funding to support Local Government's response to the pandemic. This will be considered separately and does not form part of this Settlement.

This Settlement provides Local Authorities with a stable platform for planning their budgets for the forthcoming financial year. I fully appreciate the pressures local government is facing and am committed to protecting local government, particularly at this difficult and challenging time. This is as good a Settlement as the Government can offer and one which should help to alleviate some of the pressures Authorities are anticipating. While I can't guarantee that there will be no changes between the provisional and final settlements, due to the financial uncertainty that we currently face, I do not intend making any significant changes to the methodology or the data underpinning the distribution of this Settlement.

Attached to this statement is a summary table setting out the Settlement allocations by authority. The allocations are derived using the formula agreed with local government. As a result of the formula and related data, the table shows the range of the funding allocations, from a 2.0% increase over the 2020-21 settlement to a 5.6% increase.

Further details on the Settlement will be sent to all local authorities and published on the Welsh Government's website:

<https://gov.wales/local-government-revenue-and-capital-settlement-2021-2022>

General capital funding for 2021-22 will continue to be set at £198 million. Included within this amount is £20 million for the continuation of the public highways refurbishment grant, including support for active travel; £54 million of historic baselined general capital grant; and the continuation of an additional £35 million of general capital grant, which was announced as part of the 2019-20 and 2020-21 budgets. This additional £35 million will enable Authorities to begin to respond to our joint priority of decarbonisation, including for housing and economic recovery following Covid-19.

We have discussed, before, our shared recognition of the need to invest in the supply of housing. Investing in social housing should minimise the pressures on local authority budgets and on homelessness services. Investment in housing can also support the Welsh economy and local economies. I hope that this Settlement, capital and revenue, can support Authorities in increasing the scale and pace of housebuilding across Wales.

I know that Authorities will need to make choices in setting their budgets. They will need to engage meaningfully with their local communities as they consider their budget priorities. The setting of budgets, and in turn council tax, is the responsibility of each local authority and authorities will need to take account of the full range of sources of funding available to them, as well as the pressures they face, in setting their budgets for the coming year.

This announcement commences the formal seven-week consultation on the provisional local government settlement. This will end on 9 February 2021.

This statement is being issued during recess in order to keep members informed. Should members wish me to make a further statement or to answer questions on this when the Senedd returns I would be happy to do so.

Summary Table

2021-22 provisional settlement – comparison of 2020-21 AEF (adjusted for transfers) and 2021-22 provisional AEF, and distribution of the 2020-21 Council Tax Reduction Schemes funding (distributed within AEF) (£000s)

Unitary authority	2020-21 adjusted AEF ¹	2021-22 provisional AEF	% change on adjusted 2020-21 AEF	Rank	Council Tax Reduction Schemes (within AEF)
Isle of Anglesey	101,369	104,825	3.4%	18	5,186
Gwynedd	188,409	194,793	3.4%	19	8,541
Conwy	161,181	166,906	3.6%	17	9,138
Denbighshire	153,089	158,632	3.6%	16	8,920
Flintshire	199,267	206,778	3.8%	14	9,609
Wrexham	184,569	188,856	2.3%	21	9,062
Powys	184,554	191,897	4.0%	8	8,775
Ceredigion	107,545	109,658	2.0%	22	5,122
Pembrokeshire	172,502	179,387	4.0%	7	8,187
Carmarthenshire	274,355	284,820	3.8%	13	13,996
Swansea	339,445	352,642	3.9%	10	19,264
Neath Port Talbot	227,198	236,680	4.2%	6	15,977
Bridgend	203,540	212,192	4.3%	5	13,088
The Vale Of Glamorgan	160,455	168,316	4.9%	2	9,062
Rhondda Cynon Taf	389,403	404,375	3.8%	11	21,936
Merthyr Tydfil	96,973	101,476	4.6%	3	5,595
Caerphilly	283,708	292,367	3.1%	20	12,372
Blaenau Gwent	116,112	120,361	3.7%	15	8,067
Torfaen	140,308	146,340	4.3%	4	8,331
Monmouthshire	97,673	101,483	3.9%	9	5,753
Newport	228,000	240,796	5.6%	1	10,083
Cardiff	469,913	487,913	3.8%	12	27,934
All Unitary Authorities	4,479,570	4,651,494	3.8%		244,000

Note: Total may not sum correctly due to rounding

1. 2020-21 AEF adjusted transfers of £5.127m (at 2020-21 prices) into the Settlement