

**AGENDA ITEM 11****RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL****CABINET****19<sup>th</sup> APRIL 2016****MEDIUM TERM SERVICE PLANNING - UPDATE****COUNCIL REVENUE BUDGET 2016/17****REPORT OF THE GROUP DIRECTOR CORPORATE & FRONTLINE SERVICES IN DISCUSSIONS WITH THE LEADER OF THE COUNCIL, COUNCILLOR A MORGAN.****AUTHOR: Chris Lee (01443 424026)****1.0 PURPOSE OF THE REPORT**

- 1.1 This report provides Cabinet with an update on the financial impact on the Council's revenue budget of the decision taken not to implement the change in the Home to School Transport Policy previously agreed by Cabinet on the 8<sup>th</sup> September 2015, and in doing so, not introduce a charge for the discretionary elements of the service.

**2.0 RECOMMENDATIONS**

It is recommended that the Cabinet:

- 2.1 Note the financial impact of the decision not to implement changes in the Home to School Transport policy on the Council's Revenue Budget for 2016/17; and
- 2.2 Recommend to Council that the budget shortfall arising from the decision not to implement Home to School Transport Policy changes is addressed through:
- Senior Management Structure Savings (part year 2016/17 impact of £0.280M)
  - Council Tax Reduction Scheme Savings (£0.600M)
  - Use of £0.004M available resources initially set aside as part of the fund to support hardship requirements in relation to Home to School policy changes

### **3.0 BACKGROUND**

- 3.1 The Council's Revenue Budget strategy was agreed by Council on the 24<sup>th</sup> February 2016. This included the financial savings estimated to arise from changes to the Council's Home to School Transport Policy, namely maintaining the existing service, but reducing the subsidy for discretionary travel. The financial savings equated to £0.884M for 2016/17.
- 3.2 Subsequently, on the 16<sup>th</sup> March 2016, a delegated decision was taken to overturn the cabinet decision of September and instead apply the policy as set out in the Council's published 2016/17 Starting School Booklet.

### **4. IMPACT ON THE 2016/17 BUDGET**

- 4.1 The impact of not applying the changes originally agreed in relation to Home to School Transport arrangements is a budget gap in 2016/17 of £0.884M.
- 4.2 The Council has a number of options available to close this budget gap in 2016/17. The Medium Term Financial Planning and Service Transformation reserve (Transitional Funding) is available and equates currently (at budget setting February 2016 and prior to a risk assessment of the adequacy of reserves being carried out as part of the annual accounts closedown process for 2015/16) to £4.6M, plus further base budget savings and one off cash resources have been identified and can now be adjusted for in 2016/17.
- 4.3 The Transitional Funding reserve has been a key component of the Council's robust medium term financial planning arrangements and has supported in year implementation issues around service changes through one off cash funding. It is acknowledged though that permanent base budget savings are essential for long term financial sustainability and accordingly remain the preferred option. In this regard, two further opportunities in relation to base budget savings for 2016/17 have been identified:
- 4.4 Senior Management Structure Savings
- 4.5 Council on the 23<sup>rd</sup> March 2016 agreed further changes in the Senior Management Structure of the Council that will deliver net savings of £0.280M in 2016/17 (note, part year impact in 2016/17).

#### 4.6 Council Tax Reduction Scheme Savings

- 4.7 The latest projections for the costs of the Council Tax Reduction Scheme for the Council indicate that a potential underspend is likely in 2016/17.
- 4.8 The Quarter 3 performance report indicated that a projected underspend of £0.854M was anticipated. Whilst final figures have not been confirmed, this figure is not expected to change significantly at year end for 2015/16. The underspend in 2015/16 was part of the overall £2.403M underspend reported and subsequently utilised for further investment priorities as agreed by Council on the 10<sup>th</sup> March 2016.
- 4.9 The Council Tax Reduction Scheme budget for 2016/17 was increased in line with the impact of changes in Council Tax levels agreed. Prudently, assumptions around case load changes remained fixed as per 2015/16. However the Council Tax billing process has now been substantially completed and this has confirmed the continuation of the demand led reduction into the beginning of the 2016/17 financial year. Given the above, it is felt appropriate to lower the budget level for 2016/17 by £0.600M
- 4.10 The combined effect of senior Management Structure and Council Tax Reduction Scheme savings is a base budget saving of £0.880M (£0.280M and £0.600M respectively).
- 4.11 This leaves the requirement of a very small (£0.004M) allocation to balance the budget for 2016/17. Instead of taking money from the Transitional Funding reserve, one off funds were originally established as a hardship fund to support the change in the Home to School Transport Policy. This fund was to total £0.020M and it is proposed that £0.004M is allocated to support the budget shortfall in 2016/17 with the remaining £0.016M added to the Transitional Funding Reserve this year. This one off funding will support the part year implications of savings (full year effect of senior management savings will be deliverable in 2017/18).

#### 5. CONCLUSION

- 5.1 On the 8<sup>th</sup> September 2015 Cabinet agreed changes to the Council's Home to School Transport Policy, namely maintaining the existing service, but reducing the subsidy for discretionary travel, the financial implications of which were included in the Council's Revenue Budget for 2016/17.

- 5.2 The decision (16<sup>th</sup> March 2016) to overturn the changes proposed for Home to School Transport resulted in a budget gap for 2016/17 of £0.884M.
- 5.3 To rebalance the budget for 2016/17 permanent base budget savings in relation to the Senior Management Structure and the costs of the Council Tax Reduction Scheme can be utilised along with a very small allocation from existing one off resources to fully close the budget gap, subject to Cabinet proposing these changes to Council in line with the Council's Budget and Policy Framework
- 5.4 Also, in accordance with the Budget and Policy Framework, any further amendments required to the Council's budget in 2016/17 will be reported to Cabinet and through to Council as appropriate.

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