



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**CABINET**

**17<sup>TH</sup> 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.

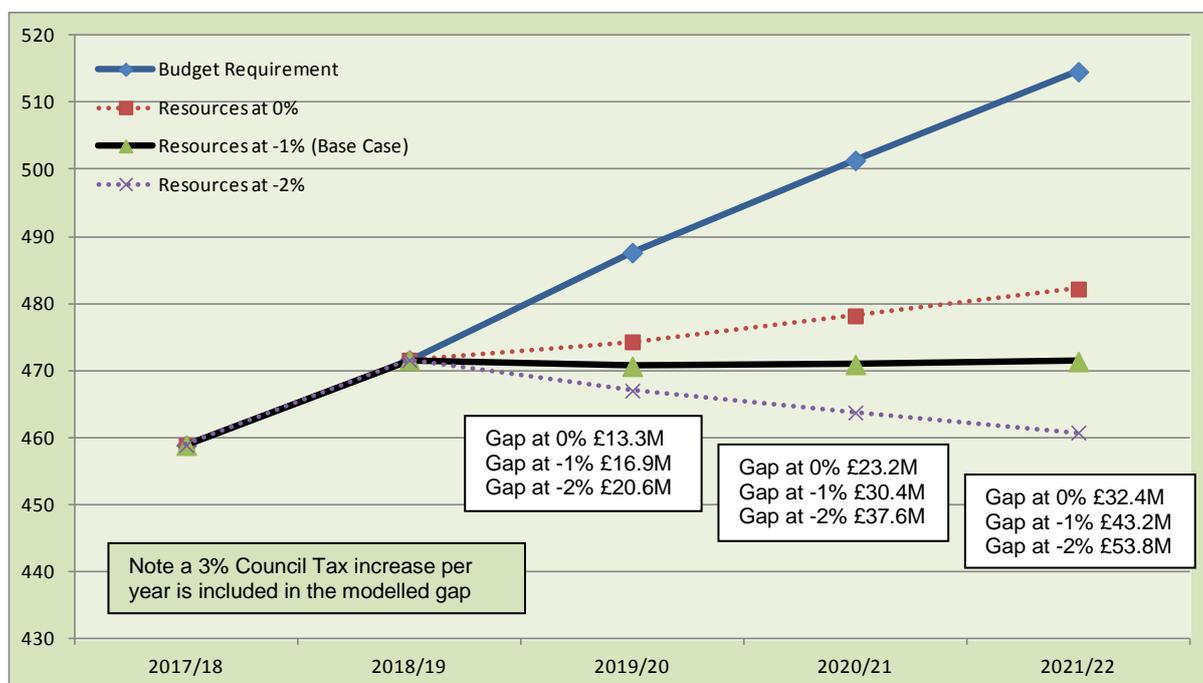
## 5.4 Expenditure

- 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         |
| <b>Budget Gap Annual</b>   | <b>16,949</b>  | <b>13,490</b> | <b>12,795</b> |
| <b><u>Budget Reduction Measures</u></b>                            |                |               |               |
| 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           |               |               |
| <b>Total Budget Reduction Measures</b>                             | <b>- 7,027</b> | <b>-</b>      | <b>-</b>      |
| <b>Remaining Budget Gap</b>  | <b>9,922</b>   | <b>13,490</b> | <b>12,795</b> |

- 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.

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### **Other Information.**

**Relevant Scrutiny Committee – Finance & Performance Scrutiny Committee**



**Rhondda Cynon Taf  
County Borough Council**

**Medium Term Financial Plan**

**2018/19 – 2021/22  
(up dated July 2018)**

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## **INTRODUCTION AND PURPOSE**

Medium Term Financial and Service Planning is an essential component of the effective financial management of this Council. It is the cornerstone of good governance and an enabler of service delivery and service improvement within the constraints of available resources.

This Medium Term Financial Plan sets out, holistically, the financial context within which the Council is operating and forward projects the financial challenge facing the Council over a 3 year planning period.

It will also align and link our financial resources to our Corporate Plan Priorities and will enable us to track resource allocation in this way over future years.

## Section 1 Background and Context

- 1.1 Rhondda Cynon Taf has a track record of strong and effective financial management. Medium Term Financial Planning is an essential part of these arrangements.
- 1.2 The austerity measures emanating from the actions of Central Government continue to impact on the resources available to Welsh Government and consequently local government in Wales. At a national level, the overall local government settlement for Wales over the last 5 financial years is shown below in Table 1.1.

Table 1.1

| Financial Year | All Wales Settlement |
|----------------|----------------------|
| 2014/15        | -3.9%                |
| 2015/16        | -3.5%                |
| 2016/17        | -1.4%                |
| 2017/18        | +0.2%                |
| 2018/19        | +0.2%                |

- 1.3 For Rhondda Cynon Taf the reduction in funding over many years has translated into a need to make budgetary savings in excess of £87M over the last 10 years, equating to a reduction of approximately 18% of the Council's net budget.
- 1.4 In February 2016, the Council agreed a new Corporate Plan for the period 2016-2020 and in November 2016 Cabinet adopted the Council's Corporate Plan priorities as its Well-being objectives in line with the Well-being of Future Generations Act. Key information set out within the Council's Corporate Plan is reproduced in the following paragraphs.
- 1.5 The Corporate Plan 2016-2020 set the overall direction for the Council over the four year period, describing its vision, purpose and ambition for the County Borough.
- 1.6 The Council's vision is:
- “For a County Borough that has high aspirations, is confident and promotes opportunity for all”.***
- 1.7 The Council's purpose and the reason why it exists is:

***“To provide strong community leadership and effective services for the people of Rhondda Cynon Taf to enable them to fulfil their potential and prosper”.***

1.8 The Council is focused on the following three priorities:

1. ***Economy - Building a strong economy;***
2. ***People - Promoting independence and positive lives for everyone; and***
3. ***Place - Creating neighbourhoods where people are proud to live and work.***

1.9 The Corporate Plan is a key component of the Council's budgetary and business planning process. The Plan recognises that Rhondda Cynon Taf Council and the wider public sector continue to face significant financial challenges, even though macro economic conditions have begun to improve. The improved position is not reflected in the wider public sector and the challenges for services and ultimately residents continues to be significant. The position was summarised in the Corporate Plan as follows:

- *Further spending cuts to come: Despite nearly £100 billion of spending cuts since 2010, the UK budget deficit still stands at around £90 billion meaning that austerity will continue.*
- *Increasing pressure on services: increasing demand on services is driven by a changing population. Rhondda Cynon Taf's population is relatively static but health and social services in particular are facing acute challenges due to the growth in older cohorts, as people live for longer.*
- *Wider financial pressure on households: from energy bills, housing costs, wage restraint, and benefit reforms.*
- *Increasing public expectations: with residents expecting better services and more prompt responses. This means that the Council must plan for the fact that spending reductions will affect all parts of the public sector to the end of the decade and that increasing levels of demand will not be met from simply doing more of what it is currently doing.*
- *The impact on the Council's finances – past and future: In Rhondda Cynon Taf, the impact of austerity has translated to the Council needing to save or generate £76m over the period 2011 – 2015, equivalent to 16% of the Council's budget. Looking ahead, based on assumptions about future public spending and rising demand, the Council is forecasting the need for further savings of over £60million in the latter half of the decade. In real terms, by the end of the decade, the council's total spending power will be nearly half of what it was at the start.*

- 1.10 Knowing that the Council continues to face significant financial challenges in the years ahead, there is a need to develop and agree a plan for meeting the challenge.
- 1.11 Despite austerity, the economy is now growing, with the Cardiff Capital City Region one of the fastest growing areas outside of London. This creates opportunities for the Council; for residents; and for business. In Rhondda Cynon Taf, the benefits are already being seen through reduced unemployment, falling numbers of pupils eligible for free school meals, with more people on benefits moving into work. Despite, the recession more new homes were built in the County Borough in recent years than in all but two other local authorities across Wales. We are actively working with housing developers in areas such as Llanillid, Robertstown, Hirwaun, Tonyrefail, and Mwyndy to provide new homes and new jobs. Furthermore, the ten local authorities of South East Wales, Welsh Government and the UK Government have agreed plans for a £1.2 billion investment in boosting the local economy in the Cardiff Capital City Region that will benefit residents of Rhondda Cynon Taf.
- 1.12 The Council's agreed budget for 2018/19 amounts to £471.6M. Annex 1 sets out the Council budget for 2018/19 as allocated across services.
- 1.13 The budget has also been analysed across the 3 priority areas of Economy, People and Place as set out in the Corporate Plan (referenced in paragraph 1.8) in order to demonstrate the allocation of Council Revenue Resources to these priority areas. Whilst some allocation has been necessarily subject to a degree of 'best fit', this is still felt to be a helpful analysis and provides a basis to track resource allocation over time. This is attached at Annex 2. A similar analysis is also included for the 3 year capital programme at Annex 3.

## Section 2 Local Government Settlement – Prospects

- 2.1 As referenced in Section 1, local government as a whole has received negative settlements from Welsh Government in overall terms for 3 of the last 5 financial years. For Rhondda Cynon Taf the level of settlements received, in comparison to the all Wales average, are shown below in Table 2.1.

Table 2.1

| <b>Financial Year</b> | <b>RCT Settlement</b> | <b>All Wales Settlement</b> |
|-----------------------|-----------------------|-----------------------------|
| 2014/15               | -3.7%                 | -3.9%                       |
| 2015/16               | -3.7%                 | -3.5%                       |
| 2016/17               | -0.9%                 | -1.4%                       |
| 2017/18               | +0.4%                 | +0.2%                       |
| 2018/19               | +0.5%                 | +0.2%                       |

- 2.2 Welsh Government have not provided any definitive indication of future year financial settlements, leaving local government to themselves model potential scenarios. The Welsh Local Government Association (WLGA) support local government in this regard.
- 2.3 Nationally, the outcome of the 2017 general election coupled with Brexit, have increased the uncertainty over the future austerity programme and, consequently, likely funding scenarios.
- 2.4 The level of WG funding is a key factor in the Council's overall resource availability, accounting for 78% of our budget. Each 1% change in the level of WG funding amounts to £3.6M of funding for this Council.
- 2.5 For planning purposes, this Council has developed a base case built upon planning assumptions as summarised in Table 2.2 below.

Table 2.2: RCT Planning Assumptions – Welsh Government Settlement

| <b>Year</b> | <b>Potential Settlement</b> |
|-------------|-----------------------------|
| 2019/20     | -1.0%                       |
| 2020/21     | -1.0%                       |
| 2021/22     | -1.0%                       |

- 2.6 The provisional local government settlement for 2019/20 is anticipated to be received during October 2018.

## Section 3 Council Tax

- 3.1 Council Tax income accounts for 22% of the Council's net budget, generating £106.4M from local taxpayers in 2018/19.
- 3.2 The total yield from Council Tax is determined by a combination of the level of the tax base and the level at which Council Tax is set.
- 3.3 The Tax Base is the measure of the relative taxable capacity of different areas within the County Borough and is calculated in accordance with prescribed rules. The Gross Tax Base is the number of chargeable dwellings in the area expressed as Band D equivalents after allowing for exemptions, disablement reductions and discounts. This is then adjusted for an assumed collection rate to give the Net Tax Base.
- 3.4 The Tax Base is provided to Welsh Government and is used as part of the distribution formulae for the Local Government Settlement. The Tax Base is calculated for the County Borough as a whole and for those areas that have a Community Council.
- 3.5 The Tax Base movement over recent years is shown in Table 3.1 below.

Table 3.1

| <b>Year</b> | <b>Gross Tax Base (£)</b> | <b>Collection Rate</b> | <b>Net Tax Base (£)</b> |
|-------------|---------------------------|------------------------|-------------------------|
| 2014/15     | 75,189                    | 96.5%                  | 72,557                  |
| 2015/16     | 75,565                    | 97.0%                  | 73,298                  |
| 2016/17     | 76,207                    | 97.5%                  | 74,302                  |
| 2017/18     | 76,901                    | 97.5%                  | 74,978                  |
| 2018/19     | 77,608                    | 97.5%                  | 75,668                  |

- 3.6 The level of any increase or decrease of Council Tax is considered each year as part of the annual budget consultation processes, and subsequently determined by Council as part of the annual budget strategy. The formal resolution is also agreed by Council.
- 3.7 Council Tax levels over recent years are shown in Table 3.2 below.

Table 3.2

| <b>Year</b> | <b>Band D Council Tax £</b> | <b>Increase over Previous Year</b> |
|-------------|-----------------------------|------------------------------------|
| 2014/15     | £1,248.00                   | 4.5%                               |

|         |           |       |
|---------|-----------|-------|
| 2015/16 | £1,295.48 | 3.8%  |
| 2016/17 | £1,331.17 | 2.75% |
| 2017/18 | £1,361.18 | 2.25% |
| 2018/19 | £1,406.17 | 3.3%  |

- 3.8 The total amount raised through Council Tax is derived by multiplying the net tax base by the band D Council Tax charge, which for 2018/19 amounts to (75,668 x £1406.17) £106.4M.
- 3.9 For modelling purposes as part of this report, a Council Tax increase of 3% per annum is currently being used in our medium term calculations, noting of course that this is a key decision for Members to make as part of setting each year's budget. In terms of generating resources, a 1% increase in the level of Council Tax will raise an extra £795k<sup>1</sup> of additional income each year (this is net of the costs associated with the Council Tax Reduction Scheme described in more detail below).

### **Council Tax Reduction Scheme (CTR Scheme)**

- 3.10 Welsh Government has determined a national CTR Scheme for Wales which assesses a taxpayer's ability to pay and provides support for those who are eligible.
- 3.11 During 2017/18 the Council paid CTRS to 25,303 eligible applicants at a cost of £22.461M. For 2018/19 the Council has estimated the cost to be £23.780M.

### **Tax Base**

- 3.12 At its meeting on the 17<sup>th</sup> January 2018, Council resolved to remove the discount on long term empty properties with effect from 1<sup>st</sup> April 2018. The consequential impact of this on our formal tax base determination will be effective in our tax base calculations for financial year 2019/20.
- 3.13 For the provisional local government settlement 2019/20, the tax base used will be that of the previous year. However for the final settlement the new year (2019/20) tax base will have been determined and will be used. This will result in an element of rebalancing between WG funding (RSG/NDR) and Council Tax income.

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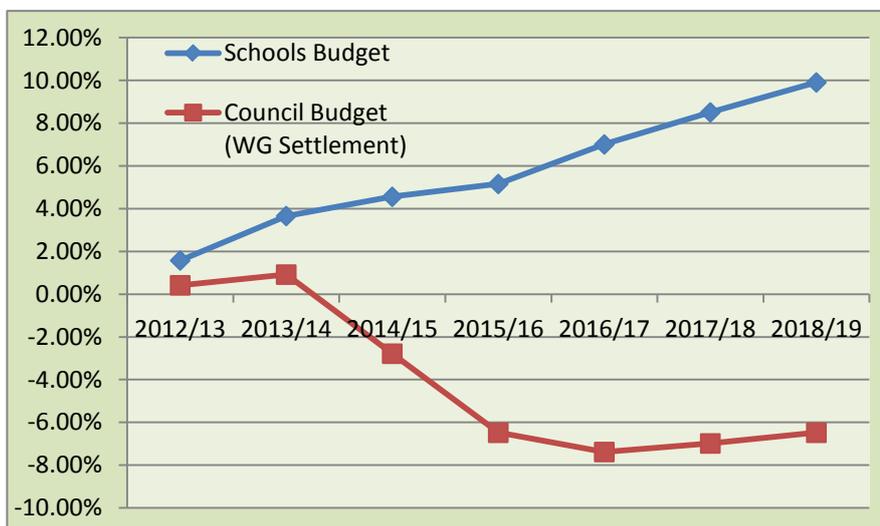
<sup>1</sup> Based on 2018/19 Council Tax Income

## Section 4 Individual Schools Budget (ISB)

- 4.1 The total Individual Schools Budget (ISB) for the Council in 2018/19 amounts to £148.8M and represents over 30% of the Council's net budget.
- 4.2 Since 2012/13, the ISB has increased at a level above other Council services and above the level of the Council's own settlement from Welsh Government. The ISB has been subject to protection requirements by Welsh Government over this period which ended in 2016/17. The comparative ISB increases over the last seven years are shown in Table 4.1 and graphically below :

Table 4.1

| 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%                |
| 2018/19 | +1.4%                 | +0.5%                |



- 4.3 Over the 7 year period shown in Table 4.1, the ISB has received an increase amounting to 9.91%, as opposed to the Council's remaining budgets having been reduced by 6.48%. In monetary terms, applied to an ISB of £138M (2011/12 ISB) this amounts to an extra £22.5M being provided to schools over the period.

- 4.4 Pupil number forecasts are modelled across Primary, Secondary and Special Schools sectors with the financial implications included in the Schools Budget Requirement.
- 4.5 The levels of school reserves held as at the 31<sup>st</sup> March 2018 are shown in Table 4.2 below.

Table 4.2

| <b>Type of School</b> | <b>31/03/17</b> | <b>2017/18 Movement</b> | <b>31/03/18</b> |
|-----------------------|-----------------|-------------------------|-----------------|
|                       | <b>£'000</b>    | <b>£'000</b>            | <b>£'000</b>    |
| Primary               | 2,824           | 1,350                   | 4,174           |
| Secondary             | (840)           | (390)                   | (1,230)         |
| Special               | 146             | 307                     | 453             |
| <b>Total</b>          | <b>2,130</b>    | <b>1,267</b>            | <b>3,397</b>    |

## Section 5 Fees and Charges

- 5.1 The Council raises approximately £15M of income annually from fees and charges raised across services. The level of charges is reviewed annually.
- 5.2 Cabinet reviewed (15<sup>th</sup> February 2018) fees and charges levels with the objective to continue to provide a comprehensive range of quality services at affordable prices. The initial budget modelling for 2018/19 had assumed a 2% increase.
- 5.3 The outcome of Cabinet's review was a 2.95% standard increase to fees and charges (allowing for rounding adjustments as appropriate) with the exception of a number of areas that would be subject to specific treatment. A summary of these exceptions are set out in Table 5.1 below.

Table 5.1 – Summary of fees and charges not subject to the standard increase

| Area of charge                                   | Increase for 2018/19   |
|--|--|
| Parking Charges                                  | Nil increase   |
| Summer and Winter Playing Fees (Sports Clubs)    | Nil increase   |
| Cinema (entrance fee)                            | Nil increase   |
| Meals on Wheels                                  | £0.25 per meal   |
| Day Centre Meals                                 | £0.17 per meal   |
| School Meals (Primary and Secondary Schools)     | £0.10 per meal   |
| Pontypridd Lido (entry for adult users)          | £1.00  |
| Burial Fees                                      | Revised schedule of charges (as per Table 5.2)                         |
| Heritage Park (Underground Experience entry fee) | Schools: £0.55<br>Non-schools: £1 individual ticket / £2 family ticket |

- 5.4 Further information on the exceptions included in Table 5.1, where appropriate, are set out below.
- 5.4.1 **‘Meals on Wheels’ and ‘Day Centre Meals’** – the 2018/19 meal price for both areas have been brought into line at £3.70, from the current level of charges of £3.45 and £3.53 respectively. By way of comparison across Wales, the latest price information for the 2017/18 financial year ranges from £3.10 to £5.00.
- 5.4.2 **School Meals (Primary and Secondary Schools** - increase by £0.10p per meal). The 2018/19 primary school meal price would be

£2.50 and the 2018/19 free school meal value of a secondary school meal would be £2.75. In terms of comparing across Wales, based on 2017/18 information, current prices range between £1.90 and £2.50 for primary schools and £2.10 and £2.85 for secondary schools.

- 5.4.3 **Pontypridd Lido** – to increase the nominal charge introduced in 2017/18 of £1 for adult users to £2 for 2018/19 (use for those aged ‘under 16’ remains free). During the past year the Lido has continued to be successful in terms of user numbers, promoting healthy activity and delivering wider economic benefits to the area, and the proposed charge would remain competitive compared to other tourist attractions.

### **Burial Fees**

- 5.4.4 Following a review of the Council’s bereavement fees and comparison with other burial authorities, it is clear that the burial fees and charges applied by this Council are amongst the lowest in Wales. Therefore, it was agreed to increase the level of burial fees over the next two years to bring them more into line with other neighbouring authorities. In terms of further contextual information, the decision would position the Council’s burial fee levels at the ‘lower end’ compared with other neighbouring authorities without taking into account price changes these Councils may introduce during this period. Table 5.2 sets out the burial fees over the two year period with an additional income of £83k being forecast in relation to 2018/19. With regard to cremation fees, these are currently comparable with other local authorities and the standard increase only has been applied (i.e. 2.95%).

Table 5.2 – Revisions to Burial Fees for 2018/19 and 2019/20

| Burial Fees                   | 2017/18<br>Fee<br>£ | 2018/19<br>Fee<br>£ | 2019/20<br>Fee<br>£ |
|-------------------------------|---------------------|---------------------|---------------------|
| Purchase New Grave for 1/2    | 519                 | 700                 | 800                 |
| Purchase New Grave for 3      | 557                 | 700                 | 800                 |
| Additional Pre-purchase Fee   | --                  | 350                 | 400                 |
| Burial in a New Grave for 1/2 | 519                 | 700                 | 800                 |
| Burial in a New Grave for 3   | --                  | 800                 | 900                 |
| Burial in a Re-Opened Grave   | 519                 | 700                 | 800                 |
| Memorial Permits              | 256                 | 250                 | 250                 |

- 5.4.5 Linked to the above, the Finance & Performance Scrutiny Committee considered the issue of bereavement fees for armed forces veterans (at the meetings on 23<sup>rd</sup> October 2017 and 18<sup>th</sup> December 2017) following a notice of motion to Council in November 2016. At the 18<sup>th</sup> December 2017 meeting, the Committee agreed to recommend to Cabinet that the Council undertake a 12 month pilot whereby all bereavement fees incurred by the families of deceased veterans

resident in Rhondda Cynon Taf be subject to a 25% reduction in recognition of the commitment to their country and the Council's commitment to the Armed Forces Covenant. This will apply to all veterans who have served their minimum period of service/enlistment or seen active duty. No budgetary adjustment was made for the 2018/19 financial year with the financial implications being assessed as part of the pilot over the next 12 months.

5.4.6 With regard to fees charged by local government for the burial and cremation of children, the Council already had a policy of not applying a fee for the cremation or interment of a child under 16 years of age. The Key Officer Delegated Decision of [9th January 2018](#) reaffirmed this commitment and added further provisions in respect of no charge being made in such circumstances as set out in the Memorandum of Understanding (MOU) between Welsh Ministers, the Welsh Local Government Association and One Voice Wales. It should be noted that the MOU extended this to include all standard burial and cremation fees of a child under 18 years of age. In line with this delegated decision, no budgetary adjustment was made for the 2018/19 financial year.

5.4.7 **Heritage Park (Underground Experience entry fee)** –the individual entry fee was increased by £0.55 for school visits and for non-school visits by £1 for individual entry and £2 for a family ticket. A comparison of attractions in neighbouring areas confirmed these changes would continue to position the Heritage Park as one of the lowest priced attractions, this being alongside a recent programme of investment to further improve the customer experience.

5.5 The total estimated additional income that would be generated by the changes was £253k in a full year.

5.6 In addition to the changes set out in Tables 5.1 and 5.2, a number of fees and charges decisions were approved during the 2017/18 financial year and have been incorporated into the Council's 2018/19 Budget Strategy. For completeness, these are summarised in Table 5.3:

Table 5.3 – Summary of decisions approved during 2017/18

| Area of charge  | Decision approved  |
|---|--|
| Adult Social Care Charges (non-residential care services) | <ul style="list-style-type: none"> <li>• Increase from £60 to £70 per week in line with the revised limit determined by Welsh Government with further increases to be made in line with WG limits (Cabinet 18<sup>th</sup> July 2017)</li> </ul> |
| Leisure Centres and Swimming Pool                         | <ul style="list-style-type: none"> <li>• £2 increase on monthly membership</li> <li>• £20 increase on annual membership</li> <li>• 2.5% increase on all other charges</li> </ul>   |

|  |  |
|--|--|
|  | (Cabinet 28 <sup>th</sup> September 2017)                              |
| Fixed Penalty Notice<br>(environmental crimes) | • Increase from £75 to £100<br>(Cabinet 25 <sup>th</sup> January 2018) |

5.7 A full list of all fees and charges across Council services for 2018/19 can be accessed [here](#).

## Section 6 National and Local Pressures

### 6.0 Authority Wide Budgets

6.1 Appropriate sums must be set aside to cover a number of Authority Wide costs. These include the following:

#### Capital Financing

The projected level of capital charges are linked to the Council's Capital Programme and Treasury Management Strategy.

#### Levies

Levies are raised (against non service specific budgets) by the South Wales Fire Service, the Coroner, Brecon Beacons National Park Authority and the Glamorgan Archives (Joint Committee).

#### Council Tax Reduction Scheme

This demand led area of expenditure is in line with the Welsh Government national scheme introduced from financial year 2013/14.

#### Miscellaneous

The areas of expenditure held here include :

- Carbon Reduction Commitment
- Graduate and Apprenticeship programmes
- Trade Union Costs
- Local Government Elections
- Planning Appeals
- Former Authority Pension Costs
- Voluntary Termination Costs
- Local Government Pension Scheme including auto-enrolment
- Bank Charges
- Housing Benefit Subsidy Costs
- Energy / Invest to Save
- External Audit Fees
- Vehicle Replacement Funding
- City Deal Costs
- Insurance Costs
- Discretionary Non Domestic Rate Relief
- Apprenticeship Levy

6.2 A summary of the projected requirement for Authority Wide budgets from the current year (2018/19 budget) to 2021/22 is shown below in Table 6.1.

Table 6.1

| Authority Wide Budgets | 2018/19        | 2019/20       | 2020/21       | 2021/22       |
|------------------------|----------------|---------------|---------------|---------------|
|                        | Current Budget | (Projected)   | (Projected)   | (Projected)   |
|                        | £K             | £K            | £K            | £K            |
| Capital Financing      | 19,947         | 18,544        | 19,044        | 19,394        |
| Levies                 | 11,790         | 12,026        | 12,267        | 12,512        |
| CTRS                   | 23,780         | 24,493        | 25,228        | 25,985        |
| Miscellaneous          | 14,058         | 16,061        | 16,588        | 17,115        |
| <b>TOTAL</b>           | <b>69,575</b>  | <b>71,124</b> | <b>73,127</b> | <b>75,006</b> |
|                        |                | 1,549         | 2,002         | 1,880         |

*Note included in 'Miscellaneous' are increases in pension fund contributions which will be reallocated across service areas as part of the budget setting process.*

### 6.3 Service Inescapable Pressures

6.4 There are clearly areas of our budget which are exposed to more uncontrollable spending requirements which might arise from demand led or demographic changes, legislative or regulatory change, the effect of external market forces (and prices) and the financial implications of policy and service planning decisions made by the Council. These are **inescapable pressures** and include the ongoing implications of the Living Wage on our External Contracts, changes in pupil number projections, Additional Needs Funding pressures and assumptions around reductions in specific grants.

6.5 The amount included for Service Inescapable Pressures within the Budget Requirement is shown below in Table 6.2.

Table 6.2

| Forecasted Inescapable Budget Pressures | 2019/20      | 2020/21      | 2021/22      |
|---|--------------|--------------|--------------|
|   | £'000        | £'000        | £'000        |
| Schools (ISB)                           | 912          | 377          | 857          |
| Education and Inclusion Services        | 1,074        | 0            | 0            |
| Community and Children's Services       | 2,248        | 2,918        | 2,502        |
| Corporate and Frontline Services        | 1,821        | 475          | 499          |
| <b>Total</b>                            | <b>6,055</b> | <b>3,770</b> | <b>3,858</b> |

**13,683**

## 6.6 Service Financial Risks

- 6.7 In addition to the above inescapable budget pressures, there are items of risk which have been identified and which are captured and estimated in financial terms. A view is then taken on the potential overall likelihood of the risk materialising and the quantum of it which should be included in the early modelling of the budget requirement. As time progresses the risks will either become inescapable or will fall away, possibly with a longer term impact.
- 6.8 The amount included for Service Financial Risks within the Budget Requirement is shown below in Table 6.3:

Table 6.3

| <b>Financial Risks</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
|------------------------|----------------|----------------|----------------|
|                        | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Value of Risk Included | <b>220</b>     | <b>870</b>     | <b>870</b>     |

## 6.9 School (ISB) Requirements

- 6.10 Section 4 set out the context for school budgets noting their favourable treatment as compared to other Council services. Notwithstanding this favourable treatment, there is still an expectation that they will make a positive contribution toward balancing the overall council budget. Consequently, an uplift to school budgets of £1M per year has been included for modelling purposes, which is considered a minimum level of uplift within the context of current planning assumptions for WG settlement levels. The ISB budget increases are set out in Table 6.4 below.

Table 6.4

| <b>Schools (ISB) Modelled Budget</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
|--------------------------------------|----------------|----------------|----------------|
|                                      | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Budget Requirement (ISB)             | 153,605        | 153,462        | 154,972        |
| Modelled Budget                      | 149,819        | 150,819        | 151,819        |
| Modelled Increase                    | 1,000          | 1,000          | 1,000          |

## Section 7 Inflationary Pressures

### 7.1 Employee Inflation

7.2 The NJC for Local Government Services agreed a 2 year pay award for 2018/19 and 2019/20. The impact for 2019/20 includes the introduction of a new pay spine with 2% differentials between each new SCP. The average cost implications for 2019/20 are 3.03% and 4.15% for non school and school based staff respectively. A subsequent 2% increase is modelled for 2020/21 and 2021/22.

7.3 For all other categories of employees, including teachers, a 2% allowance is also included for each year from 2019/20 to 2021/22.

7.4 There are currently no known changes planned to employer National Insurance Contributions. The outcome of the government's 4 yearly actuarial valuation of national un-funded pension schemes is not yet known; this could have implications for contribution rates for the Teachers Pension Scheme.

### 7.5 Non Employee Inflation

7.6 The Bank of England's Monetary Policy Committee continues to set monetary policy to meet a 2% inflation target. For the MTFP, inflation is included across all expenditure and income heads currently at 2.2%, 2.1% and 2.0% for 2019/20, 2020/21 and 2021/22 respectively. A number of specific cost areas where inflation is known or anticipated to be above these rates have more appropriate inflationary allowances applied as detailed below.

### 7.7 Specific Inflation

7.8 There are some budget heads which are particularly volatile and susceptible to variations in rates of inflation which are outliers to the central forecasts. More detailed analysis and procurement intelligence is applied to uplifts for the following expenditure heads :

- Electricity
- Gas
- Fuel (Petrol)
- Food

7.9 The overall cost of inflation to the Council is summarised in Table 7.1 below.

Table 7.1

| <b>Inflation</b>     | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
|----------------------|----------------|----------------|----------------|
|                      | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Employee Related     | 7,721          | 5,881          | 5,998          |
| Non Employee Related | 4,265          | 3,875          | 3,780          |
|                      | <b>11,987</b>  | <b>9,756</b>   | <b>9,778</b>   |
|                      |                |                |                |
|                      |                |                | <b>31,521</b>  |

## Section 8 Specific Grants

- 8.1 The Council is mindful of the opportunities that are likely to accrue, by the Council attracting specific grants to supplement its base revenue budget. Whilst specific grants can dilute local accountability, the fact remains that in attracting such funding, it allows us to undertake projects that otherwise we may have had to defer, or cancel.
- 8.2 By their nature, specific grants tend to be time-limited, and involve an assessment process. It is important therefore, that any specific grant funded programme complements the Council's locally determined priorities. In addition, even if they are initially successful in attracting specific grants, authorities are restricted in their ability to confidently forward plan, as they have no guarantee of ongoing (specific grant) funding. Consequently, because specific grants are time limited it is vital to develop appropriate "exit strategies".
- 8.3 Whilst specific grants come from a number of sources, for 2018/19 the Welsh Government alone will provide over £750M in total to Welsh Local Authorities. The allocation of specific grants remains a key feature of the Welsh Government's annual local government settlements, albeit the WG is committed to reduce this form of hypothecation in the longer term.
- 8.4 Table 8.1 sets out the main areas of expenditure and services which are funded currently by specific revenue grants.

Table 8.1

| Award Body                                      | Purpose   | 2017/18 Amount<br>£M | 2018/19 Amount<br>£M |
|---|---|----------------------|----------------------|
| <b><u>Community &amp; Children Services</u></b> |   |                      |                      |
| Shaw Trust & Working Links                      | Subsidisation of Employment of Disabled Workers | 0.451                | 0.314                |
| Department for Work & Pensions                  | Housing Benefit Subsidy Bed & Breakfast Scheme  | 0.100                | 0.100                |
| Welsh Government                                | Communities First Grant                         | 3.395                | 0.000                |
|   | Communities First – Legacy Fund                 | 0.000                | 0.916                |
|   | Communities 4 Work                              | 1.093                | 1.083                |
|   | Communities 4 Work PLUS                         | 0.000                | 1.714                |
|   | Inspire 2 Work                                  | 0.000                | 0.414                |
|   | Families First                                  | 3.432                | 2.924                |
|   | Flying Start                                    | 6.869                | 6.745                |
|   | School Effectiveness Grant - Play               | 0.000                | 0.073                |
|   | Social Care Workforce Development Programme     | 0.556                | 0.556                |

|  |   |               |               |
|--|---|---------------|---------------|
|  | Supporting People Grant   | 9.056         | 9.056         |
|  | Youth Crime Prevention Grant                                      | 0.426         | 0.426         |
|  | Substance Misuse Action Fund                                      | 2.686         | 2.646         |
|  | Wales Safer Communities Grant                                     | 0.280         | 0.067         |
|  | General Practitioner (GP) Referral Scheme                         | 0.168         | 0.185         |
|  | Intermediate Care Fund (Via LHB)                                  | 2.118         | 2.118         |
|  | Environmental & Sustainable Development Single Revenue Grant      | 0.051         | 0.036         |
|  | Community Learning  | 0.000         | 0.201         |
|  | Youth Support Grant   | 0.000         | 0.239         |
| Youth Justice Board                              | Youth Justice Provision   | 0.400         | 0.400         |
| Police Crime Commissioner                        | Police and Crime Reduction  | 0.064         | 0.101         |
| Sports Council for Wales                         | Grand/Big Splash  | 0.279         | 0.278         |
|  | Dragon Sports Scheme  | 0.098         | 0.098         |
|  | Sports Development  | 0.239         | 0.583         |
|  | <b>Total Community &amp; Childrens Services</b>                   | <b>31.761</b> | <b>31.273</b> |
| <b><u>Education &amp; Inclusion Services</u></b> |   |               |               |
| Welsh Government                                 | Post-16 Provision in Schools                                      | 10.326        | 9.611         |
|  | Education Improvement Grant (EIG) Delegated to Schools            | 9.251         | 8.884         |
|  | Education Improvement Grant (EIG) Admin                           | 0.018         | 0.018         |
|  | Foundation Phase - EIG  | 0.112         | 0.000         |
|  | Education Improvement Grant (EIG) Foundation Phase Non Maintained | 0.000         | 0.110         |
|  | Pupil Deprivation Grant   | 8.859         | 7.421         |
|  | Community Learning  | 0.201         | 0.000         |
|  | Youth Service Support Grant                                       | 0.270         | 0.000         |
|  | Ethnic Minority Achievement - EIG                                 | 0.127         | 0.000         |
|  | School Uniform Grant Scheme (Estimate)                            | 0.072         | 0.000         |
|  | Education of Gypsy Travellers - EIG                               | 0.029         | 0.000         |
|  | Early Years PDG (estimate)  | 0.000         | 1.026         |
|  | Nursery Childcare Administration                                  | 0.000         | 0.083         |
|  | Nursery Childcare (estimate)                                      | 0.000         | 0.380         |
|  | ALN Transformation Grant (estimate)                               | 0.000         | 0.182         |
|  | Period Poverty Grant  | 0.000         | 0.018         |
|  | Reduction in Infant Class Sizes Grant                             | 0.000         | 0.282         |
|  | Out of School Childcare Grant                                     | 0.165         | 0.165         |
|  | Small and Rural Schools   | 0.134         | 0.134         |
|  | Inspire 2 Work  | 0.378         | 0.000         |
|  | Schools Business Manager Grant                                    | 0.000         | 0.028         |
|  | Schools Based Supply Cluster Grant                                | 0.000         | 0.072         |

|   |  |               |               |
|---|--|---------------|---------------|
| Rural Payments Agency                     | Infant Milk (Estimate)                 | 0.386         | 0.450         |
| Sports Council for Wales                  | 5x60 (Estimate)                        | 0.311         | 0.000         |
| Total Education & Inclusion Services      |  | 30.639        | 28.864        |
| <b>Chief Executives</b>                   |  |               |               |
| Arts Council of Wales                     | Arts Development                       | 0.150         | 0.150         |
| Total Chief Executives                    |  | 0.150         | 0.150         |
| <b>Corporate &amp; Frontline Services</b> |  |               |               |
| Department for Work & Pensions            | Housing Benefit Administration Subsidy | 0.926         | 0.876         |
| Welsh Government                          | NDR Admin Grant                        | 0.372         | 0.372         |
|   | Environment & Sustainable Development  | 3.958         | 0.034         |
|   | Sustainable Waste Management Grant     | 0.00          | 1.245         |
|   | Flood Risk Management                  | 0.00          | 0.065         |
|   | Concessionary Fares                    | 6.789         | 6.789         |
|   | Local Road Safety                      | 0.133         | 0.114         |
|   | Bus Service Support                    | 0.665         | 0.665         |
|   | Tomorrow's Valley Residual Waste       | 1.189         | 1.189         |
|   | Tomorrow's Valley Food Waste           | 0.064         | 0.064         |
| Total Corporate & Frontline Services      |  | 14.096        | 11.413        |
| <b>TOTAL SPECIFIC REVENUE GRANTS</b>      |  | <b>76.646</b> | <b>71.700</b> |

8.5 Assumptions are made in the MTFP about future levels of specific grants, in particular where they are effectively funding core services, for example the Environment and Sustainable Development Grant which provides funding for our Recycling services.

## Section 9 Summary Spend Requirements and Resource Availability

9.1 The impact of the aforementioned modelling is aggregated into Table 9.1 below to show the forecast budget position over the next 3 years. The modelling shows a projected budget gap over the 3 year period which needs to be addressed and closed with actions during the period. Whilst modelled over a three year period, the Council must also be mindful of its legal responsibility to set a balanced budget annually and for the forthcoming financial year this has to be completed before the 11<sup>th</sup> March 2019.

Table 9.1

### **SUMMARY OF EXPENDITURE REQUIREMENTS AND RESOURCES AVAILABLE**

| Summary                          | 2019/20        | 2020/21        | 2021/22        |
|----------------------------------|----------------|----------------|----------------|
|                                  | £'000          | £'000          | £'000          |
| Base                             | 471,600        | 470,677        | 470,943        |
| Inflation                        | 11,987         | 9,756          | 9,778          |
| Inescapables                     | 6,055          | 3,770          | 3,858          |
| Risks                            | 220            | 870            | 870            |
| Schools Uplift (£1M pa)          | - 3,786        | - 2,643        | - 3,153        |
| Authority Wide                   | 1,549          | 2,002          | 1,880          |
| <b>Budget Requirement</b>        | <b>487,626</b> | <b>484,432</b> | <b>484,176</b> |
| <b>Resources</b>                 |                |                |                |
| WG Funding (RSG & NDR )          | 360,534        | 356,929        | 353,360        |
| Council Tax                      | 110,142        | 114,014        | 118,021        |
| <b>Total Resources Available</b> | <b>470,677</b> | <b>470,943</b> | <b>471,381</b> |
| <b>Budget Gap</b>                | <b>16,949</b>  | <b>13,490</b>  | <b>12,795</b>  |

**43,234**

9.2 Clearly a significant determinant on the budget gap is the level of funding which the Council receives from Welsh Government. To understand the potential impact of changes in the level of funding, Table 9.2 below sets out a range of potential settlement levels and the resultant budget gap.

Table 9.2

| <b>Budget Gap - Sensitivity Analysis</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
|--|----------------|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Budget Gap at -1% pa (Base Case)         | 16,949         | 13,490         | 12,795         |
| Budget Gap at -2% pa                     | 20,591         | 17,022         | 16,221         |
| Budget Gap at -0% pa                     | 13,307         | 9,884          | 9,226          |

## **Section 10 Reserves Policy**

- 10.1 Reserves play an important part of the overall financial management and financial standing of the Council. In this regard the Council holds a minimum of £10M in its General Reserves (that is, unallocated reserves). This level is not set by any formula but is a judgment of the Council's Section 151 Officer taking into account the overall quantum of the budget and the financial risks therein and facing the Council.
- 10.2 The Council also holds Earmarked Reserves which are sums set aside for specific purposes. The full schedule of reserves is attached at Annex 3 (as at the draft Statement of Accounts 2017/18).
- 10.3 All reserves are reviewed at least twice yearly, at budget setting stage and as part of the year end closure of accounts process. In between, changes in risk and potential liabilities are continuously monitored as part of the Council's financial management and budgetary control arrangements and changes in reserve levels are actioned, following member approval, as appropriate.
- 10.4 The Council has used reserves prudently as part of supporting its annual budget strategy for a number of years. Whilst reserves can be used to balance the budget, this alone is not a sustainable strategy and more permanent changes / reductions to the base budget must be made. With regard to the budget gap as modelled in Section 9, to balance the budget for the next 3 years using reserves alone would require the use of over £83M of reserves and the Council would still have a need to reduce its base budget by over £39M.
- 10.5 The Council will hold reserves for the following purposes :

### **Capital, Treasury and Insurance Reserves**

| <b>Reserve</b>                     | <b>Purpose</b>   |
|------------------------------------|--|
| <b>Capital Developments</b>        | Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.                                |
| <b>Treasury Management Reserve</b> | Funding for known and potential future pressures upon the Capital Financing budget.  |
| <b>Insurance Reserve</b>           | To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received. |

### Other Revenue Related Reserves

| <b>Reserve</b>   | <b>Purpose</b>   |
|--|--|
| <b>Revenue Budget Strategy 2018/19</b>                           | Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2018/19 Budget Strategy.                         |
| <b>Joint Committee Reserve</b>                                   | Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.                                  |
| <b>Revenue Grant Reserves (IFRS)</b>                             | Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards. |
| <b>Financial Management and Human Resources Risk Management</b>  | Resources set aside as cover for future liabilities relating to various risks identified and being managed.  |
| <b>Infrastructure / Investment</b>                               | To fund current and future costs of maintaining and enhancing infrastructure across the County Borough.  |
| <b>Prior Year Commitments</b>                                    | Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.                                |
| <b>Medium Term Financial Planning and Service Transformation</b> | Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.              |
| <b>Invest to Save</b>  | Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.  |
| <b>Other Specific Reserves</b>                                   | Represents a number of reserves held for specific and identified purposes.   |

## Section 11      Balancing the Budget

- 11.1 Whilst the budget setting process is necessarily and statutorily an annual process, this Council has moved away from the annual cycle for financial planning purposes and seeks to address the budget gap on an ongoing basis over the medium term period.
- 11.2 Part of this process is the early identification and delivery of base budget reducing measures in-year and therefore before the start of a financial year. This has enabled the Council to deliver financial savings early and to replenish our Medium Term Financial Planning and Service Transformation Reserve which we have used proactively as part of our budget strategy approach for a number of years.
- 11.3 In line with the above, plans are already advanced across a number of areas to balance the projected budget gap for 2019/20 and the medium term. Table 11.1 below summarises the current position (based on the modelled budget gap set out in Table 9.1) :

Table 11.1

|  | 2019/20 | 2020/21 | 2021/22 |
|--|---------|---------|---------|
|  | £'000   | £'000   | £'000   |
| <b>Budget Gap Annual</b>   | 16,949  | 13,490  | 12,795  |
| <b>Budget Reduction Measures</b>                                   |         |         |         |
| 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    |         |         |
| <b>Total Budget Reduction Measures</b>                             | - 7,027 | -       | -       |
| <b>Remaining Budget Gap</b>  | 9,922   | 13,490  | 12,795  |

- 11.4 To close the remaining budget gap as shown above, particularly in respect of 2019/20, additional measures are currently under review, including:

- a. Council agreed in December 2015 to voluntarily terminate our PFI arrangement at Garth Olwg Lifelong Learning Centre. The contract formally terminated in January 2017. The final financial implications of the termination process are still being negotiated with the former contractor and can be taken into account once the process has been concluded which is anticipated during the latter part of 2018/19.
- b. Our Social Services Transformation Programme, including our significant commitment and investment in the provision of Extra Care facilities, continues to be implemented. The financial impact of our ongoing preventative strategy will continue to be modelled alongside the increases in demand for services linked to demographic changes.
- c. Over the last 2 financial years we have continued to see a reduction in demand for Council Tax Reduction Scheme support which has resulted in underspends in this area. We have already reduced this budget for 2018/19 but we will closely monitor demand as we progress through this financial year with a view to reflecting this into next year's budget.
- d. We will continue to review our base budget requirements at both a service level and an authority wide level, with ongoing modelling around key service pressures including inflationary requirements, contractual arrangements and capital charges.
- e. We will ensure that we continue to maximise opportunities to invest for the long term, benefiting residents and reducing our core ongoing spend requirements in doing so. We will continue to collaborate and work with others where it is for the benefit of Rhondda Cynon Taf.
- f. We have identified a number of workstreams to focus and prioritise our efforts over the medium term to identify and deliver the transformational requirements across all our services. These are :
  - Digitalisation
  - Commercialism
  - Early Intervention and Prevention
  - Independence
  - Efficient and Effective Organisation

11.5 For modelling / sensitivity purposes, the remaining budget gap is restated at alternative planning scenarios and is shown below in Table 11.2. It should be noted, the remaining budget gap for 2019/20 is AFTER the delivery of £6M of targeted efficiencies across services, which in itself is becoming ever more challenging. However we remain focussed and committed to becoming an increasingly efficient organisation where frontline services are protected as far as possible.

Table 11.2

|                             | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
|-----------------------------|----------------|----------------|----------------|
|                             | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
|                             |                |                |                |
| Base Case                   | 9,922          | 13,490         | 12,795         |
|                             |                |                |                |
| Remaining Budget Gap At -2% | 13,564         | 17,022         | 16,221         |
|                             |                |                |                |
| Remaining Budget Gap At 0%  | 6,280          | 9,884          | 9,226          |

## Section 12 Capital Programme

- 12.1 The Council's 3 year capital programme, 2018/19 to 2020/21 was agreed by Council on the 28<sup>th</sup> February 2018.
- 12.2 The three year Capital Programme is a key component of the overall Medium Term Financial Planning and Resources Strategy for this Council. Targeted capital investment can make a significant impact on service delivery and used effectively, is able to underpin the Council's Corporate Plan Priorities, where relevant.
- 12.3 The three year programme amounted to £180M and includes further additional investment of £9.950M in priorities aligned to the Council's Corporate Plan.
- 12.4 The rolling 3 year programme is reviewed and determined annually (in March of each year) and provides service managers with the opportunity to plan investment in our infrastructure and assets over the medium term.
- 12.5 A summary of the current 3 year programme is provided in Table 12.1.

**Table 12.1 : THREE YEAR SUMMARY CAPITAL PROGRAMME**

| GROUP                                      | BUDGET         |               |               |
|--|----------------|---------------|---------------|
|  | 2018/19        | 2019/20       | 2020/21       |
|  | £M             | £M            | £M            |
| <b>Community &amp; Children's Services</b> |                |               |               |
| Direct Services, Business & Housing        | 3.550          | 0.550         | 0.550         |
| Public Health & Protection                 | 3.493          | 0.550         | 0.550         |
| <b>Education &amp; Inclusion Services</b>  |                |               |               |
| Schools                                    | 36.333         | 3.491         | 0.146         |
| Supplementary Capital Programme            | 6.876          | 4.900         | 4.900         |
| <b>Chief Executive's Division</b>          |                |               |               |
| Regeneration & Planning                    | 31.001         | 19.121        | 0.740         |
| Private Sector Housing                     | 8.282          | 5.368         | 5.368         |
| Cabinet Office & Public Relations          | 0.085          | 0.020         | 0.020         |
| <b>Corporate &amp; Frontline Services</b>  |                |               |               |
| Corporate Estates                          | 0.200          | 0.200         | 0.200         |
| Financial Services                         | 0.700          | 0.700         | 0.700         |
| Highways Technical Services                | 11.772         | 1.835         | 1.835         |
| Strategic Projects                         | 11.879         | 0.708         | 0.325         |
| Waste                                      | 0.100          | 0.000         | 0.000         |
| Fleet                                      | 3.163          | 4.593         | 2.400         |
| Buildings                                  | 0.100          | 0.100         | 0.100         |
| <b>Corporate Budgets</b>                   |                |               |               |
| Corporate Initiatives                      | 1.044          | 0.850         | 0.850         |
| <b>TOTAL CAPITAL BUDGET</b>                | <b>118.578</b> | <b>42.986</b> | <b>18.684</b> |

## **Section 13      Consultation and Scrutiny**

- 13.1 Following consideration of this MTFP by Cabinet, it is proposed that this document and the planning assumptions be made available to the Finance and Performance Scrutiny Committee, as part of the consultation on the draft 2019/20 budget strategy.
- 13.2 The MTFP will be used as a basis of planning for our 2019/20 budget strategy consultation processes, updated as appropriate to reflect the implications of the provisional local government settlement which is due to be received in October 2018.

## **Section 14      Other Relevant Documents**

Below are links to other documents which are relevant to the Medium Term Financial Plan.

### **Budget Book**

<https://www.rctcbc.gov.uk/EN/Council/Performancebudgetsandspending/Councilbudgets.aspx>

### **Statement of Accounts**

<https://www.rctcbc.gov.uk/EN/Council/Performancebudgetsandspending/StatementofAccounts.aspx>

### **Treasury Management Strategy, Investment Strategy and Prudential Indicators**

<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2018/03/28/Reports/AgendaItem8TreasuryManagement.pdf>

### **Council Performance Report, Quarter 3 2017/18**

<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Cabinet/2018/03/22/Reports/AgendaItem12CouncilQuarterPerformanceReport.pdf>

### **Corporate Plan**

<http://www.rctcbc.gov.uk/EN/Council/PerformanceBudgetsandSpending/Councilperformance/RelatedDocuments/CorporatePlan201620/CorporatePlan201620.pdf>

### **Council 3 Year Capital Programme 2018/19 to 2020/21**

<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/Meetings/Council/2018/02/28/Reports/AgendaItem10TheCouncilThreeYearCapitalProgramme.pdf>

## ANNEX 1

GENERAL FUND REVENUE : SERVICES PROVIDED

| 2017/18<br>Budget |   | 2018/19<br>Budget |
|-------------------|---|-------------------|
| £M                |   | £M                |
|                   | <b><u>Community &amp; Children's Services</u></b> |                   |
| 73.850            | Adult Services                                    | 80.303            |
| 44.987            | Children's Services                               | 46.011            |
| 3.170             | Transformation                                    | 3.083             |
| 16.069            | Public Health & Protection                        | 20.751            |
| <b>138.076</b>    |   | <b>150.148</b>    |
|                   | <b><u>Education &amp; Inclusion Services</u></b>  |                   |
| 30.905            | Education & Inclusion Services (Non-Delegated)    | 26.712            |
| 146.950           | Delegated Schools                                 | 148.819           |
| <b>177.855</b>    |   | <b>175.531</b>    |
|                   | <b><u>Chief Executive's Division</u></b>          |                   |
| 0.410             | Chief Executive                                   | 0.399             |
| 2.523             | Cabinet Office & Public Relations                 | 2.566             |
| 3.571             | Human Resources                                   | 3.704             |
| 3.286             | Legal & Democratic Services                       | 3.536             |
| 2.119             | Regeneration & Planning                           | 2.329             |
| <b>11.909</b>     |   | <b>12.534</b>     |
|                   | <b><u>Corporate &amp; Frontline Services</u></b>  |                   |
| 44.807            | Frontline Services                                | 47.816            |
| 5.307             | Financial Services                                | 5.127             |
| 3.854             | ICT   | 4.001             |
| 2.065             | Customer Care                                     | 2.194             |
| 4.935             | Corporate Estates Management & Procurement        | 4.521             |
| 0.155             | Group Management                                  | 0.153             |
| <b>61.123</b>     |   | <b>63.812</b>     |
| <b>388.963</b>    | <b>Total Group Budgets</b>                        | <b>402.025</b>    |
|                   | <b><u>Authority Wide Budgets</u></b>              |                   |
| 19.557            | Capital Financing                                 | 19.947            |
| 11.649            | Levies  | 11.790            |
| 14.864            | Miscellaneous                                     | 13.658            |
| 0.400             | NDR Relief  | 0.400             |
| 23.507            | Council Tax Reduction Scheme                      | 23.780            |
| <b>69.977</b>     | <b>Total Authority Wide Budgets</b>               | <b>69.575</b>     |
| <b>458.940</b>    | <b>TOTAL REVENUE BUDGET</b>                       | <b>471.600</b>    |

## ANNEX 2

### COUNCIL REVENUE BUDGET - BY PRIORITY AREA

| Budget 2017/18 | Priority Area   | Budget 2018/19 |
|----------------|---|----------------|
| £'000          |   | £'000          |
|                | <b><u>PEOPLE</u></b>  |                |
| 45,782         | Children's Services   | 46,809         |
| 77,513         | Adult Services  | 83,577         |
| <b>123,295</b> |   | <b>130,386</b> |
|                | <b><u>PLACE</u></b>   |                |
| 11,919         | Parks / Leisure (including physical participation) / Libraries / Heritage Sites   | 11,206         |
| 313            | Anti-Social Behaviour / Domestic Violence / Substance Misuse  | 315            |
| 721            | Crime Reduction (inc hate crime)  | 745            |
| 3,238          | Highway cleanliness   | 3,887          |
| 14,631         | Waste / Recycling   | 17,330         |
| 9,923          | Highways Infrastructure / Road maintenance / condition  | 9,260          |
| 377            | Homelessness prevention   | 1,052          |
| <b>41,122</b>  |   | <b>43,794</b>  |
|                | <b><u>ECONOMY</u></b>   |                |
| 25,504         | Economically active people / Job Seekers Allowance Claimants / Job Creation / Not in Education, Employment or Training (NEET) | 26,161         |
| 185,800        | School Attainment   | 188,544        |
| 523            | Business start ups / closures   | 438            |
| 579            | Town Centre   | 584            |
| 400            | Town Centre Vacancy Rates (businesses)  | 400            |
| 405            | Housing / affordable housing delivered  | 147            |
| <b>213,211</b> |   | <b>216,273</b> |
|                | <b><u>LIVING WITHIN OUR MEANS</u></b>   |                |
| 1,648          | Customer Care   | 1,530          |
| 6,065          | Office Accommodation/Buildings  | 5,781          |
| <b>7,713</b>   |   | <b>7,311</b>   |
| <b>385,341</b> | <b>TOTAL SPEND ON COUNCIL PRIORITIES</b>  | <b>397,764</b> |
| 4,515          | <b>REGULATORY PUBLIC SERVICES</b>   | 4,751          |
| 2,337          | <b>OTHER SERVICES TO THE PUBLIC</b>   | 2,291          |
| 46,070         | <b>AUTHORITY WIDE COSTS</b>   | 45,395         |
| 20,677         | <b>CORE SUPPORT</b>   | 21,399         |
| <b>458,940</b> | <b>TOTAL COUNCIL BUDGET</b>   | <b>471,600</b> |

## ANNEX 3

### COUNCIL CAPITAL PROGRAMME - BY PRIORITY AREA

| Priority/Scheme   | 3 Year Capital Programme 2018 - 2021 |                |                |                     |
|---|--------------------------------------|----------------|----------------|---------------------|
|   | 2018/19 Budget                       | 2019/20 Budget | 2020/21 Budget | Total 3 Year Budget |
|   | £M                                   | £M             | £M             | £M                  |
| <b>People</b>   |                                      |                |                |                     |
| Adult Services  | 8.680                                | 5.643          | 5.925          | 20.248              |
| Children's Services   | 0.615                                | 0.553          | 0.553          | 1.721               |
| <b>Total - People</b>                                       | <b>9.295</b>                         | <b>6.196</b>   | <b>6.478</b>   | <b>21.969</b>       |
| <b>Place</b>  |                                      |                |                |                     |
| Parks, Leisure, Libraries, Culture & Heritage, Open Spaces  | 3.325                                | 0.696          | 0.448          | 4.469               |
| Crime Reduction   | 0.130                                | 0.075          | 0.075          | 0.280               |
| Highways Cleanliness  | 0.032                                | 0.390          | 0.268          | 0.690               |
| Highways Infrastructure                                     | 25.642                               | 2.968          | 2.528          | 31.138              |
| Waste Strategy  | 0.185                                | 3.071          | 0.871          | 4.127               |
| <b>Total - Place</b>  | <b>29.314</b>                        | <b>7.200</b>   | <b>4.190</b>   | <b>40.704</b>       |
| <b>Economy</b>  |                                      |                |                |                     |
| School Attainment   | 43.209                               | 8.438          | 5.147          | 56.794              |
| Business Support  | 0.700                                | 0.500          | 0.500          | 1.700               |
| Town Centres  | 30.084                               | 18.621         | 0.240          | 48.945              |
| Housing (including Empty Property Grant)                    | 3.053                                | -              | -              | 3.053               |
| <b>Total - Economy</b>                                      | <b>77.046</b>                        | <b>27.559</b>  | <b>5.887</b>   | <b>110.492</b>      |
| <b>Living Within Our Means</b>                              |                                      |                |                |                     |
| Management and rationalisation of service accommodation     | 1.305                                | 1.154          | 1.168          | 3.627               |
| Customer Care   | 0.022                                | 0.018          | 0.042          | 0.082               |
| <b>Total - Living Within Our Means</b>                      | <b>1.327</b>                         | <b>1.172</b>   | <b>1.210</b>   | <b>3.709</b>        |
| <b>Total Capital Budget Allocated to Council Priorities</b> | <b>116.982</b>                       | <b>42.127</b>  | <b>17.765</b>  | <b>176.874</b>      |
| Regulatory Public Services (Cemeteries)                     | 0.750                                | 0.135          | 0.175          | 1.060               |
| Authority Wide Costs (Vehicle related)                      | 0.146                                | 0.024          | 0.044          | 0.214               |
| Core ICT Systems Support                                    | 0.700                                | 0.700          | 0.700          | 2.100               |
| <b>Total Capital Budget</b>                                 | <b>118.578</b>                       | <b>42.986</b>  | <b>18.684</b>  | <b>180.248</b>      |

## ANNEX 4

**COUNCIL EARMARKED RESERVES**

| <b>Earmarked Reserves</b>  |  |                     |                 |               |                     |
|--|--|---------------------|-----------------|---------------|---------------------|
| <b>Capital, Treasury and Insurance Reserves</b>                  |  |                     |                 |               |                     |
| Reserve  | Purpose  | Balance at 31/03/17 | Transfers Out   | Transfers In  | Balance at 31/03/18 |
|  |  | £'000               | £'000           | £'000         | £'000               |
| <b>Capital Developments</b>                                      | Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.  | 47,006              | (16,098)        | 22,792        | 53,700              |
| <b>Treasury Management Reserve</b>                               | Funding for known and potential future pressures upon the Capital Financing budget.  | 2,452               | 0               | 13            | 2,465               |
| <b>Insurance Reserve</b>   | To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.           | 13,320              | (4,491)         | 102           | 8,931               |
| <b>Total</b>   |  | <b>62,778</b>       | <b>(20,589)</b> | <b>22,907</b> | <b>65,096</b>       |
| <b>Other Revenue Related Reserves</b>                            |  |                     |                 |               |                     |
| Reserve  | Purpose  | Balance at 31/03/17 | Transfers Out   | Transfers In  | Balance at 31/03/18 |
|  |  | £'000               | £'000           | £'000         | £'000               |
| <b>Revenue Budget Strategy 2017/18</b>                           | Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2017/18 budget.                                  | 1,433               | (1,433)         | 0             | 0                   |
| <b>Revenue Budget Strategy 2018/19</b>                           | Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2018/19 budget.                            | 0                   | 0               | 1,022         | 1,022               |
| <b>Joint Committee Reserve</b>                                   | Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.                                  | 121                 | (85)            | 71            | 107                 |
| <b>Revenue Grant Reserves (IFRS)</b>                             | Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards. | 2,515               | (2,515)         | 3,021         | 3,021               |
| <b>Financial Management and Human Resources Risk Management</b>  | Resources set aside as cover for future liabilities relating to various risks identified and being managed.  | 34,519              | (17,442)        | 12,689        | 29,766              |
| <b>Investment / Infrastructure</b>                               | To fund current and future costs of maintaining and enhancing infrastructure across the County Borough   | 3,628               | (3,628)         | 6,855         | 6,855               |
| <b>Prior Year Commitments</b>                                    | Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.                                | 12,127              | (5,282)         | 5,112         | 11,957              |
| <b>Medium Term Financial Planning and Service Transformation</b> | Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.              | 5,484               | (1,022)         | 203           | 4,665               |
| <b>Other Specific Reserves</b>                                   | Represents a number of reserves held for specific and identified purposes.   | 3,326               | (1,693)         | 2,059         | 3,692               |
| <b>Invest to Save</b>  | Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.  | 0                   | 0               | 3,056         | 3,056               |
| <b>Total</b>   |  | <b>63,153</b>       | <b>(33,100)</b> | <b>34,088</b> | <b>64,141</b>       |
| <b>Total Earmarked Reserves</b>                                  |  | <b>125,931</b>      | <b>(53,689)</b> | <b>56,995</b> | <b>129,237</b>      |