



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

RECORD OF DECISIONS OF THE EXECUTIVE

DECISION MADE BY: Cabinet DATE DECISION MADE: 22nd January, 2015.

Agenda Item 2

SUBJECT:

The Council's 2015/2016 Revenue Budget.

**Cabinet Members Present
County Borough Councillors:**

A.Morgan (Chairman), P.Cannon, R.Bevan, A.Crimmings, M.Forey,
E.Hanagan, G.Hopkins, K Montague and M.Webber

**Other Members in Attendance
County Borough Councillors:**

S.Bradwick, R Lewis, P Griffiths, P Jarman, S Rees-Owen and T
Williams.

1. DECISION MADE:

Agreed –

- To note that the procedures relating to revenue budget construction, the budget consultation process, and reporting to council, are laid down in the 'Budget and Policy framework', contained within the Council's Constitution.
- To adopt the draft 2015/2016 revenue budget strategy, detailed in Appendix 1 and exemplified in Appendix 3 of this report, as the basis of the revenue budget strategy for the financial year ending the 31st March 2016, that it would wish to recommend to Council subject to consideration of the results of the second stage of its budget consultation exercise. (A copy of the Draft revenue budget strategy for 2015/16 (stage 2 of the consultation process) is attached to this Decision Notice and will be considered at the forthcoming scrutiny committees).
- To conduct an appropriate second stage of its budget consultation exercise, prior to submitting its final report to council, noting in particular the measures proposed to close the budget gap and the recommended increase in the level of Council Tax.
- To approve the draft timetable for setting the 2015/2016 revenue budget, as detailed within Appendix 8 of the report.
- That the Council continue to support the medium term financial strategy aimed at maximising ongoing efficiency in service delivery, delivering inescapable and targeted service cuts and other decisions that maintain the financial integrity of the Council whilst still aiming as much as possible to protect jobs and key services.

N.B – with the permission of the Chairman, County Borough Councillor P Jarman spoke at the meeting on the report commenting on the use of the transitional funding and also queried the Senior Management savings stated within the report. The Group Director, Corporate and Frontline Services confirmed that the Senior Management restructure had resulted in an overall saving in excess of £1million as previously reported, and that the figure quoted in the budget strategy report reflected the 2015/16 impact of these changes.

2. REASON FOR THE DECISION BEING MADE:

- The need to provide cabinet Members with information in respect of the 2015/2016 final local government settlement, to assist them with their deliberations, prior to constructing the revenue budget strategy for the financial year ending 31st March 2016, which cabinet will recommend to council.

3. CONSULTATION UNDERTAKEN PRIOR TO DECISION BEING MADE:

As outlined within Appendices 4, 5 & 6 of the report:-

- Scrutiny Committees
- School Budget Forum
- Older Persons Advisory Group
- Public via online / hard copy questionnaires, 'drop in sessions'
- School Councils

4. PERSONAL INTERESTS DECLARED:

In accordance with the Code of Conduct, County Borough Councillor P.Jarman stated in relation to agenda item 2 –The Council's 2015/16 Revenue Budget that "On 4th November, 2014, following a request I made to the Standards Committee, I was granted a dispensation in my capacity as Leader of the Opposition to speak and vote at meetings of the Council and the Overview and Scrutiny Committees on matters relating to all services affected by the budget process for a period leading up to and including the formal approval of the budget for 2015/2016 by the Council."

5. DISPENSATION TO SPEAK (AS GRANTED BY STANDARDS COMMITTEE):

N/A

6. (a) IS THE DECISION URGENT AND NOT TO BE THE SUBJECT OF ANY CALL-IN BY THE OVERVIEW AND SCRUTINY COMMITTEE:

YES NO ✓

Note: This decision will not come into force and may not be implemented until the expiry of 5 clear working days after its publication i.e. **30th January, 2015** to enable it to be the subject to the Call-In Procedure in Rule 17.1 of the Overview and Scrutiny Procedure Rules.

6. (b) IF YES, REASONS WHY IN THE OPINION OF THE DECISION-MAKER THE DECISION IS URGENT:

N/A

. (c) SIGNATURE OF MAYOR OR DEPUTY MAYOR OR HEAD OF PAID SERVICE CONFIRMING AGREEMENT THAT THE PROPOSED DECISION IS REASONABLE IN ALL THE CIRCUMSTANCES FOR IT BEING TREATED AS A MATTER OF URGENCY, IN ACCORDANCE WITH THE OVERVIEW AND SCRUTINY PROCEDURE RULE 17.2:

N/A

.....
(Mayor)

.....
(Dated)



.....
(Proper Officer)

22.01.15
(Dated)

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2014-2015- REPORT NO.

**COMMITTEE:
COUNCIL**

March 2015

PART 1	AGENDA ITEM NO.
THE COUNCIL'S 2015/2016 REVENUE BUDGET STRATEGY	

DRAFT REPORT OF:

THE CABINET

AUTHOR: Chris Lee – Group Director Corporate & Frontline Services
Tel. No. 01443 424026

1.0 PURPOSE OF THE REPORT

This report provides information on the implications for the Council of the local government settlement for 2015/2016. It also sets out the recommendations of the Cabinet in response to this Council's resourcing requirements, in order to assist Members to determine specific service allocations within the Council's Revenue Budget, together with the level of Council Tax, for the year ending 31st March 2016.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1** Note the written statement from the Minister for Public Services and the table on the 2015/2016 local government settlement, reproduced at Appendix 1;
- 2.2** Note the allocation of £0.200M from General Fund Balances to the Medium Term Financial Planning & Service Transformation Reserve as detailed at Section 3;
- 2.3** Note the base budget adjustments impacting in 2015/16 as summarised in Table 1;
- 2.4** Approve the budget strategy proposals as summarised in Table 3, including:
 - I. An agreed general efficiency target of £5M for 2015/16;
 - II. The delivery of Service Specific Efficiency Reviews totaling £1.280M for 2015/16 in the following areas:

- Marketing and Tourism
- Special Education
- Corporate Finance
- Adult Education
- Sports Development
- Business Support
- Highways Maintenance

III. An increase in Trade Waste charges to deliver additional income of £0.200M in 2015/16;

IV. A net reduction in the Capital Programme of £0.900M for 2015/16;

V. Use of the 'Medium Term Financial Planning & Service Transformation Reserve' as transitional funding, totaling £6.592M in 2015/16.

2.5 Approve Tables 4 and 5 in Section 12 of the report as the basis of allocating resources to the Individual Schools Budget (ISB), to other Council Services, and to meet its corporate financing requirements;

2.6 Agree the Council Tax increase for the financial year ending the 31st March 2016 at 3.8%;

2.7 Agree the Council's overall budget for 2015/2016, in order to set the Council Tax for the forthcoming financial year by the statutory deadline of the 11th March 2015.

3.0 BACKGROUND

3.1 At the Council meeting on the 24th of September last year, the Council's audited accounts were presented, which reported General Fund Balances amounting to £10.282M.

3.2 Given the continuing financial pressures the Council is working under, the continuing growth in the quantum of our budget and the potential risks that lie ahead, it remains the view of the Section 151 Officer that the Council should hold a minimum of £10M as General Fund Balances (i.e. its working balance). This is at a level held for some years, although this minimum is set in the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward.

3.3 Members will be aware that in addition to General Fund Reserves, the Council also holds a number of earmarked reserves that are kept under continuous review and are assessed each year by the Wales Audit Office. Included in these Reserves is a Medium Term Financial Planning and Service Transformation Reserve that has successfully supported transitional funding as part of the Council's Medium Term Service Planning arrangements. It has achieved this through helping to smooth the delivery of budget savings over a number of years, whilst still allowing an annual balanced budget to be delivered. The balance of the Medium Term Financial Planning and Service Transformation Reserve as at the 31st March 2014 was £6.8M. Further draw down from this reserve was actioned during 2014/15 and opportunities have also been taken to replenish this reserve as follows:

- At the 25th June 2014 Council, Members agreed an additional allocation from the reserve of £1.2M to 'rebalance' the budget strategy for 2014/15 following the Judicial Review judgment in respect of how nursery education is funded by the Council.
- Members have been updated through the quarterly performance monitoring framework that decisions taken in-year during 2014/15 have resulted in savings being generated that can now provide one off cash benefit to the transitional funding reserve as well as a positive base budget impact in 2015/16. The latest estimate of this 2014/15 benefit (Quarter 2 performance report, reported to Cabinet on the 20th November) equates to £1.3M.
- As per paragraph 3.2 above, £10M is considered to be a minimum level of General Fund Balances that this Council should hold and as at the 31st March 2014, that level equated to £10.282M. It is appropriate therefore to allocate a further £0.200M from General Fund Reserves to transitional funding and leave £10.082M as a General Fund Balance pre the year end assessment for 2014/15 that will be undertaken as part of preparing this year's statement of accounts at financial year end.

3.4 The net effect of actions proposed above would mean that the Medium Term Financial Planning and Service Transformation Reserve available to support the 2015/16 budget strategy at this time equates to **£7.1M.**

3.5 The Wales Audit Office continues to emphasise that we must remain disciplined at this crucial time, if we are to maintain our long-term goal of driving forward continuous improvement of key services, albeit this becomes increasingly more difficult with such severe financial pressures.

- 3.6 The Wales Audit Office assessment is an accurate one and it is important that Members continue to take their fiduciary duty extremely seriously. The challenge, therefore, is to construct a prudent, equitable and fair revenue budget for the financial year ending the 31st March 2016. This must involve an approach which publicly demonstrates sound financial stewardship; which does not take unnecessary risks; which maximises income generation; and which delivers the services that are needed and we can afford, as well as protecting as many jobs as possible.
- 3.7 For many years we have incorporated the key principle of continuing to deliver significant levels of efficiency savings which have protected jobs and services. This has led to the removal of an “efficiency” sum of over £64M from our base budget. Whilst efficiencies will still be delivered, the level that can be implemented without impacting on front line services has to be set realistically into the medium term.
- 3.8 Following the establishment of the overall financial position, the Cabinet, assisted by the senior management team was able to commence initial work on its budget strategy for 2015/2016. The broad objectives of next year’s proposed strategy are to:
- (i) Retain the support of the Wales Audit Office for the approach the Council has adopted to securing strong financial management;
 - (ii) Continue with the delivery of our key services and protect as many local jobs as possible even with diminishing financial resources; and
 - (iii) Take a responsible attitude towards agreeing the level of the Council Tax.

4.0 THE 2015/2016 LOCAL GOVERNMENT SETTLEMENT

- 4.1 On the 10th December 2014, the Minister for Public Services (Leighton Andrews AM) announced the 2015/2016 local government settlement. The Minister’s statement and key tables are attached at Appendix 1.
- 4.2 The “headlines” of the final 2015/2016 settlement are as follows:-
- a. The overall reported decrease in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2015/2016 (of unhypothecated funding) at an all Wales level, is -3.4%. Closer inspection of the settlement details reveals that the decrease excludes the impact of the additional Local Government Borrowing Initiative (LGBI) for the 21st Century schools programme totalling at an all Wales level, £4.5M. The impact of this adjustment is that the overall funding reduction at an all Wales level is actually -3.5%.

- b. The settlement for Rhondda Cynon Taf, shows a reported decrease of -3.6% which is worse than the average reported of -3.4%. As detailed above, the reported decrease should be adjusted for the 21st Century schools LGBI, resulting in an actual funding decrease for this Council of **-3.7%** in 2015/16. 'Reported' settlements across the twenty two local authorities in Wales range from at best -2.4% to at worst -4.5%, the latter of which has been held at this level through a damping / floor adjustment applied by Welsh Government.
- c. The Settlement includes a number of stated 'transfers in'. For this Council, these equate to:
- LGBI 21st Century Schools - £0.936M
 - Integrated Family Support Services - £0.280M
 - Autistic Spectrum Disorder - £0.040M
- d. The Settlement includes a number of stated 'transfers out'. For this Council, these equate to:
- Student Finance Wales - £0.198M
 - Feed Safety Controls - £0.039M
 - National Adoption Service - £0.022M
- e. The Final settlement now contains details of our share of Outcome Agreement grant for next year (this was not included at Provisional settlement stage). The amount available for 2015/16 (subject to appropriate performance targets being achieved) totals £2.467M, which is a reduction of £0.037M compared with 2014/15.
- f. The settlement contains no indication of future year projections i.e. 2016/17 and beyond.
- g. We are still awaiting details on many specific grants. At an all Wales level many grants are reducing, some significantly and some are being replaced altogether by other grants (at a lower value). Some grants are ending altogether most notably the Intermediate Care Fund (at £35M all Wales).
- h. The Council's General Capital Funding allocation is reduced by 0.3% (£0.040M) to £11.154M.

4.3 The overall impact of the Final settlement, compared with Provisional, is that funding available to the Council has increased by some £0.269M.

5.0 RECENT BASE BUDGET UPDATES

5.1 Budget assumptions used in compiling the “Base Budget” for the Council are constantly being reviewed and updated. In recent weeks a number of adjustments have been identified that will impact on the estimated budget requirement for 2015/2016. These are:

- a. *Fire Service Levy* - The Fire Service Levy has reduced by £0.428M from the original assumption used in the budget modelling. This reduction reflects changing population levels and a general reduction in the fire service levy chargeable for 2015/16.
- b. *Senior Management Structure* – As per the Council report on the 29th October 2014, changes to the Senior Management structure agreed will result in a further £0.723M base budget saving in 2015/16.
- c. *Expressions of Interest Exercise 2014/15* – During 2014/15 a comprehensive exercise was undertaken inviting expressions of interest from staff who wished to consider opportunities for voluntary retirement / redundancy, reduced hours and flexible retirement. As a result, services have been able to restructure teams and deliver efficiencies. These are in addition to the base efficiency targets and any reductions linked to the implementation of agreed services changes. Employee cost reductions achieved will deliver base budget savings of £1.925M for 2015/16.
- d. *Changes agreed to the delivery of One4all Services across the County Borough* – As per the Cabinet decision on the 20th November 2014, changes in the One4all Service will deliver savings of £0.245M in 2015/16.
- e. *Ongoing reassessment of base budget pressures* – As part of updating the base budget assumptions over recent weeks, changes have been made in cost and risk calculations and in particular, this has resulted in lower estimated cost pressures within Social Care Services. A review has concluded that action can be taken to lower the assumptions around 2015/16 demographic pressures within Adult Social Care. This will reduce the additional base requirement by £1M in 2015/16. In addition, the service is reviewing the requirements of the Social Care and Wellbeing Act and will, during 2015/16, set out plans for service transformation linked to these new requirements.

- f. *Council Tax Reduction Scheme (CTRS) Requirements* – CTRS as Members are aware was introduced in 2013/14 as a replacement for Council Tax Benefit. Based on caseload and spend during 2014/15, it is considered appropriate to lower the budget for this scheme by £0.500M in 2015/16. It should be noted that the cost of supporting CTRS, even after this reduction is in excess of the Welsh Government funding level included in the settlement which has been fixed in cash terms since 2013/14 (in 2014/15 whilst the amount identified within the settlement totalled £21.960M, the actual projected spend for the Council this year is estimated to be £22.985M).
- g. *Capital Charges* – Capital Charges represent the revenue cost implications of the costs of borrowing that we are required to undertake to fund investment in infrastructure, such as our schools and roads. The Treasury Management Mid-Year Review report was recently presented to Council (10th December 2014) which documented the robust processes we have in place. As part of the ongoing assessment of capital charge requirements, including views on likely borrowing rate changes, we are able to reduce the budget allowance by £0.500M for 2015/16.
- h. *Miscellaneous Items* - During 2014/15, a number of decisions have been taken operationally that will deliver base budget savings in 2015/16. These include restrictions on provision of buffets, removal of the council newspaper and forgoing of increases in Members allowances. In addition, following another successful Nos Galan event in December 2014, the Chair of the Organising Committee has indicated that a further reduction in the core budget for this event is possible for 2015/16 (over and above that agreed previously). The total of these decisions reduces base budget requirements by £0.137M in 2015/16.

- 5.2 In summary, the measures listed above in 5.1 are shown in Table 1 below:

Table 1: Recent Base Budget Updates Impacting on the 2015/16 Base

	£M
Fire Service Levy	0.428
Senior Management Structure	0.723
Expressions of Interest Exercise 2014/15	1.925
Changes to the Delivery of One4all Services	0.245
Ongoing Reassessment of Base Budget Pressures	1.000
Council Tax Reduction Scheme	0.500
Capital Charges	0.500
Miscellaneous Items	0.137
Total Reduction in Base Budget Requirement	5.458

6.0 THE FINANCIAL IMPLICATIONS OF THE 2015/2016 SETTLEMENT FOR RHONDDA CYNON TAF

- 6.1 The settlement indicates that our 2015/2016 RSG and NDR funding will total £354.675M.
- 6.2 In anticipation of the 2015/2016 local government settlement, the Council's service managers have constructed base budget requirements for next financial year. Those initial calculations provided for:-
- National wage awards and pension costs (the former based on the recently agreed 2 year deal running from January 2015);
 - Non-pay (i.e. goods and services) inflation, including energy;
 - Corporate financing requirements and levies;
 - Full year effects of additional burdens imposed on the Council.
- 6.3 The aggregate outcome of Points 6.1 and 6.2 above, including a Council Tax increase set at 3.8%, using the final tax base for 2015/2016, would produce an initial gap between required and available resources of some £16.526M.

7.0 DEVELOPING AN EQUITABLE, DELIVERABLE AND BALANCED BUDGET FOR 2015/2016

- 7.1 It will not be easy for us to develop an equitable and deliverable revenue budget strategy given the -3.7% cut in funding from the Welsh Government and the significant pressure upon many of our services together with a limited ability to increase Council Tax income, and a low tax base. Within these parameters, we will therefore need to take appropriate decisions to ensure that next year's budget is equitable for all, does not compromise our financial stability, and if at all possible protects as many key services and safeguards as many jobs as we can.
- 7.2 The Council's overall financial position was highlighted in Section 3 of the report. It is vital that we continue with the strategy adopted thus far that takes account of the importance of sound financial management, including the level of General Fund balances and appropriate use of the "Medium Term Financial Planning and Service Transformation Reserve" as transitional funding, whilst targeting any available resources toward our high priority, customer-focused public services.
- 7.3 Every year, there are certain corporate financial provisions that must be "top sliced" locally, before service budgets can be allocated. Next year will be no different. There will be a requirement for:
- a) A provision to meet levies from External Bodies;
 - b) A provision for Capital Charges;
 - c) A provision for all other "Miscellaneous Finance" items (Audit Fees, Insurance Costs, Bank Charges, etc.) which are non-specific to any particular Service Group; and
 - d) Resources to fund the Council Tax Reduction Scheme.
- 7.4 After setting aside appropriate sums for corporate financial requirements, Members can then fully assess the issues and opportunities for the budget as a whole.
- 7.5 The initial net budget position following on from the above is a "funding gap" of some £16.526M. It is also estimated that the gap will rise over the three years to 2017/18 to an estimated £56M if our base budget is not reduced. It is proposed that this exercise is dealt with in two parts – firstly, setting the schools budget, and secondly assessing the options for bridging any remaining gap for 2015/2016.

8.0 THE INDIVIDUAL SCHOOLS BUDGET (ISB)

- 8.1 How the Council deals with the allocation of resources to be delegated to schools will, as always, be particularly important.
- 8.2 Members have always viewed our schools as being a key priority and have ensured that they have been treated favourably in comparison with other council services. The Council also has to give due regard to the direction by Welsh Government to protect Schools by requiring a funding increase of 0.6% for 2015/16 as compared to a decrease of -3.7% faced by the Council as a whole. This protection is applied in full against the initial school budget base requirements where full costs of pay inflation and other running costs have initially been assumed. The result of providing a 0.6% uplift, adjusted for items such as pupil number changes and changes in employee cost requirements is that the overall schools 'requirement' reduces by £2.554M, leaving a remaining overall gap for the Council of **£13.972M**. Schools will not be required to contribute to the Council's general efficiency targets and whilst the budget 'requirement' is lowered, the actual change in the school budget year on year (2014/15 to 2015/16) equates to an increase of £0.963M.
- 8.3 It will then be for schools' governing bodies to manage the service implications in the same way that the Cabinet has to do with the rest of the Council budget, but in the knowledge that they have received funding at a level well above the Welsh Government's 2015/2016 local government settlement.
- 8.4 As previously referenced, this Council's settlement from WG was a decrease in resources of -3.7%. In cash terms our schools will receive over £6M more than they would have received if they had been treated in line with other Council services.

9.0 DEALING WITH THE REMAINING REVENUE BUDGET GAP

- 9.1 The position after allowing for the Welsh Government's required treatment of schools, leaves a gap of £13.972M.
- 9.2 Following careful consideration, the following approach is recommended:

- a. *Efficiencies* –Whilst the generation of efficiency savings becomes increasingly difficult over time, new technology, collaboration and new ways of working are examples of where such gains can still be delivered. As in previous years, services have been tasked with identifying ‘general’ base budget efficiency savings. Originally this target was set at £4M for 2015/16, but extensive work across services has allowed for this target to be exceeded, in part by bringing work planned for 2016/17 forward to 2015/16, and plans are now in place to deliver £5M of savings in 2015/16. This will mean that since 2004/2005 the budget has been reduced by over £69M (in the region of 15% of the base budget) without cutting front line services or requiring compulsory redundancies.

In addition to ‘general’ base budget efficiency, service reviews have also been undertaken across a range of services which will deliver savings in 2015/16. These are classed as ‘efficiency savings’ not ‘service cuts’, given that they represent no visible front line / customer impact. Prudently, it is assumed that each of the proposals will have a part year impact for 2015/16.

The service review efficiency areas are:

- I. **Marketing and Tourism** – A service review has identified an opportunity for cost savings. Service redesign, including bringing together the functions of tourism and marketing will deliver economies of scale and a more effective service.

If agreed, this proposal would deliver savings of £0.113M in 2015/16 (full year impact £0.150M).

- II. **Special Education** – A staffing restructure to reflect the changing needs of pupils and schools will be undertaken. Staff resources will be deployed more effectively to become more efficient, along with a review of charges to schools for the provision of placements or alternative education outside of mainstream schools.

If agreed, this proposal would deliver savings of £0.357M in 2015/16 (full year impact £0.476M).

- III. **Corporate Finance** – A service review has identified a number of opportunities to restructure areas of the service to deliver more focussed and integrated services. It will include the merger of performance and finance teams, restructuring of payroll services, the removal of the service improvement function, a transfer of the Council's Insurance function to Legal Services (to provide economies of co-location) and the centralisation of the mail room function to Ty Elai. The front line functions within the service will not be adversely affected by the proposal.

If agreed, this proposal would deliver savings of £0.415M in 2015/16 (full year impact £0.553M).

- IV. **Adult Education** – Delivery of the 'Bridges into Work' European Social Fund programme finished on 31st December 2014 with project closure to be completed by 31st March 2015. No extension to this programme has been granted therefore the match funding previously committed from council budgets is no longer required. Any new initiatives would have to be funded via alternative sources of external funding.

If agreed, this proposal would deliver savings of £0.045M in 2015/16 (full year impact £0.060M).

- V. **Sports Development** – Sports Development promotes and facilitates community participation in sport. For 2014/15, gross expenditure for the Service is £1.187M with income estimated at £0.947M of which £0.786M is delivered through grant funding from Sport Wales, Public Health Wales NHS Trust & Cwm Taf Local Health Board and other grant bodies.

The proposal is to reduce the net budget through service restructuring, mindful of avoiding any changes which could impact on specific grants receivable and used by the service.

If agreed, this proposal would deliver savings of £0.150M in 2015/16 (full year impact £0.200M).

- VI. **Business Support** – The savings will be achieved through restructuring and reduction of non pay budgets in the business support functions within Education and Environmental Services.

If agreed, this proposal would deliver savings of £0.050M in 2015/16 (full year impact £0.066M).

- VII. **Highways Maintenance** - The service undertakes a range of highway maintenance activities as well as providing a construction service for capital highway projects and any highway construction works for other Council services. A service review has been undertaken based on future budget projections and workforce capacity and efficiencies and cost savings are deliverable without the need to impact on current maintenance service levels.

If agreed, this proposal would deliver savings of £0.150M in 2015/16 (full year impact £0.200M).

Specific service reviews are projected to deliver £1.280M in 2015/16 (full year impact £1.705M). In total therefore, efficiency savings amounting to £6.280M are being targeted for 2015/16 (in addition to the £1.925M expressions of interest exercise highlighted earlier in paragraph 5.1c).

- b. *Staff Panel Ideas* – In June of last year, the Leader of the Council, established the Staff Panel. The panel included staff members from across a range of services, Trade Union representatives, councillors and appropriate support staff. The Panel has proved to be an extremely valuable resource for assessing the savings ideas submitted by staff (over 400 received to date) and in working these up to deliverable proposals. The panel is due to meet shortly to agree recommendations for savings that if agreed, will have an impact in 2015/16. Once considered, a report will be prepared and presented to Cabinet for approval.

- c. *Fees & Charges* -

The budget strategy for 2014/15 agreed to increase fees and charges by, on average, 3% above RPI for four years, that is to 2017/18. Over and above the general increase, a review has also been undertaken on the introduction of charges for any services currently delivered free and whether there are any areas where specific fee levels should be set. In this respect, two specific proposals are highlighted:

- I. **Parks Fees & Charges**

Consultation on the introduction of charges for use of bowling greens, cricket grounds and rugby / football pitches concluded on the 16th December 2014. A report will be considered by Cabinet shortly.

II. Trade Waste

The Council's Trade Waste charges are currently some way below the levels charged by other councils in Wales and do not provide an appropriate incentive for businesses to recycle. The Council's strategy in this regard is to work with businesses to encourage increased recycling levels, with a charging structure which would make it cheaper for them if they do so. Increasing their recycling levels would enable businesses to have their bins removed and change to a more cost effective bag collection system for residual waste materials where they would pay for bags and only put the bags out for collection when they need to.

The proposed increases in **trade waste** charges are shown in Table 2 below:

Table 2: Proposed Trade Waste Charges 2015/16

	CURRENT CHARGE £	PROPOSED CHARGE £
Trade Waste Bags (cost per bag)	1.30	1.75
240L Bin (cost per week)	3.40	8.20
660L Bin (cost per week)	9.95	18.70
1100L Bin (cost per week)	15.25	29.00
Trade Recycling Bags (cost per bag)	0.30	0.35
Food Recycling:		
240L Bin (cost per week)	N/A	7.00
Nappy Collections & Incontinence Pads:		
240L Bin (cost per week)	N/A	7.00

The proposed level of charges would bring us to a level more comparable with other councils and would remain favourable compared with private sector comparators. The proposal would increase income levels by £0.200M in 2015/16.

A report will be presented to Members shortly setting out in detail the general uplift to fees and charges for 2015/16.

- d. *Capital Programme Considerations* – Whilst the majority of the Council's Capital Programme is funded via the Welsh Government's general capital grant, capital receipts and specific grants, there is an element of direct revenue funding support into the programme that for 2014/15 equates to £2.2M. As part of assessing the revenue budget position, the sustainability of this level of Direct Revenue Financing has to be reviewed. Alongside this it is also appropriate to consider the ongoing infrastructure needs we face into the medium term, which we have sought to target in recent years through additional funding, particularly for investment in our roads. It is proposed therefore that as part of the revenue budget strategy for 2015/16, a net reduction in revenue funding is actioned of £0.900M. This equates to a £1M reduction in revenue funding of existing programme elements, offset by a further investment of £0.100M revenue to support prudential borrowing and investment in our infrastructure. The detailed analysis and implication of this net reduction will be part of the updated three year capital programme that will be reported to Council in March.
- e. *Service Changes / Cuts*– Service changes have been agreed and implemented throughout the year as part of the Council's proactive approach to the financial challenges faced over the medium term. Currently, two service change proposals remain subject to consultation, that is, the funding for Nursery Education and changes to the Music Service. Until such time that Cabinet review the outcomes of the consultation and the decisions it wishes to take with regards to these proposals, no impact can be considered as part of this budget strategy. In terms of further proposals, these will continue to be developed during 2015/16 and will be reported to Members for consideration as appropriate.
- f. *Medium Term Financial Planning and Service Transformation Reserve (Transitional Funding)* – Whilst significant service changes and cost reduction measures are already in place for 2015/16, it is recognised that further in year decisions are necessary to close future year budget gaps. The notion of an annual budget setting process has clearly been assigned to the past and experience from 2014/15 indicates that a proactive and ongoing approach to identifying and implementing service changes is the right and only approach to take. In doing so, we are able to replenish transitional funding in year and secure base budget savings in the following year. As previously indicated, we have a "Medium Term Financial Planning and Service Transformation Reserve" that provides the tool, albeit short term and one off in nature (unless replenished), for such an approach and this equates currently to £7.1M. To balance the 2015/16 budget, it is proposed that an allocation of £6.592M is made from this reserve for 2015/16. Whilst this balances the budget for 2015/16, this would only leave £0.508M in the reserve (subject to the year end assessment of reserves post March 31st 2015).

A consequence of using one off funding at this level in 2015/16 is that £6.592M would immediately add to the budget gap in 2016/17. There would therefore be an urgent need to replenish this reserve next year through further service change decisions. It is recognised that further reductions in service levels and standards require difficult decisions to be taken, but the alternative, that is, not taking in year decisions would result in very limited flexibility for our medium term financial strategy and threaten our overall financial stability.

- 9.3 In summary, Table 3 lists the proposals recommended to close the remaining budget gap for 2015/16, that will deliver a balanced budget for next year:

Table 3 : Budget Strategy Proposals 2015/16

	£M	£M
Budget Gap		13.972
LESS Strategy Proposals:		
General Efficiency Target	(5.000)	
Service Specific Efficiency Reviews	(1.280)	
Trade Waste Charges	(0.200)	
Capital Programme	(0.900)	
		(7.380)
Remaining Budget Gap		6.592
Use of 'one off' funding:		
Medium Term Financial Planning and Service Transformation Reserve		(6.592)
Total		0.000

10.0 SERVICE PRIORITIES

- 10.1 Even within this period of significantly reducing resources and hence financial pressure on all services, this Council remains committed as far as it possibly can to continue to deliver its key services, stronger communities and social justice. Above all we want to make Rhondda Cynon Taf a safer, healthier and wealthier place to live, work and learn.

10.2 However, we must deliver our objectives within the parameters of next year's local government settlement. For next year and into the medium term any available resources should be targeted at key service areas. Part of the first stage General Budget Consultation exercise has been to test the appropriateness of our key strategic priorities (our Wales Programme for Improvement (WPI) priorities). Feedback has been clear that these should remain our priorities, acknowledging the limited resources available.

11.0 THE 2015/2016 GENERAL BUDGET STRATEGY CONSULTATION PROCESS

11.1 Our General Budget Strategy Consultation approach this year has been designed having regard to the other consultation activity which has been taking place both in general terms and related to specific service changes. The consultation process for 2015/2016 was again in two stages.

11.2 The first stage allowed consultees an opportunity to comment on the 2015/2016 local government settlement, as it affects Rhondda Cynon Taf, prior to Cabinet considering its initial budget strategy. The first stage focused on strategic service priorities, Council Tax levels, the discretions applicable in the Council's Council Tax Reduction Scheme design and budget saving ideas.

11.3 After the Cabinet itself had reflected on the local government settlement, and taken into account the feedback from the first stage of the Council's consultation exercise, it formulated its initial 2015/2016 revenue budget strategy. That initial strategy was then released, immediately, to all the consultees, for further consideration (i.e. Stage Two).

11.4 Finally, Cabinet considered the results of the second stage of the consultation exercise, prior to it recommending this revenue budget strategy to the Council. A summary of the views expressed during the second stage consultation exercise are included at Appendices 2 to 4.

12.0 THE 2015/2016 MACRO REVENUE BUDGET

12.1 In arriving at a sensible strategy for 2015/2016, the Cabinet has taken into consideration its key commitments, its views on service delivery and relevant charges for services and the need to minimise the tax burden on local residents. Consequently, and after careful deliberation, the Cabinet has concluded that it can devise a balanced revenue budget which will meet all of the fundamental requirements of its preferred strategy and set the Council Tax increase for next year at **3.8%**.

- 12.2 Table 4 below illustrates how the revenue resources available to the Council could be utilised, in order to restrict the Council's 2015/2016 Council Tax increase to 3.8%:

Table 4: Suggested Resources in 2015/2016

	(£M)
2015/2016 Net Revenue Spending	458.690
LESS: Revenue Support Grant & NDR Contribution	354.675
Sub total	104.015
LESS: Outcome Agreement Grant	2.467
LESS: Release of Earmarked Reserves	6.592
To be met from Council Taxpayers	94.956

- 12.3 Table 5 below, shows the overall effect on services of applying the principles of the Cabinet's recommended 2015/2016 budget strategy.

Table 5: Application of the 2015/2016 Outline Budget Strategy

BUDGET REQUIREMENTS	2014/15 **	2015/16	Increase / (Decrease)
		£M	£M
Corporate Requirements			
Capital Financing	23.766	23.364	(0.402)
Levies	11.665	11.471	(0.194)
Council Tax Reduction Scheme	23.504	23.897	0.393
Miscellaneous	11.967	12.114	0.147
	70.902	70.846	(0.056)
Individual Schools budget (ISB)			
Individual Schools Budget	141.755	142.718	0.963
Other Council Services			
Community & Children's Services	141.990	138.530	(3.460)
Corporate and Frontline Services & Chief Executive's Division	76.670	73.119	(3.551)
Education & Life Long Learning Services	35.462	33.477	(1.985)
Net Revenue Spending	466.779	458.690	(8.089)

** 2014/15 has been restated to reflect the Council group structure following the review of the Chief Officer structure (Council, 29th October 2014)

13.0 COUNCIL TAX LEVELS

- 13.1 Because of the (Council Tax) gearing effect in Rhondda Cynon Taf, a 1% increase in the Council Tax would raise only an extra £0.686M for the Council (after the impact of increased costs of the Council Tax Reduction Scheme) . Put another way, to balance the budget without the use of earmarked reserves (£6.592M) would result in an additional Council tax increase of 9.6% above that proposed (a total increase of 13.4%). In any event, any excessive increase would no doubt result in intervention by the Minister for Public Services (Leighton Andrews AM). Taking all this into account and the impact upon Council Tax payers and service levels an increase of 3.8% is proposed.
- 13.2 This proposed increase of 3.8% equates to 91p per week for someone living in a Band D property, and 61p for a person living in a Band A home. 43% of properties in Rhondda Cynon Taf are Band A.

14.0 SPECIFIC GRANTS

- 14.1 For next year, the Welsh Government is to provide over £750M in Specific Grants to Welsh Local Authorities.
- 14.2 The Cabinet, of course, are mindful of the opportunities that are likely to accrue, by the Council attracting specific grants to supplement its base revenue budget. Whilst specific grants 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.
- 14.3 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".
- 14.4 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 such hypothecation.

15.0 EQUALITY IMPACT ASSESSMENT

- 15.1 In developing these proposals an Equality Impact Assessment (EIA) has been undertaken to ensure that:
- i the Council meets the requirements of the Public Sector Equality Duties; and
 - ii due regard has been taken of the likely impact of the decision in terms of equality and discrimination.

16.0 CONCLUSIONS

- 16.1 The Council's overall financial position remains sound, with the level of General Reserves maintained at the minimum level of £10M.
- 16.2 The Minister for Public Services (Leighton Andrews AM), announced the 2015/2016 local government settlement on the 10th December 2014 with this Council's reduction in resources set at -3.7%.
- 16.3 The Cabinet's proposals properly address the corporate financial requirements of the Council and, after allocating an adequate financial uplift to the Individual Schools Budget, the sum £245.126M would remain to fund all other services in 2015/2016. This resource can then be used to adequately fund the cost of our services and to support our key priorities.
- 16.4 As in the current year, Service Groups must adopt a vigorous procurement strategy to offset the effects of price inflation on non-employee related budgets.
- 16.5 The Cabinet has recommended setting 2015/2016 revenue spending at a level that will result in a Council Tax increase of 3.8%, for the financial year ending the 31st March 2016.
- 16.6 Whilst the Council's overall financial position remains sound, its level of General Fund Balances are not excessive. The Council must, therefore, retain its focus on holding a minimum level of General Fund Balances of £10M, in order to mitigate any risk of future budget instability. There is though the opportunity to pragmatically use the Medium Term Financial Planning and Service Transformation Reserve as transitional funding without prejudicing the Councils financial stability, or reducing our General Fund Balances below £10M, albeit there is a need to focus on actions to replenish the level of the reserve if it is to support the Council beyond the short term.

16.7 Whilst the use of some £6.6M of transitional funding has been used to produce a balanced budget for 2015/2016, ongoing reliance on this funding source is clearly not a sustainable strategy without actions to replenish as referenced above. Important and very difficult decisions will need to be made by Members over the next year or so to ensure the Council still delivers its core services into the future.

16.8 There will be a need for positive and proactive management from senior officers and clear direction from Members to produce a financially sustainable budget into the medium term in this extremely difficult financial climate.

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Llywodraeth Cymru
Welsh Government

**WRITTEN STATEMENT
BY
THE WELSH GOVERNMENT**

TITLE **Final Local Government Revenue and Capital Settlements
for 2015-16**

DATE **10 December 2014**

BY **Leighton Andrews AM, Minister for Public Services**

Today I am publishing details of the Final Revenue and Capital Settlements for Local Government funding in 2015-16. They include allocations of core funding for individual Local Authorities.

In preparing the Final Settlement, I have given careful consideration to the responses I received to the consultation on the Provisional Settlement. I am confident it provides a robust basis for Local Authority financial planning for the coming financial year.

For next year, I am setting Local Government revenue funding at £4.125 billion. This is slightly higher than I announced in the Provisional Settlement.

The total represents a decrease of 3.4% (£145 million) compared with 2014-15, after adjusting for transfers.

As I announced in the Provisional Settlement, to limit the change for any individual authority, I will again apply a damping mechanism so that no Authority will see a reduction of more than 4.5% in its core provision compared to 2014-15. Whilst the unhypothecated Settlement is the largest single source of funding available to authorities, it is not the only one. Authorities must take account of all the income streams available to them in setting their budgets and making decisions about service provision for 2015-16.

Alongside the Settlement, I am publishing the latest information on Welsh Government grant schemes planned for 2015-16. This provides Local Authorities with a comprehensive picture of the funding from the Welsh Government for 2015-16, allowing them to budget effectively.

Table 1 sets out the final distribution of Aggregate External Finance between the 22 Authorities for 2015-16.

In the absence of information regarding the UK Government's spending plans, I am unable to provide indications beyond 2015-16.

The motion for the National Assembly for Wales to approve the Local Government Finance Report for 2015-16 is scheduled for debate on 13 January 2015.

[Words – 293]

Table 1: 2015-16 Final Settlement - Comparison of the 2014-15 AEF (adjusted for transfers and tax base) and the 2015-16 Final AEF and Distribution of the 2015-16 Council Tax Reduction Schemes funding (distributed within AEF)

Unitary authority	£000s		Rank	Council Tax Reduction Schemes (distributed within AEF)	Percentage share
	2014-15 AEF (adjusted for transfers)	2015-16 Final AEF			
Isle of Anglesey	96,709	92,966	16	5,228	2.1%
Gwynedd	175,271	168,312	17	8,899	3.6%
Conwy	158,174	151,343	20	8,911	3.7%
Denbighshire	145,441	140,139	14	9,243	3.8%
Flintshire	193,052	186,419	11	9,958	4.1%
Wrexham	175,491	170,513	5	10,035	4.1%
Powys	182,395	174,316	21	8,068	3.3%
Ceredigion	103,889	99,256	22	4,732	1.9%
Pembrokeshire	167,074	160,045	18	7,192	2.9%
Carmarthenshire	261,129	252,481	7	14,244	5.8%
Swansea	318,314	307,634	9	18,981	7.8%
Neath Port Talbot	210,068	205,077	1	15,644	6.4%
Bridgend	194,983	188,409	10	12,577	5.2%
The Vale Of Glamorgan	157,920	152,481	12	8,957	3.7%
Rhondda Cynon Taf	367,910	354,675	13	22,161	9.1%
Merthyr Tydfil	91,600	89,288	2	5,872	2.4%
Caerphilly	272,808	263,692	8	13,436	5.5%
Blaenau Gwent	113,345	110,204	4	8,440	3.5%
Torfaen	135,517	130,545	15	7,984	3.3%
Monmouthshire	97,766	93,557	19	5,902	2.4%
Newport	214,685	209,254	3	10,177	4.2%
Cardiff	436,620	424,104	6	27,360	11.2%
Total Unitary Authorities	4,270,161	4,124,709		244,000	100.0%
					-3.4%

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