

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2013-2014

COUNCIL

26th February 2014

	AGENDA ITEM NO.6
THE COUNCIL'S 2014/2015 REVENUE BUDGET STRATEGY	

REPORT OF THE CABINET

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1.0 PURPOSE OF THE REPORT

The report provides information on the implications for the Council of the local government settlement for 2014/2015. 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 2015.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1** Note the written statement from the Minister and the table on the 2014/2015 local government settlement, reproduced at Appendix 1;
- 2.2** Approve Tables 1a and 1b 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;
- 2.3** Agree the Council Tax increase for the financial year ending the 31st March 2015 is 4.5%;
- 2.4** Agree the Council's overall budget for 2014/2015, in order to set the Council Tax for the forthcoming financial year by the statutory deadline of the 11th March 2014;

3.0 BACKGROUND

- 3.1** At the Council meeting on the 25th September last year, the Council's Section 151 Officer presented the Council's audited accounts, which reported General Fund Balances amounting to £11.204M.

- 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 151 Officers view that the Council should hold a minimum of £10M as General Fund Balances, (i.e. its working balance). This is at a level we have 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. Given the current level of General Fund Reserves, the minimum level required and budget forecasts for this financial year (as reported via the Quarterly Performance Reports), it is seen as acceptable and prudent, to reduce the present General Fund Balance by £1.2M and add this to the “Transitional Funding Reserve” that will be described in more detail below.
- 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 as at 31st March 2013, is a Medium Term Financial Planning and Service Transformation Reserve (totaling £8.8M) which has been established to support transitional funding as part of the Council’s Medium Term Service Planning arrangements, that is, to help smooth the delivery of budget savings over a number of years, whilst still allowing an annual balanced budget to be delivered. Given the proposed additional allocation from General Fund Balances (as per 3.2 above), the total Medium Term Financial Planning and Service Transformation Reserve available to support medium term budget decisions, would equate to £10M.
- 3.4 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, though this becomes increasingly harder to achieve with such severe financial pressures.
- 3.5 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 2015. 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 much needed services that are required and we can afford as well as protecting as many jobs as possible.
- 3.6 For some ten years we have incorporated the key principle of continuing to deliver significant levels of efficiency savings which have protected jobs and services. This has meant the removal of an “efficiency” sum of over £60M from our base budget. Whilst efficiencies

will still be delivered, the level that can be generated without impacting on services has to be set realistically into the medium term.

- 3.7 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 2014/2015. 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 2014/2015 LOCAL GOVERNMENT SETTLEMENT

4.1 On the 11th December 2013, the Minister for Local Government and Government Business (Lesley Griffiths AM) announced the 2014/2015 local government settlement. The Minister's statement and key tables are attached at Appendix 1.

4.2 The "headlines" of the final 2014/2015 settlement are as follows:-

- i. The overall decrease in Revenue Support Grant (RSG) and Non-Domestic Rates funding for 2014/2015 (of unhypothecated funding) at an all Wales level, is -3.4% but as reported at Provisional Settlement stage, adjustments for Council Tax Reduction Scheme support and Local Government Borrowing Initiative funding for Highways have not been taken into account and therefore the true adjusted position is a decrease of -3.9%.
- ii. The final settlement for Rhondda Cynon Taf, shows a decrease in funding of -3.1%, though again, as per above, the true adjusted figure is -3.7% which needs to be set against the context of inflation currently running at around +2-3% and significant increases in service demand and subsequent financial pressures.
- iii. The final settlement also includes an indicative decrease of -1.4% for 2015/2016. Significant financial pressures are therefore forecast to continue into the medium term for the Council.
- iv. The final settlement includes the Outcome Agreement Grant outside of RSG. This amounts to £2.504M and will only be received if the Council meets its Outcome Agreement targets.

- v. 'Reported' settlements across the 22 local authorities range from at best -1.0% to at worst -4.6%, the later of which has been held at this level through a damping / floor adjustment applied by Welsh Government. This adjustment ensures that no Council receives a reduction in funding greater than -4.6%. The 'floor' has protected three Councils – Ceredigion, Denbighshire and Powys. This Council's contribution to the floor is £0.404M.
- vi. The Settlement includes a number of stated 'transfers in'. For this Council, these equate to:
- First Steps Improvement Package - £0.250M
 - Council Tax Reduction Scheme Administration Subsidy - £0.475M
 - Private Finance Initiative - £2.747M
- vii. As yet we have not had all of the detail in respect of the specific grants this Council will receive from the estimated total of in excess of £750M across Wales. This is very important as many of these grants support key services provided by the Council.
- viii. The Council's General Capital Funding allocation is reduced by 1.1% (£0.134M) to £11.194M. The indicative figures show no further cut in 2015/2016.
- 4.3 The overall impact of the Final settlement, compared with Provisional, is that funding available to the Council has increased by some £0.733M.

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 2014/2015. These are:
- *Funding provided to Schools* – as part of the review of school admission arrangements (Service Change, phase 1) it has become clear that we are able to amend the basis on which we allocate employee related funding to schools whilst still enabling them to carry out their statutory responsibilities. Consequently the base budget requirement for schools will be reduced by £1.5M.
 - *Fire Service Levy* - The Fire Service Levy has reduced by £0.730M from the original assumption used in the budget modelling (letter received 16th December 2013). The main

reason for this reduction is linked to a population fall for this Council, along with the Vale of Glamorgan, whilst the other eight Councils covered by South Wales Fire Service have seen their populations rise and hence their relative share of the costs increase.

- *Schools Protection* - Following the Final Settlement, further work has now been undertaken to update the protection requirements in respect of schools in line with the Welsh Government's direction. Updated calculations now indicate that full protection can be delivered for £0.700M less than originally estimated.
- *Senior Finance Management Structure* – As per the Council report on the 27th November 2013, changes to the Senior Finance Management structure has resulted in a £0.100M saving.
- *Transfers in* – Following review at Final Settlement, the transfer in of "First Steps" grant has been reassessed and has resulted in a £0.250M reduction to base budget requirements.
- *Fees & Charges* – As part of the original 'Base Budget' assumptions, Fees and Charges were increased in line with RPI. Given the size of the budget gap faced by the Council over the next 4 years, it is considered not unreasonable to increase Fees and Charges, in total, by an average of 3% above RPI, per annum, during that period. This will deliver in the region of £0.500M additional income in 2014/15 and each subsequent year up to 2017/18.
- *Pensioners Council Tax Reduction Scheme Grant* – It will be noted from the Ministers Statement that the Pensioners Council Tax Reduction Scheme Grant has now been added to the general settlement and that it has been left to individual councils to decide whether they continue to provide the additional payment to pensioners over and above the means tested Council Tax Benefit already paid to them. It is proposed that that for 2014/2015, a maximum of £50 is paid to pensioners over and above their means tested benefit, on condition that they have a remaining liability of £50 or more; or equalling the value of their remaining liability if it is less than £50. It is also proposed that this scheme does not continue beyond 2014/15. For information, the maximum individual payment in the current year, i.e. 2013/2014, is just over £90. The total cost of this proposal is £0.200M in 2014/2015.
- *Additional Highway Maintenance* – The Council for a number of years has supplemented the capital monies it spends on highways maintenance, again for 2014/2015 it is proposed to

support £0.4M in capital expenditure and to utilise prudential borrowing funded from the removal of the second Council car.

- 5.2 In total, the measures listed above in 5.1, plus other minor amendments will mean that the funding gap for 2014/2015 is reduced from £19.6M (at Provisional Settlement) to £15.2M and the estimated four year gap is reduced to £64.2M

6.0 THE FINANCIAL IMPLICATIONS OF THE 2014/2015 SETTLEMENT FOR RHONDDA CYNON TAF

- 6.1 The settlement indicates that our 2014/2015 RSG and NDR funding will total £367.332M, including the support for the Council Tax Reduction Scheme.

- 6.2 In anticipation of the 2014/2015 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;
- 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 4.5%, using the final tax base for 2014/2015, would produce an initial gap between required and available resources of some £14.4M.

7.0 DEVELOPING AN EQUITABLE, DELIVERABLE AND BALANCED BUDGET FOR 2014/2015

- 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 and it is vital that the strategy adopted for 2014/2015, 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 £14.4M. It is also estimated that the gap will rise over four years to an estimated £63.4M 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 filling any remaining gap for 2014/2015.

8.0 THE INDIVIDUAL SCHOOLS BUDGET (ISB)

8.1 How the Council deals with the allocation of resources to be delegated to local Schools’ budgets 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 0.9% as compared to the decrease of -3.7% faced by the Council as a whole. The net effect of delivering the Welsh Government’s expectations is that schools will contribute nothing towards bridging the overall funding gap of £14.4M.

8.3 It will then be for schools’ governing bodies to manage the service implications in the same way that 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 2014/2015 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 well over £4M more than they would have if they had been treated in line with other council services.

9.0 **BALANCING THE BUDGET**

9.1 The position after allowing for the Welsh Government's required treatment of schools, leaves a gap of £14.4M.

9.2 Following careful consideration, the following approach is recommended:

- *Efficiencies* - It is proposed that a further tranche of £4M of efficiency savings is sought. This will mean that since 2004/2005 the budget has been reduced by over £64M (in the region of 15% of the base budget) without cutting frontline services or introducing compulsory redundancies.
- *Service Cuts and Charges* – The gap remaining after the introduction of efficiencies and the decision on the level of school support is £10.4M. The significance of this funding gap, and taking account of the financial outlook into the medium term, necessitates that cuts/changes to services, plus increased charges for services will have to be introduced to deliver a sustainable budget over the short and medium term. At present there are two phases of budget reduction proposals documented and at various stages of consideration. Phase 1 proposals have now been determined by cabinet for implementation and will provide a full year saving of £7.6M, with the part year saving for 2014/15 being £5.2M. Agreement to proceed to consultation stage on Phase 2 proposals has been approved by cabinet and subject to this consultation, could deliver a full year saving of £3.9M.
- *Medium Term Financial Planning and Service Transformation Reserve (Transitional Funding)* – Notwithstanding the need to make service cuts / changes and charging decisions within a reasonable timeframe, robust analysis is needed to ensure that the right decisions are made. In addition, it is recognised that some decisions have longer lead in times than others. However, the Council does as previously indicated, have a “Medium Term Financial Planning and Service Transformation Reserve” available that can provide transitional resources to temporarily bridge any remaining gap. For 2014/15 the amount of transitional resources required to deliver a balanced budget is £5.2M. The opportunity to employ such transitional funding does of course need to be considered only as a short term solution and permanent cuts/changes plus possibly additional charges for services will have to be introduced to deliver base budget reductions.

- 9.3 Delivery of the range of actions proposed in paragraph 9.2, will provide a balanced budget for 2014/2015.

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 2014/2015 GENERAL BUDGET STRATEGY CONSULTATION PROCESS

- 11.1 Our General Budget Strategy Consultation approach this year has been amended to reflect the significant consultation activity already undertaken in relation to the Phase 1 Service Change proposals, and the next round of consultation activity for Phase 2 proposals. Given the degree of detailed service consultation undertaken, the General Budget Strategy consultation has been streamlined to focus on strategic service priorities, Council Tax levels and the discretions applicable in the Council's Council Tax Reduction Scheme design.
- 11.2 The consultation process for 2014/2015 was again in two stages, allowing consultees an opportunity to comment on the 2014/2015 local government settlement, as it affects Rhondda Cynon Taf, prior to Cabinet considering its initial budget strategy.
- 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 2014/2015 revenue budget strategy. That initial strategy was then released, immediately, to all the consultees, for further consideration (i.e. Stage II).
- 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 2014/2015 MACRO REVENUE BUDGET

- 12.1 In England the Government has set aside monies to support Councils there who may wish to set very low levels of Council Tax - this is not the case in Wales.
- 12.2 In arriving at a sensible strategy for 2014/2015, 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 **4.5%**.
- 12.3 Table 1a below illustrates how the revenue resources available to the Council could be utilised, in order to restrict the Council's 2014/2015 Council Tax increase to 4.5%:

Table 1a: Suggested Resources in 2014/2015

	(£M)
2014/2015 Net Revenue Spending	465.603
LESS: Revenue Support Grant & NNDR Contribution	367.332
Sub total	98.271
LESS: Outcome Agreement Grant	2.504
LESS: Release of Earmarked Reserves	5.216
To be met from Council Taxpayers	90.551

- 12.4 Table 1b below, shows the overall effect on services of applying the principles of the Cabinet's recommended 2014/2015 budget strategy.

Table 1b: Application of the 2014/2015 Outline Budget Strategy

BUDGET REQUIREMENTS	2013/2014	2014/2015	Increase / (Decrease)
	£M	£M	£M
Corporate requirements			
Capital financing	24.261	24.042	(0.219)
Levies	12.175	11.689	(0.486)
Council Tax Reduction Scheme	22.061	23.504	1.443
Miscellaneous	14.174	9.228	(4.946)
	72.671	68.463	(4.208)
Individual Schools budget (ISB)			
Individual Schools Budget	140.896	140.371	(0.525)
Other Council Services			
Community & Children's Services	124.178	125.450	1.272
Corporate Services & Chief Executive's Division	32.327	32.571	0.244
Education & Life Long Learning Services	37.846	35.160	(2.686)
Environmental Services	61.285	63.588	2.303
Net Revenue Spending	469.203	465.603	(3.600)

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 £0.641M for the Council (after the impact of increased costs of Council Tax Reduction Scheme) . Put another way, to balance the budget without the use of earmarked reserves (£5.216M) would result in an additional Council tax increase of just over 8% above that proposed (a total increase of 12.5%). In any event, any excessive increase would no doubt result in intervention by the Minister for Local Government and Government Business (Lesley Griffiths AM). Taking all this into account and the impact upon Council Tax payers and services levels an increase of 4.5% is proposed.
- 13.2 This proposed increase of 4.5% equates to just over £1 per week for someone living in a Band D property, and 69p 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 Local Government and Government Business (Lesley Griffiths AM), announced the 2014/2015 local government settlement on the 11th December 2013 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 £325.232M would remain to fund all other services in 2014/2015. This resource can then

be used to adequately fund pay increases 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 2014/2015 revenue spending at a level that will result in a Council Tax increase of 4.5%, for the financial year ending the 31st March 2015.
- 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.
- 16.7 Whilst the use of some £5.2M of transitional funding has been used to produce a balanced budget for 2014/2015, ongoing reliance on this funding source is clearly not a sustainable strategy. 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

APPENDIX 1

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE 2014-15 Final Local Government Revenue and Capital Settlements

DATE 11 December 2013

BY Lesley Griffiths AM
Minister for Local Government and Government Business

Today I am announcing the details of the Final Revenue and Capital Settlements for the 22 Unitary Authorities in Wales for 2014-15.

The Overall Settlement

In preparing the Final Settlement, I have given careful consideration to the responses I received to the consultation on the Provisional Settlement.

Next year, after accounting for transfers, Local Authorities in Wales will receive £4.264 billion in general revenue funding, a decrease of 3.4% compared with 2013-14. The overall change is slightly better than I announced at the Provisional Settlement, following my decision to dehypothecate £4 million of funding previously identified for the Council Tax Reduction Scheme Pensioner Grant. Whilst today's settlement represents a reduction in funding, it still reflects a balanced outcome for Local Government in Wales, given cuts imposed by the UK Government which will total a £1.7 billion reduction in the Welsh Budget by 2015-16. This Final Settlement demonstrates my commitment to increase flexibility, achieve fairness and provide additional support.

The Settlement includes £244 million for the Council Tax Reduction Scheme. It also

includes £5.2 million of additional funding for the Council Tax Reduction Scheme Administration Subsidy, which was previously provided to Local Authorities by the Department for Work and Pensions and has been passported into the Settlement.

Distribution between Authorities

Table 1 details the relative annual change in the revenue settlement for each of the 22 Authorities after adjusting for transfers.

Specific Revenue Grants

I am also providing Local Authorities with information on the specific grants they can expect to receive in 2014-15. Taken together, the information on Revenue Support Grant and specific grants provides Local Authorities with a comprehensive picture of the funding from the Welsh Government for 2014-15, and allows them to budget effectively. In addition to the funding, Local Authorities will receive through the Settlement, they will also receive over £700 million in specific grants.

Included within the RSG for 2014-15, is £39.3 million of funding previously provided through specific grants. From my own portfolio, I have decided to dehypothecate over £30 million previously identified for Private Finance Initiative (PFI) and the Public Facilities Grant. Also transferring into the Settlement for 2014-15, is an additional £3.2 million in relation to the First Steps Improvement Package and £5.2 million for the administration of Council Tax Reduction Schemes.

For the Final Settlement, I have also taken the decision to provide the funding previously identified for the Council Tax Reduction Scheme Pensioner Grant (£4 million) within the RSG instead of a specific grant.

Alongside the Settlement, additional £3.5 million which will be paid out in 2014-15 under a new Local Government Borrowing Initiative to part fund the Welsh Government element of the 21st School Programme. This will be provided outside of the settlement as a separate grant in 2014-15 as the distribution has not been finalised but will transfer into the RSG for 2015-16.

Protection for Schools

The Settlement reflects the Welsh Government's commitment to protect schools funding to ensure the delivery of the best outcomes for Welsh children. Together with an element of the Pupil Deprivation Grant, the settlement includes the resources necessary to protect funding for schools at 1% above the overall change in the Welsh Budget.

Damping

To mitigate the year-on-year impact on any individual Authority, I am implementing my proposal announced as part of the Provisional Settlement to apply a damping mechanism. After reviewing the consultation responses and the impact of recent data updates, I have taken the decision to maintain the damping threshold I set at the Provisional Settlement. This will mean no Authority will experience a reduction of more than 4.75% compared with their 2013-14 allocations when adjusted for transfers. In addition to this threshold, funding for the Local Government Borrowing Initiative for Highways and the Public Finance Initiative Grant are also being provided to Authorities in their RSG allocations. Overall, this means no Authority will experience a reduction of more than 4.6%, when adjusted for transfers.

Capital Settlement

The capital allocation for 2014-15, including specific capital grants will be £406.3 million, which represents a significantly better Settlement for Local Authorities than the indications provided last year.

The General Capital Fund totals some £143 million. This is unhypothecated capital funding, of which £54 million is paid as capital grant with the remainder, some £89 million, being provided as support for borrowing.

Further information

Further detailed tables will be published on the Welsh Government's website.

The motion for the National Assembly for Wales to approve the Local Government Finance Report for 2014-15 is scheduled for debate on 14 January 2014.

The information will provide authorities with the information they need to set their budgets and council taxes for the next financial year. I have set out clear expectations to Local Authorities regarding Council Tax increases and will be monitoring the situation closely. I remain willing to use the capping powers available to me if necessary.

WELSH LOCAL GOVERNMENT SETTLEMENT 2014-15**Table 1: Comparison between the 2014-15 Final AEF and 2013-14 AEF, after adjustments for transfers and taxbase changes**

<i>£000s</i>				
Unitary authority	2013-14 final AEF*	2014-15 final AEF	% change	Rank
Isle of Anglesey	100,352	96,432	-3.9%	16
Gwynedd	182,254	174,971	-4.0%	17
Conwy	163,574	157,855	-3.5%	10
Denbighshire	152,198	145,170	-4.6%	22
Flintshire	199,984	192,942	-3.5%	11
Wrexham	181,360	175,208	-3.4%	8
Powys	190,789	182,077	-4.6%	20
Ceredigion	108,598	103,636	-4.6%	21
Pembrokeshire	173,154	166,716	-3.7%	13
Carmarthenshire	271,233	260,859	-3.8%	15
Swansea	328,183	318,224	-3.0%	6
Neath Port Talbot	217,923	209,769	-3.7%	14
Bridgend	200,300	194,863	-2.7%	3
The Vale Of Glamorgan	165,010	157,641	-4.5%	19
Rhondda Cynon Taf	379,245	367,332	-3.1%	7
Merthyr Tydfil	93,216	91,282	-2.1%	2
Caerphilly	280,676	272,584	-2.9%	5
Blaenau Gwent	117,403	113,097	-3.7%	12
Torfaen	140,260	135,487	-3.4%	9
Monmouthshire	101,985	97,509	-4.4%	18
Newport	217,013	214,826	-1.0%	1
Cardiff	448,303	435,986	-2.7%	4
Total Unitary Authorities	4,413,012	4,264,466	-3.4%	

* The published AEF for 2013-14 is subject to a number of adjustments for transfers and taxbase

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*Rhondda Cynon Taf County Borough Council
Consultation Team / Financial Services
February 2014*



Stage 2

2014/15 General Budget Strategy | Consultation:

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1. INTRODUCTION

- 1.1 This report presents the findings of the second stage General Budget Strategy Consultation for 2014/15, which was undertaken to support the decision making process, required to set the Council's budget for the coming year including:
- The schools budget
 - Efficiencies
 - Medium Term Financial Planning (reserves & transitional funding)
 - Council Tax Levels
- 1.2 Section 2 briefly outlines the background and objectives of the consultation process.
- 1.3 Section 3 details the methodology used, why and how the survey was conducted.
- 1.4 Section 4 provides some context and outlines the facts around the Council's budget which were used to design an online survey.
- 1.5 Section 5 presents the consultation results.
- 1.6 Section 6 provides a brief summary of the consultation results.

2. BACKGROUND

- 2.1 For the financial year 2014/15 the Council must decide upon its Budget Strategy and priorities. The following section outlines some of the background to the budget setting process.
- 2.2 The consultation is an essential part of the budget setting process and assists the Cabinet with its deliberations, prior to constructing the final revenue budget strategy for the financial year ending 31st March 2015.
- 2.3 The Council has already undertaken thorough spending reviews but has not yet made a final decision. The purpose of the consultation was therefore to seek the views of the residents of Rhondda Cynon Taf.
- 2.4 As in previous years the consultation process was conducted in 2 stages. Stage 1 gathered consultees' views before Cabinet met and the results were used to assist deliberations in constructing a Draft budget Strategy.
- 2.5 Stage 2 asked for Consultees' views on the Cabinets draft budget strategy prior to it being finalised and recommended to Council.
- 2.6 This report covers Stage 2 only.

3. METHODOLOGY

3.1 The Council wanted to consult to seek views on the following;

- The schools budget
- Efficiencies
- Medium Term Financial Planning (reserves & transitional funding)
- Council Tax Levels

3.2 The consultation has been conducted in-house. An online survey was developed and placed on the Council's website from 22nd January until the 4th February. A Web logo box advertising the survey was also placed on the homepage of the Council's website.

3.3 A presentation was made at the School Budget Forum and at the following meetings;

- Environmental Services Scrutiny Committee – 27th January 2014
- Community & Children's Services Scrutiny Committee – 28th January 2014
- Education & Lifelong Learning Scrutiny Committee – 29th January 2014
- Corporate Services Scrutiny Committee – 30th January 2014
- Overview & Scrutiny Committee – 4th February 2014

3.4 This report presents the online survey results.

3.5 It should be noted that the general budget strategy survey conducted here was undertaken during the Phase 2 service change consultation, instigated in January 2014, which asked for views on a number of specific service change proposals, including Adult Social Care Charges, Heritage Service, Arts & Cultural Services, Supported Bus Routes, Provision of Paddling Pools and Leisure Services and Street lighting provision. A report on the outcomes of this consultation exercise will be presented to a future meeting of the Council's Cabinet. As such this element of the General Budget Strategy consultation has been streamlined to focus on the areas highlighted in 3.1 above.

4 THE FACTS

- 4.1 On the 11th December 2013, the Minister for Local Government and Government Business (Lesley Griffiths AM) announced the final 2014/2015 local government settlement.
- 4.2 Details of the potential financial effects on Rhondda Cynon Taf and its Council Tax payers, include an exemplification of a high level budget requiring a Council Tax increase of 4.5% was presented to Cabinet on the 21st January 2014. The limited resources available and the expected demand for these resources result in an initial budget gap of £14.4M that needs to be dealt with to produce a balanced budget.
- 4.3 As a first stage of the consultation process, the Council consultee's were able to debate the expected implications of the local government settlement so that they, too, could form an initial view. Importantly, Cabinet Members were then able to take account of the initial consultation feedback, prior to arriving at their own budget proposals.
- 4.4 The Cabinet have now had an opportunity to consider, at length, the major service delivery issues facing the Council in the coming financial year, and beyond. As a result, the Council has already started to consult upon a number of major service change proposals required to bridge the originally estimated gap of £70M over the next four years. As a result a number of potential budget scenarios and options have been explored with the Corporate Management Team, in order to assess their respective merits. These considerations constituted an extremely important challenge to the thinking of the Corporate Management Team, and have enabled it to focus and refine the approach it would ultimately recommend to Cabinet Members.
- 4.5 **THE KEY ELEMENTS OF A BALANCED BUDGET STRATEGY FOR 2014/2015**
- a) Maintain the Council's financial stability, whilst targeting any available funding, in an efficient and effective manner, towards the key services required by our residents;
 - b) Look to protect key services and jobs wherever possible;
 - c) Review all areas of service provision, including eligibility to those services and charging policies in place;
 - d) Take maximum advantage of all new funding opportunities made available by the Welsh Government;
 - e) "Top slice" appropriate necessary sums to fund corporate budgets;

f) Fully allocate any sums “earmarked” for specific services which are demonstrably the direct result of legislative changes included in the 2014/2015 Local Government Settlement, in strict accordance with the guidance issued by the Welsh Government;

g) Allocate to our Service Groups, initially, an adequate allowance for (inflationary) movements in employee costs;

h) To continue to deploy our procurement strategy to offset the impact of certain supplies and services’ inflation, in the coming financial year;

i) Actively pursue efficiency in all areas of the Council;

j) Provide comprehensive support to help achieve efficiency requirements in all areas of service, including our schools;

k) To utilise pragmatically the earmarked reserves held by the Council to support the transition to providing services with lower available resources.

l) When this Council has made difficult decisions it has always used a number of key principles against which proposals can be tested. The principles being used are detailed below:

I. Services are as equitable as possible across Rhondda Cynon Taf;

II. Proposals will result in a reasonable level of service remaining in place;

III. Services will remain sustainable over the medium term (3 to 5 years);

IV. Services will, as far as possible, be generally better or as good as the rest of Wales;

V. Services will continue to meet our statutory obligations.

4.6 Clearly, there are many possible budget permutations open to the Council, but Members’ overriding ambition will be to construct a balanced budget package, that is equitable and fair to all by limiting any impact on service provision and where possible provides for targeting resources to key service areas, whilst, at the same time, avoiding an excessive increase in the Council Tax levied by the County Borough Council.

4.7 **Council Tax Levels**

In England, the Government has set aside monies to support Councils there who may wish to set very low levels of Council Tax. In Wales, the Welsh Government have not introduced such a scheme.

4.8 As is the case every year, the Cabinet must balance its stated intention to deliver fair and equitable services throughout the County borough as well as improvements to the services the Council provides, with the need to minimise the tax burden on local residents. It is proposed to set the Council Tax increase at 4.5%.

4.9 **CONCLUSIONS**

Whilst the Council's present financial position could be described as "stable", the Authority's General Reserves need to remain at the minimum acceptable level of £10M even after bridging the initial budget gap of £14.4M.

- 4.10 The Corporate Management Team holds the collective view that the Council should commit itself to fixing its 2014/2015 revenue spending and, as a consequence, the Council Tax levied next year, at a level which balances the desire for fair and equitable service provision, with the need to recognise the impact that excessive tax burdens can have on local households.
- 4.11 Once the Cabinet has agreed its "initial" 2014/2015 budget proposals, the second stage of the Council's budget consultation exercise should start, so that feedback from the consultees can be considered, prior to Cabinet submitting its final report to Council.
- 4.12 Given that the financial resources currently available to the Council are finite and that future local government settlements will continue to present extremely challenging funding issues for local authorities in Wales, the Corporate Management Team sees the continuation of a robust medium-term financial strategy as being vital, if we are to maintain our core public services.

5 CONSULTATION RESULTS

5.1 This section details the responses to the online survey.

Section A – Schools Budget

5.2 The individual schools budget is proposed to increase by 0.9% (this is inline with Welsh Government requirements), there is no requirement for schools to contribute efficiency savings. Respondents were asked whether they felt this was a reasonable increase.

The individual schools budget is proposed to increase by 0.9%, this is inline with Welsh Government requirements.

Is this increase reasonable for schools?

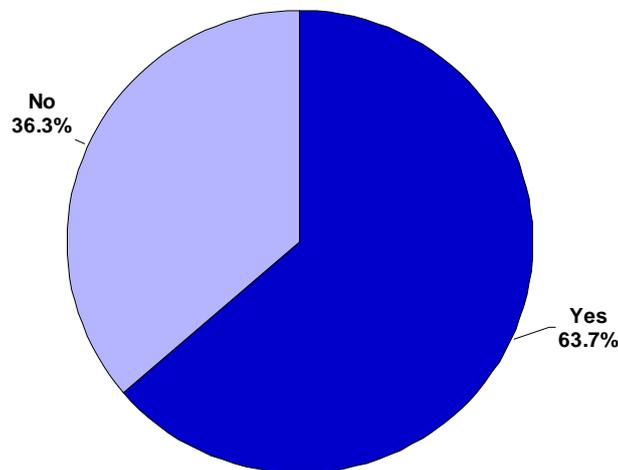


Figure 1

5.3 63.7% of respondents felt that the increase of 0.9% to school budgets was reasonable. 36.3% felt the increase was not reasonable.

Section B – Efficiencies

- 5.4 The Council has to deliver £4m of efficiency savings in 2014/15 across Council services and wants to reduce costs with no visible impact on frontline services. Respondents were asked whether they thought a £4m efficiency target was reasonable.

The Council wants to reduce costs with no visible impact on frontline services.

Is a £4m efficiency target reasonable?

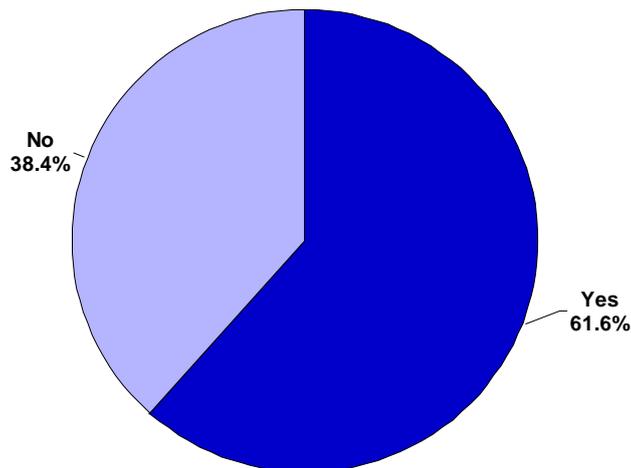


Figure 2

- 5.5 61.6% of respondents felt that the efficiency target was reasonable, 38.4% thought it was not reasonable. When asked if there were other ways that the Council could become more efficient, the following comments were received:

Can you think of any ways in which the Council could be more efficient?

Streamlining/Restructuring Services

“Yes to look at staff structures especially too many managers !!”

“Streamline management, I believe that there are a number of roles within the local authority which are superfluous. I cannot grasp how you can make lower grade stuff redundant without looking at cutting back on senior positions. I would like a break down of all positions that have been made redundant over the last 5 years and the breakdown of grades that have been let go.”

“Re-structure!!!”

“Loss of jobs is not the only way to make efficient reductions. Job restructure, process assessment and efficiency in roles is required. For instance, I only put out recycling fortnightly because I only have one back to place out every two weeks. However, the week I don't I get a pack of recycling bags left on my door. I have had two packs this month, which means 24 this year when I don't need them. Combine that with other residents in the borough that is a lot of wasted money,”

“The idea that setting a target of £4 million with no visible impact on frontline services, why limit it to £4 million, because setting a target higher would be better because even though people say frontline services should not be affected, it is a chance to re-engineer the services to be more efficient, therefore as you have closed a number of libraries in RCT that is a frontline service, why not do it to other services?”

Join up with Merthyr Tydfil County Borough Council

“Progress merger with Merthyr Council for economies of scale. Reduce number of councillors. Review support services using zero based budgeting approach.”

Reduce publicity costs e.g.. outlook

“Reduce the amount spent on publicity and promotion such as the outlook magazine. Reduce the number of councillors and top top level management and their pay and incentives. Control the amount spent on agency staff and lawyers etc. some depts could be merged as well.”

“...ceasing publication of the outlook newspaper.”

Stop using consultants

“stop wasting money on consultants and then NOT doing what they suggest”

“Agency Staff we should use less of, especially for unskilled staff”

“Yes Make more use of RCT's professionally qualified staff instead of passing work to very expensive consultants like Eversheds. Training of these professionals has already been undertaken and paid for by RCT.”

Reduce staff pay/reduce hours

“All officers to take a 5% cut in wages”

“Yes the council should cut the working hours to 36 hours per week for all staff”

Reduce Councillor pay/expenses

"1 Reduce the number of Councillors/ward, 2 Abolish the position of Mayor..it is too expensive in times of stringent economy 3 Reduce excessive claims made by Councillors for expenses 4 Reduce salaries of individual Councillorsthe most important factor in any savings initiative is that you do not put the burden onto those least able to deal with it"

"all Councillors take and immediate 10% cut in allowances. No extra allowances for committee chairs who should do it for the buzz."

Reduce pay or level of management

"Cap officers salaries. No one deserves 6 figure salaries. Stop bonuses & golden handshakes. If management / officers don't want pay cuts, then give their job to someone else - there are many who'll do their job."

"Stop giving pay rises to bosses within the Council."

"Remove management duplication, improve worker efficiency"

Increase enforcement/fines

"Enforce more litter penalties especially in the evenings in bus stops where people drop takeaway cartons and empty cans. The Council have to come and power wash the areas and pick up litter. If fines were enforced more regularly this would reduce the need to clean the area so much and would produce an income if the £75 levy was administered each time."

"Increase fines for convicted criminals i.e burglars, thieves, damage to property, selling or possessing counterfeit or contraband goods etc"

Other.....

"Reduce the amount spent on printing literature in Welsh and English."

"Turn off street lighting"

"Reduce opening times, close poorly attended facilities/buildings such as libraries, museums and theatres"

"Reducing the cost of hiring out the Parc and Dare in Treorchy, so that more people will hire it - now with rising costs, people such as the Jazz club are looking to hire other venues. Applying this principle with the prices at the bar may also aid in raising more funds for the council."

"Introduce more voluntary organisations to help run services at risk of closure"

“Process map all activities to assess any wasted effort, duplication or other inefficiencies.”

Section C – Medium Term Financial Planning

5.6 The Council has a Medium Term Financial Planning & Service Transformation Reserve as transitional funding to support changes in the budget going forward. The draft strategy proposes to use £5.2m of this reserve. Respondents were asked for their views on the use of transitional funding.

What are your views on the use of this transitional funding?

In Agreement

“It's meant for a rainy day. Today is that day.”

“Agree with some of the Reserve being used”

“As long as it is wisely used then this is a good idea.”

“As long as there is a strategy to replenish the fund in the medium term. If the above is the fund purpose, why do you need to ask?”

“Depends on the size of the Reserve, but in principle it is a good short term measure provided efficiency measures are implemented as soon as possible.”

“Yes should as that is what a reserve fund is for, so we could protect frontline services!”

“Where needs must the reserve must be used.”

“If this smoothes the cuts then seems reasonable”

“Reserves are there to be used. There is little point in RCT sitting on the money and acting like a bank.”

“There seems to be little alternative but to do this. Anything that lessens the impact of funding changes in the short term is to be welcomed.”

Can't make an informed decision

“All depends what the main purpose of the reserve is for. How can we make informed comments without the relevant information???”

“Don't know enough about it to comment”

“depends where reserves are used”

"How can you have reserve funds when cutting services? I really don't understand this. RCT is propping to close libraries/leisure centres/community centres but has reserve funds?"

Not in agreement

"It is too much"

"It sounds like an excuse for extra administration - why not just use the money to keep services running?"

"Should manage change within existing budget requirements"

"The reserve might be needed to give the Council more flexibility to protect the most vulnerable members of the community over the next few years. I haven't yet read the Council's Asset Management Plan but I feel the Council could look again at saleable assets. How much reserve is left after 5.2 million is spent?"

"This reserve should not be used as you are simply postponing the inevitable, you know the requirements just get on with it - the Reserve is there for genuine unforeseen circumstances, what happens when these will inevitably occur. If the present incumbants cannot do it then find more capable management"

"You shouldn't use it if you achieve the previously mentioned £4m cuts. M.P. needs to have a word with Westminster, Wales appears to be badly underfunded. Vote Tory next election get Labour etc OUT."

Section D – Council Tax levels

- 5.7 The Council proposes to increase Council Tax by 4.5% for 2014/15 which means an additional 69p per week at Band A. Respondents were asked whether or not they felt this was fair.

The Council proposes to increase Council Tax by 4.5% for 2014/15 which means an additional 69p per week at Band A.

Is this increase fair?

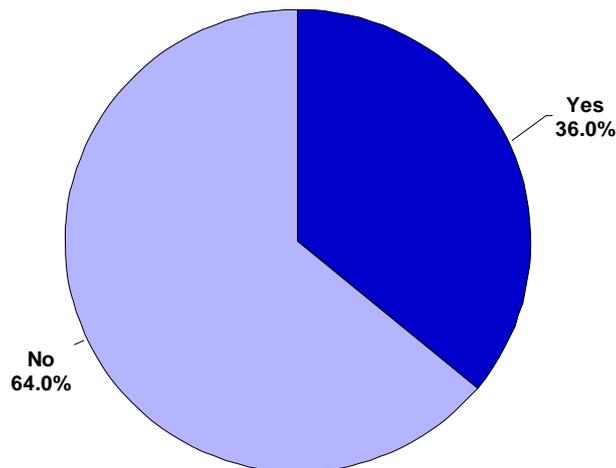


Figure 3

- 5.8 36.0% of respondents felt that the Council Tax increase was fair. 64.0% thought it was unfair. Respondents were asked for their views on the increase proposed. The following comments were received:

What are your views on the increase proposed?

The majority of respondents were against the proposed increase...

“Absolutely bonkers... will there be a cut in senior management salaries and redundancies from senior management?? We are having our services cut and expected to pay more whilst senior managers and are getting paid as much as they do for in part getting us in this mess??”

“Increasing tax but reducing services available???? With the general public experience little if no pay rises in this or previous financial years, this does not equate if services are being reduced”

“Not happy to spend more as money is tight (for last 5 yrs my pay has risen by 1-2% a year) but would rather protect services than have extra money in pocket.”

“Increase to be in line with inflation.”

“People are struggling financially and can not afford to be squeezed any more”

However, there were some views that suggested there was not much choice, or a sense of inevitability...

“4.5 % is OK but difficult choice between service reduction and increased council tax. I would prefer a higher Council tax rather than loose some of the services I use.”

“again difficult to comment whether it is fair to have a 4.5 increase or not but if the alternative is to loose services then yes it may have to be so”

“I think it reasonable but it imperative that visible improvements are made across the whole area in order to be seen to justify it.”

“if it saves peoples jobs and services then it is worth it”

“RCT has quite a low council tax threshold, 69p per week is not unreasonable”

“An increase is inevitable”

“It's inevitable given central government's reductions in funding to local government.”

“I understand the need to raise further funds through Council Tax. The frustration for residents is to see a tax increase but a decrease in the level and quality of services (schools, libraries and cultural services). How are people going to understand the logic of paying more and receiving less?”

- 5.9 Respondents were asked whether they would prefer a lower increase and the resultant cuts in services.

Would you prefer a lower increase and the resultant cuts in services?

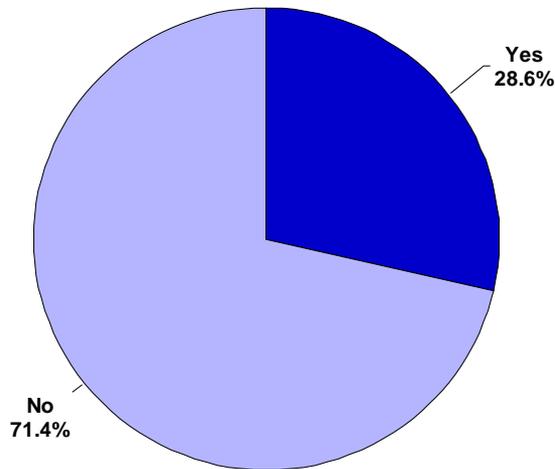


Figure 4

- 5.10 28.6% of respondents said they would prefer a lower increase in Council tax, with the resultant cuts in services. 71.4% said they would not prefer a lower increase which resulted in service cuts. Those who were in favour of service cuts, commented as follows:

What are your suggestions for service cuts?

The majority of respondents were against any cuts to services...

“Definitely not”

“I do not agree with many of the cuts proposals”

“No I would prefer the council to manage the finances competently and do the jobs for which they were elected. People in Rhondda are paying more than they can afford now (WEll the few of us that are working do)”

“Don't want either.”

“Neither...already put forward my views at where cuts should be made. Most definitely not at the expense of the poorest people in South Wales.”

Those who were in favour of cuts suggested the following:

"Cut councillors pay"

"Get rid of Outlook. Waste of money & paper. Get rid of managers whose departments can function just as good without them."

"keep libraries and leisure centres open- save money by not assembling and displaying xmas trees and xmas lights. Don't have plants and maintain them in high streets. these are just 2 examples of how councils could save money"

"Reductions in leisure services ie. Only open when busy times not all the time as at present. Removal of mobile library service. Increase leisure charges."

"Review and consolidate social and cultural provision.Co ordinate that review with users opinions. Look at true mobility of the users. Close the failing or underused buildings BUT look at the geography first and see if they can be used better. make the Centres you keep as flexible and open as possible."

"Yes. Not everyone uses these services. Please could we consider the free houses we give to people and the benefit culture that exists with RCT. I am sure that tackling the benefit issues within rct would massively solve a lot of the debt problems."

"What's needed is greater efficiency in the ways in which RCT manages its existing budget. I've already given some ideas for this. There is merit in a Job Evaluation exercise for those officers who get paid for making decisions but when it comes to the crunch they immediately pass the matter over to Eversheds."

"Leisure services could be privatised as well as the arts and museums but bring back the library service!"

"Cut the councils expenditure, you are paying for services you cannot afford!!"

"I can only suggest looking a efficiency of all departments but, clearly any loss of jobs in such a depressed area would be unfortunate and possibly counter-productive."

5.11 ANY OTHER COMMENTS - How could we improve the Budget Consultation process next year?

More openness/transparency

“Ask more open questions Allow service providers to campaign for changes that suit their users, e.g. schools to have a say in budget changes”

“Be more transparent - you need to let people like me know the whole story without throwing sundry questions around, we need a deeper insight into the problems being encountered.”

“Be more honest about where actual money is spent and how much people earn in the council”

Provide more detail

“Giving examples of what each figure means in reality. Eg what does a £0.9m increase actually mean for schools”

“Simple give detailed budgets for activities and the range of options that are considered with increases to council tax. I know for a fact that 4.5% wasn't the only option considered by the council officers and presented, it was the one that the councils and the executives at the council choose.”

“Provide details of council budget in all areas when sending out questionnaires.”

Involve more groups/forums

“Ask members of the public to come forward and provide external input into how changes could be made, and private sponsorships could be achieved.”

Involve councillors/Roadshows

“Get out in to the local community and chat to people”

Other

“I don't think the process needs altering.”

“Making it easier to understand, making more people aware that there is a consultation.”

“Yes I think the citizen panel are an excellent way of given members of the public a say”

5.12 The following are a selection of other comments received:-

“Let the community decide what should be cut - give them choice a,b,c and d and explain that only two can be funded and two must be cut, and put it to a public vote. Fair and open competition.”

“Departmental spends need greater transparency. No department should be allowed to 'spend' unallocated or unspent monies in the 4th quarter, these should be mopped up and put into the strategic reserve to assist frontline services. Historical budgets should be scrapped and a proper valuation of the cost of each employee agreed independently, and not by internal accountants!”

“The council should be more open and honest about funding, and how savings are being looked at, before decisions are being made without proper consultation with residents.”

“well the council is closing down most of the amenities in the villages making things very difficult for every one to do the mundane things like paying bills and reading”

6 SUMMARY AND CONCLUSIONS

- 6.1 63.7% of respondents felt that the increase of 0.9% to school budgets was reasonable. 36.3% felt the increase was not reasonable.
- 6.2 61.6% of respondents felt that the efficiency target was reasonable, 38.4% thought it was not reasonable.
- 6.3 When asked if there were other ways that the Council could become more efficient, comments received from respondents related to;
- Streamlining / restructuring services
 - Joining up with Merthyr Tydfil County Borough Council
 - Reducing publicity costs (e.g. Outlook)
 - Stopping the use of consultants / agency workers
 - Reducing staff pay and hours
 - Reducing Councillor pay and expenses
 - Reducing level of management staff
 - Increasing enforcement / fines
- 6.4 The majority of respondents were in favour of using the Service Transformation Reserve as transitional funding (£5.2m) to support changes in the budget going forward, although some concern was expressed as to how the Council would manage in unforeseen circumstances.
- 6.5 36.0% of respondents felt that the Council Tax increase (4.5%) was fair. 64.0% thought it was unfair.
- 6.6 The majority of respondents were against the increase in Council Tax, although others could understand the reasons behind the proposed increase.
- 6.7 When asked if they would prefer an increase in Council Tax or the resultant cuts in Council services, 28.6% of respondents said they would prefer a lower increase in Council tax, with the resultant cuts in services. 71.4% said they would not prefer a lower increase which resulted in service cuts. Those who were in favour of service cuts, suggested cuts in pay, expenses and reductions in all services and teams.
- 6.8 Suggested improvements to the Budget Consultation process included;
- More openness/transparency
 - Provide more detail
 - Involve more groups/forums
 - Involve councillors/Roadshows

- 6.9 The Proposed Budget Strategy has been consulted upon through Stage 1 & 2 of the process and comments can now be presented to the Cabinet for consideration in setting the final budget for 2014/15.
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APPENDIX 3

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MEETING OF THE CABINET - 12 FEBRUARY 2014

**REPORT OF THE DIRECTOR OF LEGAL AND
DEMOCRATIC SERVICES**

**FEEDBACK FROM THE OVERVIEW AND SCRUTINY COMMITTEE AND THE
FOUR SCRUTINY COMMITTEES: GENERAL BUDGET CONSULTATION FOR
THE FINANCIAL YEAR 2014/2015: STAGE 2**

1. PURPOSE OF THE REPORT

The purpose of this report is to provide Elected Members with the budget consultation feedback from the Overview and Scrutiny Committee and the four Scrutiny Committees in relation to Stage 2.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the feedback set out at paragraph 4.2 of the report and the attached appendices A – D.
- 2.2 To take into consideration the comments of the Overview and Scrutiny Committee and four Service Scrutiny Committees when proposing the budget for 2014/2015 to Council.

3 BACKGROUND

- 3.1 This report provides the Cabinet with the findings of the Overview and Scrutiny Committee and the four Scrutiny Committees regarding the Council's General Budget Consultation process for the financial year 2014/15 (stage 2)
- 3.2 The Cabinet Meeting of the 21st January 2014 received the feedback from the Overview and Scrutiny Committee and the four Service Scrutiny Committees following Stage 1 of the consultation exercise.
- 3.3 During Stage 2 of the process the Scrutiny Committees were provided with a presentation that updated Members on the feedback from Stage 1 of the consultation process, outlined the process for Stage 2, set out the final funding levels and the proposed Council's 2014/2015 Draft Revenue Budget Strategy, which was endorsed by Cabinet on the 21st January 2014. Members were given the opportunity to comment on various areas relating to the draft Strategy.

- 3.4 Table A outlines the schedule of scrutiny meetings in relation to Stage 2 of the consultation process.

**TABLE A: STAGE 2 – BUDGET CONSULTATION
SCRUTINY TIMETABLE**

COMMITTEE	DATE
Environmental Services Scrutiny Committee	27 January 2014
Community & Children's Services Scrutiny Committee	28 January 2014
Education & Lifelong Learning Scrutiny Committee	29 January 2014
Corporate Services Scrutiny Committee	30 January 2014
Overview & Scrutiny Committee	4 February 2014

- 3.5 For consistency, each Committee was asked the same questions and outlined below are the points for comment that Members were asked to focus upon during the round of meetings.

- Strategy elements
 - Treatment of Schools
 - Efficiency Requirements
 - Medium Term Financial Planning
 - Proposed Level of Council Tax
- The Consultation Process
- Any Other Comments

4. FINDINGS OF THE OVERVIEW AND SCRUTINY COMMITTEE

- 4.1 At the meeting held on 4th February 2014, the Overview and Scrutiny Committee considered the comments provided by each of the 4 Service Scrutiny Committees, which are contained within Appendices A - D of this report:

- Appendix A Environmental Services Scrutiny Committee
- Appendix B Community & Children's Services Scrutiny Committee
- Appendix C Education & Lifelong Learning Services Scrutiny Committee
- Appendix D Corporate Services Scrutiny Committee

- 4.2 The Director of Financial Services reminded the Committee of the key elements of the proposed revenue budget strategy and reported that there had been a wide range of comments made in respect of the proposals at the four service scrutiny committees which would be fed back to Cabinet at the meeting scheduled for 12th February 2014. The Chairman asked Members whether they had any further comments that they wished to add for consideration and the following discussion points are set out below:

- A Member referred back to a point made at the Education & Lifelong Learning Scrutiny Committee pointing out that certain assumptions had been made in relation to the initial budget strategy ie that Council Tax would be increased by 3.5% when in fact it is now proposed to be a 4.5% rise and that in addition, Fees and Charges are now proposed to rise by 3% above RPI, and she questioned why there had been no reference to this in the consultation process with the public. The Director of Financial Services explained that whilst the consultation had been focussed on the main building blocks of the strategy (ie, the treatment of schools, efficiency, council tax levels and use of transitional funding), there had been reference to the increase in Fees and Charges in the main draft strategy report which set out the proposals for Members to debate and other stakeholders to consider. In relation to the proposal for fees and charges increases, it was also noted that the 3% above RPI was proposed to be an average increase.
- A Member commented that he wished to expand on an issue which he had raised at the Corporate Services Scrutiny Committee with regard to the Council doing more to generate wealth. He questioned whether more could be done to generate wealth from areas such as Leisure Centres suggesting that perhaps there should be a change in attitude; rather than considering them a cost liability they should be seen as an opportunity to generate income. The Director of Financial Services pointed out that the Council had a balancing act to play in terms of delivering income and providing access to services. Inevitably, this often resulted in subsidised services, but he confirmed that where there were opportunities to generate income these would be explored.
- The Chairman of the Environment Services Scrutiny Committee referred to the request he had made to the Director of Financial Services that the £4m efficiency savings expected to be delivered in 2014/15 be expressed as a percentage and confirmed that the Director had responded to him. The Director of Financial Services confirmed that this figure was 1.6%. The Chairman asked what the likely savings would be if the Council adopted a reduction in the standard hours worked by staff (with the exception of Education) by 1 hour ie rather than a standard 37 hour week there would be a standard 36 hour week. The Director of Financial Services explained that this was difficult to estimate as the majority of the Council's staff were not office based and therefore the notion of a standard current 37 hour week was often not a good starting point.
- A Member referred to the comment made at the Corporate Services Scrutiny Committee in relation to staff sickness and pointed out that at a time when greater efficiency was needed staff sickness was an important issue. The Director of Financial Services assured Members that the issue was given prominence being reported as

part of the quarterly performance exception reports and explained that there was a strong sickness absence process in place to enable managers to monitor staff absence. He suggested that an improvement in staff sickness absence was being seen especially within the Community & Children's Services Group but agreed that it was still an issue of importance.

- 4.3 The Overview and Scrutiny Committee **RESOLVED** to endorse the views of the four Scrutiny Committees and submit them for consideration by the Cabinet along with the additional comments set out above.

Appendix A

Environmental Services Scrutiny Committee –27th January 2014

1. Is the uplift proposed reasonable for Schools?

One Member of the Committee commented that the 0.9% proposed increase was acceptable.

Another member commented that he was happy with the proposed figure to protect schools and commented on the difficulties experienced at this time for Governing Bodies.

The Chairman commented that although there was no requirement for schools to contribute to the efficiency saving to close the funding gap, schools should still continue to work in as an efficient manner as possible.

2 Is the Efficiency Expectation Reasonable?

Members of the committee commented on the efficiency savings and thanked the Group Director and staff for continually achieving the efficiency savings required since 2004.

One Member suggested potential savings through reduction of floral displays within town centres. The Head of Leisure, Parks and Countryside thanked the Member for the suggestion.

Officers were queried as to the involvement in staff with providing suggestions for efficiency savings and further queried whether an incentive scheme was in place to encourage staff with suggestions. The Director, Financial Services advised that staff were consulted upon and the Group Director, Environmental Services spoke of the incentive scheme within his service in respect of the monthly Directors Award. The Director, Finance also commented on the 'Bottom Up' approach within the Authority for taking forward ideas and also commented upon the corporate wide schemes in place in relation to efficiency savings, such as utilising new technology and smarter procurement.

One Member commented on the potential savings to be made within departments by reducing postage cost and utilising Email communication more efficiently. The Director, Finance Service thanked the Member for the suggestion.

The Chairman requested the £4.0M efficiency savings expected to be delivered in 2014/15 in terms of a percentage figure and the Director advised

that he would come back with the detail. The Chairman also suggested a reduction in the staff working week as a potential savings option and the Director, Finance commented that any changes of this sort would require a review of Terms and Conditions of all staff.

3. Medium Term Financial Planning – What are your views on the use of this Transitional Funding.

A member of the Committee commented that he had no problem with utilising the transitional funding; as if this was not used then the Authority would not be able to balance the budget

4 Council Tax – Views on the increased proposal.

One Member referred to his previous comments during stage 1 of the consultation in respect of keeping the Council Tax level lower than 4%, although he now recognised that given the additional £641k additional income by raising the Council Tax level by each extra 1%, so was therefore supportive of the increase proposed.

Another Member commented on the potential discontent from the public with the proposed rise in Council Tax levels in light of the recent service cuts across the Authority and the further proposed cuts to service. The Director, Finance commented that whilst the Council Tax level was only a small element of the full budget position, it was a key income element that the Council could influence. The Director referred to previous feedback received during stage 1 of the consultation in respect of support for increased Council Tax levels in exchange for continuation of services.

One Member queried the systems in place when residents default on Council Tax payments and the Director; Finance advised of the current recovery process in place and also reminded Members of the means tested Council Tax reduction scheme which supports those unable to pay in full or in part with their Council Tax. Members of the Committee further queried the percentage of residents exempt from paying Council Tax under the scheme and the Director; Finance advised that there were about thirty thousand people exempt from paying Council Tax across the Authority.

5. Any other Comments?

One Member queried the previous suggestion made by a Member of the Committee in respect of Council Tax payments being made over a 12 month period rather than 10 months to assist residents with smaller monthly contributions. The Director, Finance commented that the general rule was for a 10 month period, although individual cases could be looked into.

Following a query the Director, Finance confirmed that stage 2 of the general budget consultation was available online.

Appendix B

Community and Children's Services Scrutiny Committee –28th January 2014

1. Is the uplift proposed reasonable for schools?

Before asking for Members' comments, the Director of Financial Services clarified that whilst there was no requirement for schools to contribute efficiency savings to close the funding gap, this did not mean that they should not strive to be more efficient.

A Member commented that he was glad to see the uplift in the Schools Budget and welcomed the Welsh Government's stance in this instance, pointing out that schools looked after our most important asset, our young people.

A Member raised concern that any savings made by a school through efficiency could potentially just add to their balance rather than be put to good use and suggested that some sort of guidance should be issued to schools.

The Director of Financial Services reported that the level of school balances was monitored both to assist those schools with lowering balances and also identify those with large balances. He added that it was possible to claw back funding in cases where schools had excessive balances and no commitments in place to utilise the money.

A Member pointed out that those schools with old buildings sometimes need to retain funding to support their upkeep.

A Member felt that it was important to remember that any additional support provided for schools meant that other service areas would suffer.

2. Is the efficiency expectation reasonable? Are there any specific areas / ideas / ways that efficiency actions could be delivered?

A Member pointed out that the bus shelters in her area appeared to be cleaned very regularly and questioned whether this was really necessary.

The Director of Financial Services indicated that service standards was an important consideration across a range of services.

A Member voiced his concern that the continual emphasis on efficiency savings suggested that the Council must be inefficient. Given that the biggest portion of the Council's costs was its staff, how could efficiencies be made without cutting front line services. In his opinion the inefficient organisations were the Westminster and Welsh Governments.

The Director of Financial Services suggested that it could be argued that there would always be opportunities to be more efficient as a result of new technology or through procurement for example. He felt that in recent years there had been a more honest appraisal of savings and an acknowledgment that it was becoming increasingly more difficult to identify efficiencies.

A Member questioned whether efficiency was another cut on top of cuts.

A Member suggested that there should be a proper career path for social workers with recruitment of social work apprentices which would then avoid the costs of employing agency staff.

The Service Director Direct Services, Business and Housing pointed out that the Council was one of the best in Wales in relation to developing its own social workers. He explained that the issue would also be discussed at a later agenda item but pointed out that over the last 7 years the Council had increased its number of social workers by 35 and many of these had come through the Council's development programme.

The Member added that he knew of several who had commented that they wished they had come into the profession earlier.

Another Member commented that the Council was one of the first in Wales to develop its own development programme in conjunction with the University of Glamorgan and the Service Director, Children's Services added that the Council was one of the few who still did so.

A Member pointed out that whilst the better authorities trained and invested in their staff others often reap the benefit by enticing them away with higher salaries with the charities in his opinion often being the worst offenders in this respect. He added that it was important for the Authority to 'grow' its own social workers but at the same time it was important to ensure that they were retained.

3. What are your views on the use of the Medium Term Financial Planning & Service Transformation Reserve as transitional funding?

A Member commented that it was a good job that it existed.

The Chair asked what would happen if the fund was exhausted.

The Director of Financial Services explained that it was one-off funding and potentially that could happen. He explained that whilst the fund would plug the gap for 2014/15, further savings were needed into 2015/16 and in future years to retain this as transitional resource.

A Member asked whether the absence of the fund would have led to a greater rise in Council Tax, perhaps 8%?

The Director of Financial Services reported that there would have been a need for more immediate service cuts given the need to produce a balanced budget. He also commented that whilst the Welsh Government had not imposed a cap on Council Tax increases he suspected that the Welsh Government Minister would intervene if a rise of 8% was proposed.

4. What are your views on the proposed increase in Council Tax?

The Director of Financial Services reported that the proposed rise would mean a rise of 69p per week for those in Band A and £1 per week for those in Band B. He also explained that the Council Tax Reduction Scheme placed an additional cost on the Council, whereas an increase of 1% in Council Tax used to provide around £800k in revenue it now only provides £641k additional net income.

A Member asked if it would be possible to have a statistical breakdown in terms of the number of households that were required to pay their Council Tax in full, those eligible for partial reduction and those that qualified for 100% relief.

The Director of Financial Services reported that it would be possible to provide regular information in this respect, perhaps included in the quarterly performance reports.

A Member asked how Council Tax was collected with regard to Houses in Multiple Occupation to which the Director of Financial Service reported that he would obtain the details and report back to Members.

The Member also highlighted the increase in the Police precept of 5%.

5. Any other comments?

A Member felt it was important to acknowledge that the services within the remit of the Committee had taken a hit with regard to changes to service provision and it was concerning that those most vulnerable in society would be affected. He felt that it was important that the Committee should monitor the situation.

With regard to the budget projections a Member pointed out that it was important that the figure for Looked After Children was accurate.

The Director of Financial Services responded that in his opinion the figures used for the purpose of the financial modelling were reasonable but clearly, the Looked after Children budget was extremely volatile.

The Member asked if the trend was still upward and the Service Director, Children's Services confirmed that it was. He explained that whilst the figure had stabilised for a short period of time the figures were now rising and this was reflected across Wales.

The Director of Financial Services reminded Members that the risk had been regularly highlighted within the quarterly monitoring and exception reports and agreed that the risk remained.

A Member asked what the picture was across Wales with regard to Council Tax rises.

The Director of Financial Services reported that local authorities were required to set their level of Council Tax by the 11th of March therefore it was too early to say.

Appendix C

Education & Lifelong Learning Scrutiny Committee –29th January 2014

1. Is the uplift proposed reasonable for Schools?

One Member queried whether the Authority had an indication of whether the Welsh Governments direction would be continuing in future years, referencing the large diversions in potential funding levels with other Council services if it continued and also queried whether the direction was discretionary, The Director, Finance confirmed that the direction was guidance although was generally followed by all Authorities across Wales and was unsure of any future commitments.

One Member of the Committee queried the 0.9% in real terms when taking into consideration inflation and salaries. The Director, Finance indicated that it referred to the cash increase required after adjusting for pupil number changes.

One Member questioned the use of the word 'reasonable', commenting that in context, although 0.9% was reasonable in light of the -3.7% cut in funding, the large disparity between the levels of funding between Welsh and English students was still concerning.

The Director, Finance was queried on the formula increase for schools and the use of other external funding supplied by the Welsh Government, plus whether the school budget forum was being consulted upon during the process. The Director advised that the formula basis for the 0.9% was externally validated by Welsh Government and also confirmed that the School Budget Forum was being consulted with. The Director, Education & Lifelong Learning commented upon the various grants available to Schools and he advised of the letters sent to Head Teachers advising them of the need to spend grant funding in line with the grant conditions specified.

Members of the Committee commented on the significant rise in the Pupil Deprivation Grant and the need for Schools to be aware that the sum was for one year only, to prevent schools budgeting the sum into future plans. The Director, Education & Lifelong Learning advised that schools were aware of this fact.

2. Efficiency Savings

One Member of the Committee queried the procurement of stationery across the Authority and the potential efficiency savings to be made, following information received about potential wastage. The Director, Finance advised that he would discuss the issue with the Service Director, Procurement.

A member of the Committee referred to the potential criticism of Councils for not planning well in advance for the budget cuts, and questioned whether this was a reasonable statement to be said for RCT. The Director, Finance advised that for the last 10 years the Council were proactively aware of the potential reductions in budgets and the need for greater efficiency savings, with the Council achieving over £60M of efficiency savings since 2004/05. The Director, Finance continued by commenting on the difficulties experienced in continually achieving efficiency targets. The Director took the opportunity to briefly advise Members of the systems in place within the Council for releasing savings, with a 'Bottom Up' approach within the Authority for taking forward ideas for smarter ways of working and also commented upon the corporate wide schemes in place in relation to efficiency savings, such as utilising new technology and better procurement.

It was queried by one Member of the Committee whether the Council could charge residents for services currently unavailable to residents, such as cutting down of trees on private property and whether this could be classed as an efficiency saving. The Member also commented on the difficulties experienced by officers within the Council, where no budget was allocated for the service they provided. The Director, Finance advised that additional income or introduction of charges was not classed as an efficiency saving but was categorised as additional income. In terms of budget management he indicated that budgets and budget holders were allocated across all service areas.

3. Medium Term Financial Planning - What are your views on the use of this Transitional Funding?

Members of the Committee queried the amount of money that was available within the transition fund and it was queried how this would be replenished. The Director, Finance advised that in total £8.8m had been established to support transitional funding as part of the Council's year end accounts for 2012/13 and that a further £1.2m was proposed to be made available from the general fund balance in 2013/14, therefore equating to a total of £10m to take forward, although it was indicated that only £5.2M was needed to deliver a balanced budget for 2014/15 (therefore leaving £4.8m available). The amount of funds available to the Council was queried further by another Member of the Committee who referred to the sum of £2.4m referenced in the previous year's budget report. The Director, Finance confirmed that £2.4m was referenced in the report to Council in the previous year as the required allocation from reserves to balance the 2013/14 budget, but at the end of the financial year 2012/13, a reserve of £8.8m had also been set aside.

The Director was queried further as to whether the indicated £5.2m was a sufficient sum for the transitional savings and queried what type of transitional issues this would confront. The Officer confirmed that the £5.2m would deliver a balanced budget and spoke of the transitional changes needed in respect of the phase 1 budget cuts such as delay to changes in nursery provision.

4. Proposed Level of Council Tax – view on the proposed increase.

Members of the Committee commented upon the Police precept and its impact on the Council Tax. The Director, Finance advised that the police precept and potentially any Community Council precept would have an impact, but confirmed that the proposed level indicated within the presentation was a proposal for Rhonda Cynon Taf Council only.

Following a query the Director, Finance confirmed that the online consultation advising of the proposed increase to the Council Tax and the proposed increase to Band A properties was for illustration purposes only.

5. General Comments

One member of the Committee referenced the phase one service cut consultation and commented on the negative feedback received, commenting on the need to educate that negative responses did not necessarily result in positive action being taken.

Another Member queried the potential rise in fees and charges, commenting on the impact to residents with the combination of a rise in Council Tax to 4.5%, increase in fees and charges of potentially 5-6% and cuts to services. The Member continued by questioning how these increases would be explained to residents within the County Borough. The Director, Finance commented on the difficulties facing the Authority with the -3.7% funding from Welsh Government and the difficult decisions that would need to be made by the Council when setting the budget.

It was queried whether the Welsh Government had undertaken any research into whether the system on increasing Council Tax and Fees and Charges was an effective mechanism for increasing income for Authority's or whether it had a detrimental effect with the public choosing not to take up any services in the future. The Director, Finance advised that he was not aware of any research being undertaken.

Appendix D

Corporate Services Scrutiny Committee – 30th January 2014

1. Is the uplift proposed reasonable for schools?

A Member felt that it was unfair that schools would receive an uplift but would not be subject to making efficiency savings. She also commented that many schools held large balances.

A Member commented that by protecting schools other services would suffer.

The Committee agreed that it was unreasonable that schools were not required to make the same efficiency savings as other Council departments.

2. Is the efficiency expectation reasonable? Are there any specific areas / ideas / ways that efficiency actions could be delivered?

A Member asked at what point would efficiency savings become cuts. He felt that the Council was approaching that situation.

A Member commented that she felt that Council services had been efficient in recent years and questioned how much more could be squeezed out of the system.

The Service Director, Performance and Improvement indicated that the Council is continuing its work to deliver more efficient services through for example new technology and procurement opportunities. He indicated that it was likely that this would become more challenging over time but it was incumbent for the Council to do so to protect, as much as possible, front line services.

A Member commented that the Council needed to look to gain the best value from every pound spent.

A Member suggested that the Council needed to be better at generating wealth. He felt that there was a need to learn from companies that were good at generating income and develop the skills to take advantage of economic opportunities.

The Service Director, Performance and Improvement referred to the strategies in place under the remit of the Director of Regeneration and Planning.

A Member commented that it was important to review back office operations in line with the efficiencies or service changes otherwise there was a danger that the ratio of front line staff to back office staff would be out of kilter.

3. What are your views on the use of the Medium Term Financial Planning & Service Transformation Reserve as transitional funding?

A Member commented that it was worrying the £5.2m had to be used and questioned what would happen the following year.

A Member asked whether the use of the fund was to help because the savings from Phase 1 service changes would not start coming through until later in the year.

The Service Director Performance and Improvement confirmed that the reserve was intended to assist the Council in implementing agreed service changes and at the same time support the delivery of a balanced budget. He also pointed out that if service changes were implemented sooner than anticipated or additional in year efficiencies were identified, this could reduce the amount needed from the reserve in 2014/15.

4. What are your views on the proposed increase in Council Tax?

A Member felt that it was too simplistic to say that the increase would mean an additional £1 per week for Band D properties when someone could be paying £120 a month. He pointed out that a good many people did have to pay their Council Tax and it was now costing them more than it had cost them to buy the properties. He pointed out that this was unsustainable in retirement and many were considering selling their homes.

The Director of Performance and Improvement reported that the economic climate continued to be a difficult one and the Council always aimed to balance a responsible approach to Council Tax increases with the need to protect services.

A Member commented that the Council also collected the police precept and the town/community council precepts. She pointed out that the police intended to increase theirs by 5% and she felt that it was important that people were aware that not all the money collected by the Council was retained.

It was pointed out that this was explained in the leaflets accompanying the Council Tax bill but it was agreed that most people did not read this information.

A Member commented that whilst nobody wanted to increase Council Tax he was in favour if it meant protecting, as far as possible, services.

A Member asked if the increase in the Police precept would tip the overall rise over the threshold set by the Welsh Government.

The Service Director, Performance & Improvement explained that whilst there was no specific cap in place it was likely that the Government Minister would be keeping the 2014/15 Council Tax increases of all local authorities in Wales under close scrutiny.

A Member pointed out that with reference to the public responses to the Stage 1 consultation process a large proportioned felt that a rise in Council Tax should be kept within the 0-3%.range.

Another Member responded to point out that the public did say that they were prepared to see a rise if it protected, as far as possible, front line services.

5. Any other comments?

A Member suggested that savings could be made by reducing employee terms and conditions with regard to sickness.

The Service Director, Performance and Improvement noted this point and added that many of the Council's terms and conditions are set nationally.

APPENDIX 4

**SCHOOLS BUDGET FORUM
 TUESDAY, 4TH FEBRUARY 2014
 COUNCIL CHAMBERS, CLYDACH**

MINUTES

- PRESENT:** Councillor P. Cannon
 Councillor E. Hanagan
 Lisa Bailey (Tonysguboriau Primary)
 David Davies (YGG Aberdar)
 Ian Machin (Aberdare High)
 Rhian Ellis (YG Cymer)
 Paul Morgan (Pengeulan Primary)
 Simon Phillips (Llwyncrwn Primary)
 Rhian Rees (Pontrhondda Primary)
 Hywel Price (Ysgol Gyfun Rhydywaun)
 Andy Henderson (Ysgol Hen Felin)
 Susan Allan (Ynyscynon Early Years Centre)
- IN ATTENDANCE:** Chris Lee (Director Of Financial Services)
 Catrin Edwards (Head of Education Financial Services)
 Elizabeth Randall (LMS Development Officer)
 Claire Jones (NUT Representative)
- APOLOGY FOR ABSENCE:** Councillor A. Christopher
 Councillor A. Morgan
 Councillor C. Willis
 Chris Bradshaw (Director of Education and Lifelong Learning)
 Elaine Keeble (Tonyrefail School)
 Mark Powell (Y Pant Comprehensive)
 Alan Minton (NUT Representative)

No.	Discussion/Action	Action	By who
2.	<p>Minutes of previous meeting The minutes of the meeting held on 16th December 2013 were received and agreed as an accurate record.</p>		
3.	<p>Primary Formula Changes 2014/15 Members of the Forum were informed that following the Head Teachers meeting held on Wednesday 22nd January, the five SBF Primary school representatives met with the Finance Team to clarify changes to the formula:</p> <p>Schools will be funded on pupil numbers in Reception – Year 6 on an actual average salary basis as per the current formula. Pre Nursery (PN) and Nursery (N) pupils will be funded on a county wide</p>		

No.	Discussion/Action	Action	By who
	<p>age weighted pupil unit (AWPU).</p> <p>Schools of less than 90 pupils will be funded:</p> <ul style="list-style-type: none"> ▪ Up to 60 pupils – 2 teachers funded ▪ 60 – 90 pupils – 3 teachers funded <p>Due to the additional teacher allocation, the AWPU for schools with less than 90 pupils will be lower than schools with more than 90 pupils.</p> <p>All schools were notified of the above changes on Friday, 24th and by Wednesday, 29th January every School had received a pre-populated pupil list, listing every pupil from N to Year 6. Schools were required to return a proforma listing the details of all additional PN pupils who will be 3 by 31/12/14, and to include details of known starters and leavers. Proformas were to be returned immediately and by Friday, 31st January at the very latest.</p> <p>It was noted that 5 schools are yet to return their pupil numbers.</p> <p>A NUT representative questioned what the AWPU would be. The Head of Education Financial Services explained that only when all pupil numbers are returned, can work begin on the formula which will determine the AWPU. Once the Council Tax level is set at the beginning of March, the formula can be finalised and released to schools on the 6th March.</p>	<p>Chase remaining 5 schools for pupil numbers</p>	<p>CE</p>
<p>4.</p>	<p>General Budget Consultation: Stage 2</p> <p>The Director of Financial Services presented to the Forum stage 2 of the General Budget Strategy Consultation Exercise 2014/15.</p> <p>An opportunity to comment and feedback on the consultation exercise was given at the end of the presentation.</p> <p><u>Stage 1 Consultation Feedback</u></p> <ul style="list-style-type: none"> • Online questionnaire feedback: <ul style="list-style-type: none"> – Support for key Council priorities – Other priorities referenced including Nursery Education – Majority (39%) preferred a Council Tax increase of less than 3% – Majority felt that existing discretions on CTRS (extended payments, war widow pensions and backdated claims) were reasonable – Residents happy to pay more Council Tax if it meant maintaining services • School Budget Forum <ul style="list-style-type: none"> – No Specific comments made • Detailed feedback received across Scrutiny Committees <p><u>The Process For Stage 2</u></p> <ul style="list-style-type: none"> • Report presented to Cabinet 21st January included: <ul style="list-style-type: none"> – Corporate Management Team proposals – Stage 1 consultation results • Recommendations to Cabinet: <ul style="list-style-type: none"> – Draft strategy endorsement (a copy was emailed to all members of SBF prior to meeting) – Undertake Stage 2 of the consultation – Meetings taking place between 22nd January and 4th February 2014 • Cabinet meeting to review Stage 2 outcomes in mid February <p><u>Final Funding Levels</u></p> <ul style="list-style-type: none"> • Welsh Government (WG) Final Funding announcement 11th 	<p>Noted</p>	<p>Forum</p>

No.	Discussion/Action	Action	By who																																																
	<p>December 2013</p> <ul style="list-style-type: none"> - All Wales decrease = -3.9% - RCT decrease = -3.7% - Indicative -1.4% for 2015/16 - Outcome Agreement Grant £2.504M - Transfers in: <ul style="list-style-type: none"> - First Steps Improvement Package (£0.250M) - Council Tax Reduction Scheme Admin Subsidy (£0.475M) - Private Finance Initiative (£2.747M) - Capital funding reduced by 1.1% for 2014/15 (£0.134M) <p><u>The Proposed Strategy – Details shown in Draft Council Report</u></p> <ul style="list-style-type: none"> • Continued focus on key strategic priorities • A Council Tax rise of 4.5% • Key Strategy Elements: <ul style="list-style-type: none"> - Funding Gap between available and required resources £14.4M - Schools budget <ul style="list-style-type: none"> • Increase 0.9% (in line with Welsh Government protection level and compared to -3.7% given to the Council as a whole) • Schools to receive over £4M more than they would have if treated the same as other Council Services - Efficiency drive across all Services (excluding schools) - £4.0M - Service cuts and changes – Cabinet Phase 1 proposals total £5.2M (allowing for part year impact) - Medium Term Financial Planning (MTFP) <ul style="list-style-type: none"> • Use of Medium Term Financial Planning & Service Transformation Reserve (Transitional Funding) • Total value (one off) of transitional reserve £10M • Release as transitional funding to support implementation of Service cuts / changes totalling £5.2M (£4.8M remaining) <p><u>Proposed Budget Funding 2014/15 (presented in pie chart format)</u></p> <table border="1" data-bbox="140 1391 1043 1630"> <thead> <tr> <th></th> <th>£M</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Revenue Support Grant & NNDR Contribution</td> <td>367.332</td> <td>79.0</td> </tr> <tr> <td>Outcome Agreement Grant</td> <td>2.504</td> <td>0.5</td> </tr> <tr> <td>Use of Reserves</td> <td>5.216</td> <td>1.1</td> </tr> <tr> <td>Amount required to be raised from Council Tax payers</td> <td>90.551</td> <td>19.4</td> </tr> <tr> <td></td> <td>465.603</td> <td>100</td> </tr> </tbody> </table> <p><u>Proposed Budget Spend 2014/15 (presented in pie chart format)</u></p> <table border="1" data-bbox="140 1731 952 2085"> <thead> <tr> <th></th> <th>£M</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Education & Lifelong Learning Services</td> <td>175.531</td> <td>37.70</td> </tr> <tr> <td>Community Services</td> <td>125.45</td> <td>26.94</td> </tr> <tr> <td>Environmental Services</td> <td>63.588</td> <td>13.66</td> </tr> <tr> <td>Corporate Services</td> <td>32.571</td> <td>7.00</td> </tr> <tr> <td>Capital Financing</td> <td>24.042</td> <td>5.16</td> </tr> <tr> <td>CTRS</td> <td>23.504</td> <td>5.05</td> </tr> <tr> <td>Levies By Other Bodies</td> <td>11.689</td> <td>2.51</td> </tr> <tr> <td>Other</td> <td>9.228</td> <td>1.98</td> </tr> <tr> <td></td> <td>465.603</td> <td>100.00</td> </tr> </tbody> </table>		£M	%	Revenue Support Grant & NNDR Contribution	367.332	79.0	Outcome Agreement Grant	2.504	0.5	Use of Reserves	5.216	1.1	Amount required to be raised from Council Tax payers	90.551	19.4		465.603	100		£M	%	Education & Lifelong Learning Services	175.531	37.70	Community Services	125.45	26.94	Environmental Services	63.588	13.66	Corporate Services	32.571	7.00	Capital Financing	24.042	5.16	CTRS	23.504	5.05	Levies By Other Bodies	11.689	2.51	Other	9.228	1.98		465.603	100.00		
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	<p><u>Points For Discussion / Comment</u></p> <p>1. <u>Is the 0.9% proposed uplift reasonable for schools?</u> A Primary Head Teacher questioned whether the protection was just for Schools, or for the whole of the Education & Lifelong Learning Service?</p> <p>The Director of Financial Services explained that the proposed 0.9% funding increase relates only to the Individual Schools Budget (ISB), compared to the decrease of -3.7% faced by the Council as a whole. In line with delivering the Welsh Government's expectations, there will be no requirement for schools to contribute efficiency savings towards the overall funding gap of £14.4M.</p> <p>A NUT representative stated that they had submitted questions surrounding the change in Nursery provision at the Education & Lifelong Scrutiny Committee. She also questioned the size of the £8.5M transfer of pre compulsory age budget to the General Fund.</p> <p>The Director of Financial Services stated that a response to these questions is currently being compiled. In response to the presentation of budget variances, the Director noted that the presentation of the table shown in the draft budget strategy 2014/15, will be updated to clearly show the Nursery Budget position.</p> <p>2. <u>Is the expectation to deliver £4m efficiency savings in 2014/15 with no visible front line service impact reasonable? Are there any specific areas / ideas / ways that Efficiency actions could be delivered?</u> No comments made.</p> <p>3. <u>What are your views on the use of £5.2m of the Medium Term Financial Planning & Service Transformation Reserve as transitional funding to support changes required in the budget going forward?</u> No comments made.</p> <p>4. <u>What are your views on the Council Tax proposed increase of 4.5% for 2014/15?</u> The Director of Financial Services stated that the proposed increase of 4.5% equates to just over £1 per week for a Band D property, and 69p for a Band A home.</p> <p>Councillor Cannon asked what percentage increases other Councils were proposing to implement in 2014/15.</p> <p>The Director of Financial Services answered that whilst no figures were available until the beginning of March, given the statutory deadline of setting the Council Tax, early indications show that neighbouring Council's will be proposing between 3-5%.</p> <p>A Secondary Head Teacher confirmed that Cardiff Council & Vale of Glamorgan Council are considering 3-4%.</p> <p>The Director of Financial Services stated that due to the value of properties being greater in those areas, a 1% increase in Council Tax would provide an estimated £2M additional income. In comparison, an increase of 1% to properties in Rhondda Cynon Taf</p>		

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	<p>would only raise £0.641M.</p> <p>5. <u>Any comments or suggestions in relation to the consultation process?</u></p> <p>A Secondary Head Teacher complimented the whole process as being very thorough. He stated that people have been more informed than in previous years highlighted by the fact that more people are talking about it.</p> <p>The same Secondary Head Teacher asked if other Councils were following the Welsh Governments guidance in protecting Schools. The Director of Financial Services stated that other Councils' decisions would not be known until budgets are set by the statutory deadline of 11th March.</p> <p>Councillor Cannon ended the meeting by stating that there is very little opportunity for further large efficiency savings to be found and given the continuing financial pressures the Council is working under, the likelihood is that difficult service decisions will need to be made into the future.</p>		
10.	<p>Next Meeting Date to be arranged for the Summer Term.</p>		

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