



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2019-2020

**THE COUNCIL'S 2020/21 REVENUE BUDGET – THE PROVISIONAL
SETTLEMENT**

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES

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1.0 PURPOSE OF THE REPORT

- 1.1 This report provides Members with information in respect of the 2020/2021 Provisional Local Government Settlement, and initial comments on its likely implications for the delivery of Council services.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the Provisional 2020/2021 Local Government Settlement, announced by the Minister for Housing and Local Government on the 16th December 2019;
- 2.2 Note that the Final 2020/2021 Local Government Settlement is expected during late February 2020; and
- 2.3 Note the approach to budget consultation for 2020/21 as already determined.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 To update Members on the implications of the Provisional Settlement for 2020/21 following receipt of information on the 16th December 2019.

4.0 BACKGROUND

- 4.1 The timing of the Local Government Settlement for 2020/21 has been extremely uncertain throughout the Autumn period as a consequence of the originally planned Comprehensive Spending Review, Brexit and latterly, the General Election.
- 4.2 On the 16th December 2019, the Minister for Housing and Local Government (Julie James AM) announced the Provisional 2020/2021 Local Government Settlement. The Minister's statement and key data table is attached at Appendix 1.
- 4.3 The "headlines" of the Provisional 2020/2021 Settlement are as follows:-
- a. The overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) funding for 2020/2021 (of unhypothecated funding) at an all Wales level, after adjusting for transfers is 4.3% (+£184M).
 - b. The settlement for Rhondda Cynon Taf, amounts to an increase of **4.5%** which is above the average of 4.3%. Settlement figures across Wales range from 3.0% to 5.4%.
 - c. No 'floor' protection has been included for 2020/21.
 - d. The Settlement figures for 2020/21 include transfers into the settlement in respect of NHS Funded Nursing Care (£1.9M), the Teachers Pay Grant (£12.0M) and the Teachers Pensions Grant (£39.1M). There is also a transfer in respect of the Coastal Risk Management Programme (not applicable to this Council). The values for this Council are £0.146M, £0.990M and £3.222M respectively. Whilst the part year (2019/20) implications of the Teachers Pay Grant and Teachers Pension Grant transfer into the settlement, the additional full year implications are to be funded from within the settlement increase.
 - e. There is no indication of settlement levels beyond 2020/21.
 - f. Provisional figures and indicative estimates are included for specific grants, at an all Wales level. Of particular note, would be the continuation and increase (from £30M to £40M) in the Social Care Workforce and Sustainability Pressures Grant. This funds our core base budget.
 - g. The Council's General Capital Funding allocation has increased by £0.236M to £13.677M.

5.0 PRELIMINARY ASSESSMENT OF THE SERVICE IMPLICATIONS OF THE 2020/2021 PROVISIONAL SETTLEMENT

- 5.1 The provisional settlement indicates that our 2020/2021 RSG and NDR funding will total £388.666M.
- 5.2 In anticipation of the 2020/2021 local government settlement, the Council's service managers have constructed base budget requirements for next financial year. Those initial calculations provided for:-
- Estimated employee costs, pension costs and National Insurance Contribution levels;
 - Non-pay (i.e. goods and services) inflation, including energy and fuel;
 - Corporate financing requirements and levies; and
 - Full year effects of any additional burdens imposed on the Council.
- 5.3 The Provisional Settlement is better than modelled in the most recent Medium Term Financial Plan and recognises some of the intense funding pressures which are being experienced across local government in general but also within Rhondda Cynon Taf.
- 5.4 Members have continued to receive updates on the projections of the Council's revenue budget position for the period to 2022/23, as part of our Medium Term Service Planning arrangements. The latest of these assessments was considered by Council on the 31st July 2019 where, based on the financial projections at that time, a starting point budget gap of £15.591M was projected which increased to £24.307M in the absence of One Off Funding provided during 2019/20 continuing and without costs associated with the Teachers Pension Fund increases being funded.
- 5.5 The continuation of funding for one off and teachers pension costs has now been clarified through the provisional settlement and so we can now update our modelling with greater certainty in this regard. The provisional settlement also includes an increase to the Social Care Workforce and Sustainability Pressures Grant. The impact of this funding confirmation is shown in table 1 below.

Table 1 : Confirmation of One-Off Funding

	£'000
Budget Gap at MTPF (July 2019)	24,307
One off Funding transferred into base at Provisional Settlement	- 4,212
Continuation and Increase in Social Services Grant	- 3,400
Revised Budget Gap	16,695

- 5.6 We have also during the last few months continued to refresh our base budget requirements for 2020/21. Inescapable budget pressures have now been updated and include additional costs in respect of :
- specialist accommodation requirements within social care settings (£1.8M)
 - demographic demand led pressures in social care (£1.5M)
 - provision of recycling bags - dry and food waste (£0.2M)
 - running costs of the Ron Jones Athletics Stadium (£0.15M)
 - Free School Meals (£0.3M)
 - Home Tuition (£0.1M)
- 5.7 Inflation and Pay pressures include providing adequate provision for teaching and non-teaching pay awards, updated costs for the funding of voluntary retirements and additional workforce costs in respect of all our services including Social Care. These additional costs have been offset by a reduction in pension costs associated with the Local Government Pension Scheme.
- 5.8 Members will also recall the decision which was made in December 2015 to terminate the Council's PFI scheme at Garth Olwg. The arrangement formally ended in January 2017, but there have been legal issues to conclude since that point. On the 21st November 2019, the legal process was finally concluded and the financial implications of this can now be factored into the Council's ongoing revenue budget requirement. This amounts to an ongoing revenue base budget saving of £2.527M.
- 5.9 Other updates include an increase to our estimated Capital Charges and a required on-going cost associated with our digital programme which will facilitate future release of efficiencies through greater productivity, agile working and reductions in our office accommodation requirements.
- 5.10 These updates are summarised in table 2 below.

Table 2: Base Budget Updates

Base Budget Updates	£'000
Inescapable Budget Pressures	4,060
Inflation and Pay	2,030
Capital Charges	750
Digital Programme	1,000
PFI Reduction	- 2,527
Total Base Budget Updates	5,313

- 5.11 As already referenced, the provisional settlement provides clarity on the funding available to schools and alongside their resource

requirement. This has now been updated to reflect the school budget requirement.

5.12 As referenced at section 4, the provisional settlement provides this Council with an uplift of 4.5%. This compares with the MTFP assumption, based on planning information available at that time, of a 0% uplift. The impact of our updated tax base can also now be reflected.

5.13 The combined effects of the above updates is shown in table 3 below.

Table 3 : Revised Budget Gap at Provisional Settlement

	£'000
Revised Budget Gap	16,695
Base Updates	5,313
Additional Resource for Schools	4,036
Provisional Settlement - Additional Resources to MTFP Assumptions	- 17,342
Revised Budget Gap	8,702

5.14 In order to close the remaining budget gap, savings proposals were set out in the July MTFP (relating to the Materials Recycling Facility, Day Centres, Office Accommodation and Home Care Charges) amounting to £1.199M.

5.15 In addition, an efficiency target was set at £6M and since this point, services have been working to identify proposals to deliver to this target without impacting on front line services. It is confirmed that this target has now been met and can therefore be included in the Council's base budget requirement for next year.

5.16 On the 10th December 2019, the Llwydcoed Crematorium Joint Committee considered and agreed a report which proposed an annual redistribution from the accounts of the Joint Committee to Rhondda Cynon Taf and Merthyr Councils. For this Council an amount of £0.182M can be factored into our ongoing budget requirement.

5.17 The impact of these now agreed budget reduction measures is shown in table 4.

Table 4 : Confirmed Savings and Remaining Budget Gap

	£'000
Revised Budget Gap	8,702
Savings Already Identified (per MTFP)	- 1,199
Efficiency Target	- 6,000
Llwydcoed Crematorium	- 182
Remaining Budget Gap	1,321

5.18 It will now be for Cabinet to consider the implications of the above scenario in the preparation of its draft budget strategy. As part of this, consideration will be given to the outcome of the first phase of the budget consultation process. In addition, Cabinet will also consider the local discretionary NDR relief Scheme (which is currently being consulted upon), paddling pools, youth services, Fees and Charges and further base budget update requirements including the timing of savings arising from supported accommodation developments and any specific grant funding changes which might materialise.

6.0 DEVELOPING AN EQUITABLE BUDGET STRATEGY FOR 2020/2021

6.1 Against the backdrop of a sustained period of financial challenges, the Council must maintain its focus on robust financial management and stability. A key ingredient of this is the responsible approach taken to how we address the development of our annual budgets. Therefore, we still, as in previous years, need to ensure that the parameters for producing the 2020/2021 budget are adhered to, these being:-

- a) Maintain the Council's financial stability, whilst targeting any available funding, in an efficient and effective manner, towards our key priorities;
- b) Look to protect those key services and jobs wherever possible;
- c) Review **all** areas of service provision, including eligibility to those services and charging policies in place;
- d) Take maximum advantage of all new funding opportunities made available by the Welsh Government and others where it is in the best interests of the Council;
- e) "Top slice" appropriate necessary sums to fund corporate budgets;
- f) Fully allocate any sums "earmarked" for specific services which are demonstrably the direct result of legislative changes included in the 2020/2021 Local Government Settlement, in 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) Allocate an appropriate level of funding to support our schools;

- i) Continue to deploy our procurement strategy to offset the impact of certain supplies and services inflation in the coming financial year;
 - j) Actively pursue efficiency in all areas of the Council, for example through continuing our work on digitalisation, reducing office accommodation and increasing employee productivity.
- 6.2 These parameters will provide an effective and pragmatic framework for the delivery of a fair and equitable Council budget.

6.3 Council Tax Levels

- 6.4 As is the case every year in respect of Council Tax levels, the Council will have due regard to the level of increase and the ability of residents to pay, but it also has to balance this against the need to fund important services. The 'modelled' increase assumed at this time is +3% for 2020/21.
- 6.5 The Local Council Tax Reduction Scheme (CTRS), will continue to operate within a national framework, and at the same level of funding as that originally provided for through Revenue Support Grant in 2014/15. Costs therefore associated with Council Tax uplifts and changing caseloads remain a risk that the Council must fund. To illustrate the cost implications further, a 1% increase in Council Tax will generate an additional income for the Council of £1,126k (at the 2020/21 tax base level), but will also cost £243k in additional CTRS requirements. It therefore follows that a 1% increase generates a net additional income of £883k, or stated another way, 22 per cent of any Council Tax increase is lost to support the increased costs associated with the Welsh Government's CTRS.

7.0 MEDIUM TERM FINANCIAL PLANNING IMPLICATIONS

- 7.1 Whilst the primary focus is necessarily on setting out an annual budget strategy and required Council Tax levels for the forthcoming financial year, the medium term financial and service planning emphasis has been a cornerstone of robust financial management at this Council.
- 7.2 Work is now underway to revisit all of the assumptions through to 2022/23 within the Medium Term Financial Plan and this will be reported to Members when available. The Council must continue to identify opportunities for savings and whilst Members will clearly focus on their legal obligation to set a balanced budget for 2020/21 by March of this year, we must also be mindful of the medium and longer term requirements.

8.0 EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 There are no immediate equality and diversity implications to consider as an Equality Impact Assessment will be an integral part of the budget strategy itself and will be reported on later in the process.

9.0 CONSULTATION

- 9.1 The proposed approach to budget consultation for 2020/21 is set out in the Cabinet report dated 17th October 2019 and in the delegated decision of the Service Director for Democratic Services and Communication dated 14th November 2019. It comprises 2 phases as follows:

Phase 1 - will provide residents and stakeholders with the opportunity to feedback their views on some of the key strategic building blocks used to construct the Council's budget.

Phase 2 - once Cabinet have agreed a draft budget strategy, and in light of the provisional local government settlement, then this draft strategy will itself be consulted upon as part of Phase 2.

10.0 FINANCIAL IMPLICATIONS

- 10.1 The financial modelling assumptions and implications are set out in the detail of this report. Members are not being asked to make any new financial decisions at this stage.

11.0 LEGAL IMPLICATIONS or LEGISLATION CONSIDERED

- 11.1 There are no legal implications aligned to this report.

12.0 LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

- 12.1 The budget strategy is a key enabler for the delivery of the Council's Corporate Plan and wider partnership objectives.

- 12.2 The report 'Delivering the Corporate Plan – The Way Ahead' highlighted the need to deliver services differently into the future given the continued reduction in resources available to this Council. In setting out budget strategy options for 2020/21 and into the Medium Term, the need to deliver services differently will mean that we must focus on, and invest in, the following key priority areas:

- Digitalisation

- Commercialisation
- Early Intervention and Prevention
- Independence
- Efficient and Effective Organisation

12.3 A new Corporate Plan “Making a Difference” 2020 – 2024 is currently being consulted upon which reinforces the need to continue to live within our means, deliver an efficient and effective Council, maximise opportunities and have a shared responsibility.

13.0 CONCLUSIONS

13.1 The Minister for Housing and Local Government (Julie James AM) announced the Provisional 2020/2021 Local Government Settlement on the 16th December 2019.

13.2 The reported Provisional Settlement represents an increase in revenue funding for the Council of +4.5% and a slight increase in capital support.

13.3 The Council’s primary objective continues to be setting a budget in 2020/21 that both maintains, as far as possible, key services and jobs as well as ensuring the ongoing financial stability of the Council.

Julie James AC/AM
Y Gweinidog Tai a Llywodraeth Leol
Minister for Housing and Local Government



Llywodraeth Cymru
Welsh Government

Our ref: MA/JJ/5755/19

To:
 Leaders of County and County Borough Councils in Wales

Copied to:
 Chief Executives and Directors of Finance, County and County Borough Councils in Wales
 Chief Executive and Director of Finance, Welsh Local Government Association

16 December 2019

Dear Colleagues

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2020-21 for county and county borough councils in Wales through a Cabinet Written Statement. This is attached for your information.

This announcement outlines my intention to set local government core revenue funding for 2020-21 at £4.474 billion. I am pleased this means, after adjusting for transfers, overall core funding for local government in 2020-21 will increase by 4.3 per cent on a like-for-like basis compared to the current year. While this does not mean austerity is over and there are, I know significant pressures, I hope that this significant increase can help you support and continue local critical and valued services.

Funding for schools has been a particular consideration of our budget discussions this year. Within this settlement, we have provided funding for additional costs arising from the UK Government's announced changes to employer pension contributions. We have also provided funding for additional costs arising from the 2019/20 teachers' pay deal for the remainder of the academic year and have provided funding beyond this to recognise the future impacts of teachers' pay awards which will come into effect from September 2020. We are also continuing to provide funding for our proposals for new eligibility criteria for free school meals, given the continued rollout of Universal Credit by the UK Government.

I have given careful consideration to the potential of including a funding floor for this settlement. Given that every authority will see an increase of at least 3% over 2019-20 on a like-for-like basis, I have concluded that a funding floor is not necessary in this particular instance. This will also enable us to reset the settlement base and fund authorities according to relative need, and not to make up for the implementation of historic floors.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The non-hypothecated general capital funding for 2020-21 will be £198 million (including £20 million for public highways refurbishment grant) - an increase of £15 million over that announced in the Final Budget last year. I hope that this additional funding will enable you to respond to the urgent need to decarbonise, in light of the climate emergency declared by the Welsh Government and many councils over the past year.

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

The draft *Local Government Finance Report* and additional tables containing details of the provisional settlement by individual authority are also being published on the Welsh Government website. These tables include the individual authority allocations of Aggregate External Finance (AEF), comprising Revenue Support Grant (RSG) and redistributed Non-Domestic Rates (NDR). As we have discussed through FSG, we are also providing information on revenue and capital grants which are planned for 2020-21. This information will be further updated for the final settlement.

The delay in the publication of the provisional settlement has enabled us to draw on the latest tax-base figures for 2020-21, meaning that there should be no change between provisional and final settlements as a result of updates to the tax base.

This settlement provides you with the most stable platform I can offer for planning your budgets for the forthcoming financial year. I fully appreciate the pressures local government is facing and am committed to shielding local government from the worst effects of austerity. This is a good settlement that should alleviate some of the pressures that you had been anticipating and offers an opportunity for local government to plan for the future. While I can't guarantee that there will be no changes between the provisional and final settlements, due to the financial uncertainty that comes with a new UK Government, I can assure you that I do not intend on making any significant changes to the methodology or the data underpinning the distribution of this settlement.

My announcement today launches a 7-week period of formal consultation on the provisional local government settlement for 2020-21. I would be grateful if you could ensure your response arrives no later than **Monday, 3 February 2020**. All responses to this consultation should be sent to:

Simon Edwards

Local Government Finance and Workforce Partnerships Division

Welsh Government, Cathays Park, Cardiff, CF10 3NQ.

Or email: LGFPSettlement@gov.wales.

Comments are invited about the effects (whether positive or adverse) the proposed settlement would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. In addition, we invite comments on whether the proposed settlement could be formulated or revised to have positive effects, or decreased adverse effects, on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

The Welsh Government intends to publish a summary of the responses. Normally, the name and address (or part of the address) of each respondent are published along with the response. If you do not wish to be identified as the author of your response, please ensure you state this explicitly in your response.

Copies of responses may be placed in the Welsh Government's library. If you wish your comments to remain confidential, please make this clear in your reply. This will be considered in light of our obligations under the Freedom of Information Act. The Welsh Government will consider all responses received by the due date before the final determination is made and published.

Local authorities are reminded of the requirement to comply with the general equality duties set out in the Equality Act 2010, and also the specific equality duties where applicable. The equality impacts of budgetary options should be assessed and inform any final decisions.

Authorities also need to take account of your duties under the Well-being of Future Generations (Wales) Act 2015 and the Welsh language standards in preparing plans for 2020-21.

This provisional settlement provides you with the information you need to plan your budgets for 2020-21 and to consider how best you engage with your local communities in formulating your proposals and making budget decisions.

Yours sincerely

Julie James AC/AM
Y Gweinidog Tai a Llywodraeth Leol
Minister for Housing and Local Government

Welsh Local Government Revenue Settlement 2020-2021

Provisional

Table 1a: Change in Aggregate External Finance (AEF) plus floor funding, adjusted for transfers, by Unitary Authority

£'000s

Unitary Auth	2019-20 final Aggregate External Finance* plus floor funding	2020-21 provisional Aggregate External Finance	Percentage difference	Rank
Isle of Anglesey	97,324	101,005	3.8%	18
Gwynedd	179,375	187,579	4.6%	6
Conwy	156,064	161,398	3.4%	21
Denbighshire	145,713	151,932	4.3%	11
Flintshire	192,212	199,386	3.7%	19
Wrexham	178,121	184,296	3.5%	20
Powys	176,940	184,289	4.2%	14
Ceredigion	103,308	107,646	4.2%	13
Pembrokeshire	164,153	172,204	4.9%	3
Carmarthenshire	262,611	274,159	4.4%	10
Swansea	325,697	339,381	4.2%	12
Neath Port Talbot	217,091	226,762	4.5%	8
Bridgend	193,949	203,127	4.7%	5
The Vale of Glamorgan	153,453	161,021	4.9%	2
Rhondda Cynon Taf	372,105	388,666	4.5%	9
Merthyr Tydfil	92,332	96,810	4.8%	4
Caerphilly	272,212	283,367	4.1%	16
Blaenau Gwent	111,727	116,063	3.9%	17
Torfaen	134,373	140,467	4.5%	7
Monmouthshire	94,896	97,760	3.0%	22
Newport	216,443	228,077	5.4%	1
Cardiff	450,512	469,047	4.1%	15
Total unitary authorities	4,290,612	4,474,444	4.3%	

* The published AEF for 2019-20 final Aggregate External Finance is subject to a number of adjustments set out in Table 6