

Committee: **Special Council**

Date of Meeting: **27th February, 2024**

Report Subject: **Revenue Budget 2024/2025**

Portfolio Holder: **Councillor Stephen Thomas, Leader of the Council / Cabinet Member Corporate Overview & Performance**

Report Submitted by: **R Hayden – Chief Officer Resources**

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Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	25/1/24				19/2/24	21/2/24	27/2/24	16/2/24 – Trade Unions

## 1. Purpose of the Report

1.1 This report is presented to Members to:-

- i) provide an update on the provisional local government settlement for 2024/25 and its impact upon the Council's budget.
- ii) consider and agree the detailed revenue budget for 2024/25 including cost and service pressures, proposed efficiencies and budget cuts and the use of reserves.
- iii) agree the level of Council Tax increase for the 2024/2025 financial year.
- iv) agree the Medium Term Financial Strategy for 2024/2025 to 2028/2029.

## 2. Scope and Background

2.1 The report covers the following:

Section	Contents
<b>2.6 – 2.18</b>	National Aggregate External Finance (AEF) Position
<b>2.19 – 2.26</b>	Blaenau Gwent AEF position
<b>5.1.1 - 5.1.10</b>	Aggregated External Finance (AEF) funding and the MTFS
<b>5.1.11 – 5.1.18</b>	Cost Pressures and Growth
<b>5.1.19 - 5.1.29</b>	Individual Schools Budget
<b>5.1.30 – 5.1.37</b>	Bridging The Gap Programme
<b>5.1.38 – 5.1.51</b>	Proposed use of Reserves

- 2.2 The Provisional Settlement contains details of the revenue funding that Welsh Authorities can expect to receive in 2024/25 to allow them to set their budgets and determine levels of Council Tax for that year. It also provides details of the Capital funding that Authorities can expect to receive to fund their Capital Programmes. Indicative settlements for 2025/2026 financial year onwards have not been provide. The written statements from the Minister for Finance and Local Government is attached as Appendix 1.
- 2.3 Revenue funding from Welsh Government (WG) is provided in the form of Aggregate External Finance (AEF) which is made up of the Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR). This AEF funding is un-hypothecated i.e. it is not earmarked for specific services, and it is up to individual Councils to decide how to allocate to services to fit with their priorities (while considering statutory responsibilities).
- 2.4 Revenue funding also comes in the form of specific grants, in which case the funding is earmarked for a particular purpose. It is the long-term intention of the WG that the number of specific grants is reduced, with funding being transferred into the AEF, giving Local Authorities more flexibility on distributing funding to services. Hence, this form of funding should diminish over time.
- 2.5 Capital funding is provided in the form of General Capital funding, made up of an Un-hypothecated Supported Borrowing (USB) approval and General Capital Grant approval. The USB approval is a borrowing approval for which revenue support is provided within the AEF to cover debt financing costs i.e. principal and interest. It is un-hypothecated, meaning that borrowing can be carried out for any capital purpose. The General Capital Grant is, as its name suggests, a grant that can be used for any capital purpose.
- 2.6 **National Position (All Wales)**
- 2.7 On the 20 December 2023, the Minister for Finance and Local Government published the provisional local government settlement. The overall headline increase in AEF quoted by WG is 3.1% (£169.8m) which was in line with the indicative level provided in the previous year. Compared to the Welsh average, the 2.6% increase for Blaenau Gwent places us 15<sup>th</sup> in the all-Wales table, with the lowest increase being 2% for Gwynedd and Conwy. By providing additional funding of £1.3m, the Minister has implemented a floor mechanism at 2% which benefits two authorities.
- 2.8 No grants have transferred into the provisional settlement. However, WG are aiming to reduce the number of separate grants paid to local authorities from 2024/2025 and to move grants into the revenue settlement. Further details of these changes are expected as part of the final settlement.
- 2.9 It is anticipated that the Flood & Sustainable Drainage grant will be one of the grants transferring into the final settlement. It is proposed that this funding be passported directly to the Environment Portfolio. It is also proposed that any further grants transferring into the final settlement be passported to the relevant service.

- 2.10 Certain Specific Revenue Grants data has only been published on an all-Wales basis, totalling £1.3b for 2024/2025. Funding for some grants has increased e.g. Universal Free School meals (£30.5m), a number of grants have decreased e.g. Retail, Leisure and Hospitality Rates Relief (£50.8m), Homelessness grants (£11.5m), Social Care Workforce grant (£10m). It is difficult to assess the financial impact for the Council at this stage. However, the assumption is that services will need to manage within the funding allocations awarded.
- 2.11 In terms of capital grants, the non-hypothecated general capital funding for 2024-25 remains at 2023/2024 level of £180m. Capital grants also include £20m to allow local authorities to respond to the decarbonisation agenda, it is understood that decarbonisation grant will continue to be allocated via an application process.
- 2.12 Further details of the specific grants for local government will be published alongside the final RSG settlement in March 2024.
- 2.13 The funding provided through this settlement:
- Protect core, frontline public services as far as possible.
  - Deliver the greatest benefit to households.
  - Prioritise jobs, wherever possible.
  - Work in partnership with other public sector bodies to face this financial storm together.
  - Re-focus funding away from non-devolved areas, which the UK Government should be funding.
- 2.14 There is specific reference in the Minister's letter regarding teachers' pay and this confirms that all available funding has been provided within the settlement: -
- "I have again taken the decision to provide all the available funding up front and not hold back funding for in year recognition of the 2024/2025 teachers' pay deal. Authorities budget planning must therefore accommodate these costs."*
- 2.15 The current policy and funding arrangements for Council Tax Reduction Schemes (CTRS) continues into 2024/25. Consequently, £244 million continues to be included in the Settlement for funding the Council Tax Support Scheme. This reflects the costs of the Scheme when it was first established in 2013/14, but again means that any additional costs resulting from increases in council tax levels or caseload for 2024/25 will fall to Local Authorities (of the £244m, the Council receives £8m towards costs of £9.7m in 2023/2024).
- 2.16 The provisional settlement announcement marked the start of a six-week consultation period which ended on 31 January 2024. The Minister will consider whether further amendments are to be made before the final settlement is announced.
- 2.17 The Minister recognises the increased costs of delivering services from high inflation, pay and increasing demand and acknowledges that Authorities will need to make difficult decisions on services, efficiencies, and council tax in setting their budget.

2.18 On 7 February 2024, Welsh Government announced a further £25m for 2024/2025 as a result of consequential funding from UK Government (see Appendix 1). £10.6m will be used to increase the Social Care Grant back to £45m (2023/2024 level) and the remaining £14.4m will be allocated to the revenue support grant to support pressures in both social care and education, including teachers pay, as local needs dictates.

2.19 **Blaenau Gwent Position**

2.20 The headline increase included within the provisional settlement for BGCBC after adjustments to the tax base was 2.6% (£3.6m), compared to the all Wales increase of 3.1%. However, it is anticipated that this will increase to 2.8% (£3.95m) following the recent announcement of the additional £25m. Whilst this increase is welcomed, given the current economic climate and cost of living crisis, the Council is faced with significant financial challenges. The details included within this report identifies budget cuts of between £6.27m and £10m for 2024/2025. At the minimum level these cuts do not address the full identified shortfall and some use of reserves will be required to set a balanced budget.

2.21 The Standard Spending Assessment (SSA) increase, quoted as 3.4%, is the fourth lowest in Wales (compared to an all Wales increase of 4.1%).

2.22 The SSA is the detailed funding formula that is intended to reflect variations in the need to spend which might be expected if all Welsh Authorities responded in a similar way to the demand for services in their area. Indicators of need include population, pupil numbers, deprivation factors, population dispersion etc. The SSA is the mechanism for distributing RSG which enables Authorities to ***theoretically*** charge the same council tax for the provision of a similar standard of service. However, if Authorities don't spend at SSA level, then council tax levels will not be the same, which in practice, is what happens.

2.23 The Council's settlement reflects a range of less favourable re-distributional movements in population indicators and free school meal numbers, with favourable movements in pupil numbers and benefits:

***Population*** – Blaenau Gwent's population has decreased by 1.7% compared to the all Wales decrease of 0.4% and this is the 3<sup>rd</sup> year of a population decrease.

Population indicators make up a large proportion of the cost driver indicators within the SSA formula and has resulted in a decrease of £0.5m in SSA.

***Education*** Demographics –

- Nursery & Primary pupil numbers have increased by 0.5% compared to the all Wales decrease of 0.9%.
- Secondary school pupil numbers have increased by 0.1%, compared to the all Wales increase of 2.1%.

- Free School meals pupils have increased by 21% in the Primary Sector and 25.9% in the Secondary Sector, compared to the all Wales increase of 28.6%% and 37.8% respectively.

The impact on the SSA of these data changes is a reduction of £0.35m. For information, BGCBC has consistently spent above the Education SSA on the Education services it provides and Blaenau Gwent's funding per pupil across all sectors is ranked highest in Wales at £6,606 per pupil compared to the all Wales average of £5,998.

**Deprivation Indicators** - IS (Income Support)/ JSA (Job seekers Allowance) /PC (Pension Credit)/ UC (Universal Credit)/ not in employment claimants have increased by 13.9% comparable to the all Wales increase.

- 2.24 The net impact of these movements is a decrease in the Council's proportion of the all Wales funding.
- 2.25 The Authority remains the highest receiver of Aggregate External Finance (RSG plus NNDR) on a per capita basis at £2,140.
- 2.26 General Capital Funding has remained at £3.84m, of which General Capital Grant is £1.95m and Supported Borrowing is £1.9m.

### 3. **Options for Recommendation**

#### 3.1 **Option 1 (preferred option)**

- 3.1.1 Subject to the decisions on the following recommendations, Members consider and approve the 2024/25 revenue budget as shown in table in paragraph 5.1.15.
- 3.1.2 Members to provide comment on the outcomes within the overall provisional RSG Settlement and note the potential for further change in the Final RSG Settlement (paragraphs 2.6 – 2.17).
- 3.1.3 Members to provide comment on the outcomes within the BGCBC provisional RSG Settlement and its impact upon the Medium Term Financial Strategy (paragraphs 2.18 – 2.26).
- 3.1.4 Members to consider and approve the updated cost pressures and growth items (£2.8m in total) identified in Appendix 2 (paragraphs 5.1.10 – 5.1.16) for inclusion in the Council's budget.
- 3.1.5 Members consider approve the Bridging the Gap proposals (a summary of which is attached at Appendix 3 and detailed Business Cases are attached at Appendix 4) delivering a minimum of £6.27m of financial efficiencies and budget cuts towards the budget gap (paragraphs 5.1.32 to 5.1.37)
- 3.1.6 Members consider and approve the level of funding provided to schools (paragraph 5.1.19-5.1.27)

- 3.1.7 Members approve that grant/s transferring into the Final Settlement for 2024/2025 be passported to the relevant service/s.
- 3.1.8 Members consider and approve the use of reserves up to £2.1m to balance the budget for 2024/2025 (paragraphs 5.1.38 to 5.1.42). The level will be subject to the recommendations in paragraph 3.1.5 and 3.1.6 above.
- 3.1.9 Members consider and approve a Council tax increase of a minimum of 5% for 2024/25 (paragraph 5.1.10) as per the Business Case CS12 (included in Appendix 3 and 4)
- 3.1.10 Approve the updated MTFS for 2024/2025 to 2028/2029 attached at Appendix 5.

## 3.2 **Option 2**

- 3.2.1 Members consider and do not agree the recommendations in the report.

## 4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

- 4.1 The budget setting process and the Medium Term Financial Strategy (MTFS) supports the Corporate Plan outcome “an ambitious and innovative Council delivering the quality services at the right time and in the right place” and ensures effective forward planning arrangements are in place to support the Council’s financial resilience.
- 4.2 The revenue & capital budgets support the delivery of all the Council priorities.
- 4.3 To comply with statutory responsibilities, the Council must set a balanced budget and set its Council Tax for the forthcoming year by 11 March 2024.

## 5. **Implications Against Each Option**

### 5.1 **Impact on Budget (short and long term impact)**

#### 5.1.1 **The Medium Term Financial Strategy (MTFS)**

- 5.1.2 The MTFS brings together all known factors affecting the Council’s financial position and forms the basis for decision making. The MTFS includes a forward look over the next five years to assess the spending requirements the Council is likely to face to deliver the priorities set out in the Corporate Plan and highlights the level of cuts (reducing or stopping services) that will need to be made to ensure the Council can set a balanced budget each year. It is the financial framework which support the Council’s financial resilience and ensure it operates sustainably.
- 5.1.3 The current MTFS is attached at Appendix 5.

5.1.4 The latest assessment of the Council’s financial position over the next 5 years following the WG provisional settlement announcement for 2024/2025, (prior to the identification of budget reductions or increased income) identifies budget gaps of:-

5.1.5 **Table 1 – MTFS Budget Gap (1)**

2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	Total
£5.7m	£4m	£4.7m	£4m	£4.2m	£22.6m

5.1.6 A number of assumptions have been made in compiling the Draft Estimates and funding projections.

5.1.7 **Funding**

5.1.8 The AEF funding for 2024/2025, based on the provisional settlement and the recent (February 2024) further announcement, is £143.76m, an increase of £3.95m (2.8%) after adjustments to the tax base, when compared to 2023/2024.

5.1.9 The provisional settlement did not include any information on indicative funding for 2025/2026 onwards. The assumption included in the MTFS is that the AEF will remain cash flat.

5.1.10 The MTFS assumes an annual increase of 4% for Council Tax, however a Business Case is presented (included within Appendix 3 and 4) to increase Council Tax by a minimum of 5% for 2024/25. This would increase Band B properties by £1.37 per week.

5.1.11 **Costs**

5.1.12 The main assumptions applied in calculating the Draft Estimates include:

**Table 2 – Main Assumptions applied to Costs**

	2024/2025	2025/2026 Onwards
Pay Award	5%	5%
Employers Contribution to Local Government Pension Scheme	1%	1%
Price Inflation	4%	2%
Individual Schools Budget	2%	0% (cash flat)
Fees & Charges (in line with inflation)	4%	2%
Contribution to General Reserves per annum	£200,000	£200,000

5.1.13 **Service Cost Pressures and Growth**

5.1.14 Cost pressures are continually reviewed and updated in light of new information, budget forecasts etc. Existing, new service cost pressures and growth items (excluding school cost pressures) totalling £2.8m for 2024/25 have been identified and are included at Appendix 2. For 2025/2026 onwards, £2m per annum have been included in the MTFs.

5.1.15 It is proposed that the cost pressures totalling £2.8m are agreed and built into the Council's budget from 2024/2025.

5.1.16 Table 3 below details the impact the Provisional Settlement and the cost pressures have on the budget gap.

5.1.17 **Table 3 - Budget Gap based on 2024/25 Provisional RSG & Cost Pressures**

	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
	£000s	£000s	£000s	£000s	£000s
Funding					
AEF	(143,758)	(143,758)	(143,758)	(143,758)	(143,758)
Council Tax @ 4%	(39,585)	(41,169)	(42,816)	(44,528)	(46,309)
<b>Total Funding</b>	<b>(183,343)</b>	<b>(184,927)</b>	<b>(186,574)</b>	<b>(188,286)</b>	<b>(190,067)</b>
Draft Estimates - Prior to savings	188,859	197,282	205,599	213,383	221,410
<b>Budget Gap</b>	<b>5,516</b>	<b>12,355</b>	<b>19,025</b>	<b>25,097</b>	<b>31,343</b>
Cost Pressures/growth	2,820	2,000	2,000	2,000	2,000
Contribution to Reserves	200	200	200	200	200
<b>Budget Gap (2)</b>	<b>8,536</b>	<b>14,555</b>	<b>21,225</b>	<b>27,297</b>	<b>33,543</b>

5.1.18 There is a funding gap of £34m over the next five financial years, with a budget reduction / cut of £8.5m required for 2024/2025 in order to set a balanced budget.



5.1.19 **Individual Schools Budget (ISB)**

5.1.20 The funding gap of £8.5m assumes an increase of 2% (£1.08m) for the ISB and cost pressures of £0.86m as a result of increasing demographics (increase of 112 pupils across all schools), an increase in Resource Bases and the new Welsh School. Over the last few years, the ISB have increased in line with the increase in AEF:

- 2023/2024 4.2% (£2.1m)
- 2022/2023 8.4% (£3.91m)
- 2021/2022 3.3% (1.472m)

5.1.21 Schools are also facing significant cost pressures as a result of pay awards, utility costs and high inflation and these are currently estimated at:

5.1.22 **Table 4 – School Cost Pressures**

	<b><u>Assumption</u></b>	<b><u>£'000</u></b>
Pay	5% - Non-Teaching Staff 5% - Teaching Staff	1,156
Utilities	Gas & Electricity	1,335
Inflation (non-pay)	4%	215
<b>Total Cost Pressures</b>		<b>2,706</b>
Proposed Funding Increase	2%	(1,080)
Funding increase due to an increase in Demographics	112 pupils	(537)
<b>Potential Cost Pressures</b>		<b>1,089</b>

5.1.23 It is anticipated that an additional pressure will arise as a consequence of the employer's pension contribution to the teachers' pension scheme increasing from April 2024, however it is expected that funding will be provided by UK Government.

5.1.25 Overall school balances as of 31 March 2023 were £4.8m, a decrease of £1.4m on the previous financial year, and it is estimated that school balances will decrease by £3.6m by March 2024 to around £1.1m, with a significant number of schools forecasting deficit positions for 2024/2025.

5.1.26 The forecast reduction in reserve balances is due to:

- The significant increase in utility costs during 2023/2024
- Teachers and non-teachers' pay award exceeding the ISB up lift for 2023/2024
- General cost increases due to high inflation.

5.1.27 Members are asked to consider the level of funding to the ISB. Proposals are included in Business Case ED05 (included within Appendix 3 & 4). Any increase above 2% would increase the Council's funding gap, with an increase of 1% equating to £0.52m. A cash flat budget would result in the Council's funding gap

reducing by £1m, further savings to the Council would be generated if the funding to Schools is cut.

5.1.28 Schools will therefore be asked to manage potential cost pressures in excess of £1m (depending on the outcome of 5.1.27 above) through energy reductions initiatives and wider cost efficiencies. It is anticipated that energy costs will decrease from April 2024 leading to a subsequent reduction in the identified cost pressures.

5.1.29 In the statement accompanying the provisional statement, WG stated that all available funding has been provided in the settlement and therefore, no further funding / specific grant can be expected to fund teachers' pay awards.

5.1.30 **BRIDGING THE GAP**

5.1.31 The Bridging the Gap programme remains the Council's strategy for delivering financial efficiencies to ensure that the Council continues the journey of improving it's financial stability and setting a balanced budget year on year.

5.1.32 Given the financial challenge facing the Council and the requirement to identify budget cuts of £34m over the next 5 years, the current programme of strategic business reviews have been updated and new proposals have been identified.

5.1.33 The table below provides a summary of the estimated achievement of the Strategic Business Reviews, a summary of the proposals are attached at Appendix 3 with the full Business Cases attached at Appendix 4.

5.1.34	<b>Estimated Achievement:</b>	<b>2024/2025 Low Estimate £'000</b>	<b>2024/2025 High Estimate £'000</b>
	<b>Total Estimated Financial Achievement</b>	6,270	10,032

5.1.35 Factoring in these amounts (at the lower estimated achievement) the impact for 2024/25 and future years on the budget gap/(surplus) is as follows: -

5.1.36 **Table 6 – Budget Gap After Applying the Bridging The Gap Estimated Achievement**

	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
	£000s	£000s	£000s	£000s	£000s
<b>Revised Funding Gap (2)</b>	<b>8,536</b>	<b>14,555</b>	<b>21,225</b>	<b>27,297</b>	<b>33,543</b>
BTG Estimated Achievement	6,270	0	0	0	0
BTG prev. year		6,270	6,270	6,270	6,270
<b>Final Budget Gap (3)</b>	<b>2,266</b>	<b>8,285</b>	<b>14,955</b>	<b>21,027</b>	<b>27,273</b>

5.1.37 At the lower level, the proposed budget cuts / financial efficiencies are not sufficient to allow the Council to set a balanced budget for 2024/2025, as when factoring in the forecast achievement of Bridging the Gap, a budget gap of £2.3m remains (assuming a contribution to General Reserves of £0.2m), with a gap of £27m over the next 5 years.

5.1.38 **Proposed Use of Reserves**

5.1.39 To achieve a balanced budget for 2024/2025, it will be necessary to utilise reserves as an interim (one-off) measure. This will be the second year that the use of reserves has been required to fund the revenue budget, with £4m agreed for 2023/2024. Fortunately for 2023/2024 the full £4m is not expected to be required giving the Council improved flexibility to use reserves in 2024/2025.

5.1.40 The continued use of reserves to balance the budget is not sustainable in the long term, only providing one-off in year funding and increasing the funding gap in the following financial years.

5.1.41 Depleting reserves and balances will have a detrimental impact on the Council's financial resilience and sustainability. and its ability to fund unforeseen / emerging cost pressures, budget overspends, invest to save projects etc.

5.1.42 It is proposed to utilise £2.07m from the Financial Sustainability Reserve. There will be no contribution to the General Fund for 2024/2025.

5.1.43 The budget gap for 2025/2026 based on current assumptions is £8.3m.

5.1.44 **General Revenue Reserves – Current Position**

5.1.45 The provisional reserves (subject to external Audit) of the Council as at 31 March 2023 were:

- General Fund Reserve - £13m
- Earmarked Revenue Reserves - £30.5m

5.1.46 General Reserves have increased over the medium term, addressing the improvement needed in reserves which was highlighted by Audit Wales in 2018, strengthening the financial resilience of the Council. However, the General Reserve did not increase during 2022/2023, and Council agreed to utilise £300,000 from this reserve during 2023 to fund the provision of free school meals during the summer holiday period thereby reducing the balance to £12.7m.

5.1.47 Reserves and balances are monitored and reviewed during the financial year and it is currently estimated that based on the December 2023 Revenue Budget forecast, usable revenue earmarked reserves will reduce by in excess of £6.5m (including £3.6m for Schools) to fund the budget, planned expenditure and unplanned cost pressures which have emerged during the financial year.

5.1.48 The impact on utilising usable revenue reserves to balance the budget and based on 2023/2024 forecast (at quarter 3) is shown in the table below.

5.1.49 **Table 8 – Impact on Usable Revenue Reserves**

<b>Reserve</b>	<b>Provisional Balance 31/3/2023 £'000</b>	<b>Forecast Draw 2023/2024 £'000</b>	<b>Estimated Balance 31/3/2024 £'000</b>	<b>Estimated Balance 31/3/2025 £'000</b>
General Reserve	13,067	(300)	12,767	12,767
Usable Earmarked Reserves	19,733	(2,517)	17,216	15,150
School Balances	4,790	(3,600)	1,190	0
Unusable Earmarked Revenue Reserves	2,292	(132)	2,160	2,160
Revenue Grants & Contributions Unapplied	3,751	(152)	3,599	3,599
<b>Total</b>	<b>43,663</b>	<b>(6,701)</b>	<b>36,932</b>	<b>33,676</b>

5.1.50 The estimated balance as at March 2025 takes into account the use of reserves to balance the budget in 2024/2025 and assumes:

- 2024/2025 outturn breaks even – no unplanned draw from General Reserves
- School balances are fully utilised by March 2025
- No further draw from specific reserves during 2024/2025
- Bridging the Gap proposals, totalling a minimum of £6.27m are approved and implemented to deliver the full savings during 2024/2025.

5.1.51 If the budget gap increases as a result of Council not agreeing all the Bridging the Gap proposals, this additional budget pressure will need to be funded from the General Reserve in the short term.

## 5.2 Risk including Mitigating Actions

### 5.2.1 MTFS Assumptions

5.2.2 MTFS Outcomes are not delivered as expected. High inflation, increasing interest rates, increasing utility costs and pay awards are having a major impact on Council costs and whilst it is expected that these will reduce over the short to medium term, there is increased uncertainty when budget planning.

5.2.3 This risk will be mitigated by regular monitoring of proposals, which will also be reported through the all member quarterly budget monitoring briefings to Corporate Overview & Performance Scrutiny Committee and reports to Cabinet.

### 5.2.4 Use of Reserves

5.2.5 The Council is faced with significant financial challenges in meeting the funding gap of £34m over the next 5 years and will need to continue to develop proposals to deliver budget cuts to address this funding gap. Whilst this report proposes utilising £2m reserves in 2024/2025, this is the second year that reserves have been relied upon to balance the budget. This is a temporary solution only, and there is a risk that savings proposals in future years will not address the funding gap. Further reliance on reserves to balance the budget in future years will impact on the financial sustainability of the Council and may lead to the S.151 Officer issuing a Section 114 Notice.

5.2.6 Bridging the Gap proposals of £8.3m (over and above £6.27m already proposed) will need to be developed, approved, and implemented by 31 March 2025 if the Council is to set a balanced budget for 2025/2026.

### 5.2.7 Bridging the Gap Proposals

5.2.8 There is a risk that the Bridging the Gap proposals will not deliver the level of budget cuts identified, particularly the Business Case proposing that every portfolio finds between 1% and 2% efficiency savings/budget cuts resulting in year cost pressures, budget overspends or having an impact on service delivery.

5.2.9 This risk will be mitigated by regular monitoring of proposals, which will also be reported through the all member quarterly budget monitoring briefings to Corporate Overview & Performance Scrutiny Committee and reports to Cabinet. Action Plans will be developed and implemented where appropriate during the year to mitigate these risks.

5.2.10 Council may fail to set a balanced budget within the legal timeframe. This will be mitigated by ensuring that Members consider the final budget report (including statutory resolutions) on 6 March 2024.

5.2.11 If grant funding does not continue at the current level, there is a risk that cost pressures will emerge particularly where grants are used to support core services, e.g. sustainable social services grant. This can be mitigated by close monitoring of the budget and consultation with Welsh Government/WLGA on service pressures.

5.2.12 If Welsh Government does not provide indicative figures for Revenue Support Grant into the medium / longer term, there is a risk that budget planning will be adversely affected. This risk can be mitigated somewhat by robust medium term financial planning.

### 5.3 **Legal**

5.3.1 The Council has a legal duty to set a balanced budget and agree the rate of Council Tax.

### 5.4 **Human Resources**

5.4.1 There will be service change /service reduction arising from the Strategic Business Reviews included within the Bridging the Gap programme which may impact upon staff.

## 6. **Supporting Evidence**

6.1 *Performance Information and Data*  
N/A

### 6.2 **Expected outcome for the public**

6.2.1 The proposed budget will enable the Council to protect front line services in delivering its priority areas and to continue its work to become a more commercial and resilient organisation. All these proposals will have some impact on the public, some people will be impacted more than others depending on what services they are in receipt of. To ensure we remain in budget, the potential impacts may include a reduction in the Council's ability to respond or react to requests from the public or elected members.

### 6.3 **Involvement (consultation, engagement, participation)**

6.3.1 To support the Council to set a budget for 2024/25, there has been an engagement process carried out to inform people of the situation and get them involved. The information presented aimed to raise awareness of what may have to be done to set a balanced budget from April 2024, and to provide the opportunity for people to feedback on key issues to help decision-making, e.g. prioritising services, setting council tax, and potential saving proposals for now and the future.

6.3.2 Headteachers raised a number of concerns during consultation with the School Budget Forum regarding the budget proposals relating to school budgets:

- Schools are facing significant financial challenges with increased costs for utilities, pay and general inflation, with an increasing number of schools forecasting significant deficits for 2024/2025 and beyond.

- Learners with complex needs are increasing and reducing staff capacity to balance the budget will have a detrimental impact on staff, learners and the school environment, affecting the most vulnerable learners.
- Could lead to increasing class sizes and non-compliance with Welsh Government guidance.

6.3.3 A series of engagement events were held around the borough for people to attend in person, and an online session via Microsoft Teams was conducted. People were able to discuss the situation with elected members and senior managers from the Council. All those attending were encouraged to participate in a survey (available until Friday 9<sup>th</sup> February 2024), which was also shared on social media, with the intention to get as many people as possible participating and sharing their views.

6.3.4 As of Monday 12<sup>th</sup> February 2024, a total of 680 questionnaires were returned to the Council which equates to around 1% of the area's population. This response rate is a drop from last year when over 3,700 responses were received. This does however fall more in-line with expected response rates for budget engagement processes from previous years and is the second highest response rate carried out by the Council.

6.3.5 The final results from the public engagement will be available following survey close and will be shared with Members by Friday 16<sup>h</sup> February 2024. They will be included at Appendix 6 to this report.

#### 6.4 **Thinking for the Long term (forward planning)**

6.4.1 The Council continues its move to medium to long term financial planning. This is evidenced by:-

- Budget proposals being considered on a five year rolling programme basis.
- The MTFS covers the period 2024/2025 to 2028/2029 and will roll forward one year, every year. The MTFS will be reviewed and updated during 2024/2025.
- The Bridging the Gap programme will continue to identify opportunities for development in the medium to long term.
- The current approved capital programme covers the period 2019/2020 to 2025/2026 in line with the 21<sup>st</sup> Century schools programme. This will be reviewed and updated during 2024/2025.

#### 6.5 **Preventative focus**

6.5.1 The Council invests in services to deliver the best outcomes for the most vulnerable individuals including establishing a Children's Residential Home and increasing the number of Resources Bases for learners with additional learning

needs, with the aim of reducing reliance on out of county placements. This will reduce costs in the medium to long term.

**6.6 Collaboration / partnership working**

6.6.1 The report and accompanying information has been developed in partnership with budget holders across all service areas.

**6.7 Integration(across service areas)**

N/A

**6.8 EqlA(screening and identifying if full impact assessment is needed)**

6.8.1 Integrated Impact Assessments have been completed where required and are attached to the detailed Business Cases at Appendix 4.

**7. Monitoring Arrangements**

7.1 *State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*

7.1.1 Wider Corporate Leadership Team, political groups, Corporate Overview & Performance Scrutiny, Cabinet and Council.

**Background Documents /Electronic Links**

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