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| Meeting of: | TOWN AND COMMUNITY COUNCIL FORUM |
| Date of Meeting: | 29 JULY 2024 |
| Report Title: | BUDGET UPDATE |
| Report Owner / Corporate Director: | CHIEF OFFICER – FINANCE, HOUSING AND CHANGE |
| Responsible Officer: | DEBORAH EXTON DEPUTY HEAD OF FINANCE |
| Policy Framework and Procedure Rules: | There is no impact on the policy framework and procedure rules. |
| Executive Summary: | <ul style="list-style-type: none"> • The net revenue budget for 2023-24 is £342.334 million. The overall outturn at 31st March 2024 is a net over spend of £7.054 million which was funded from the unwinding of earmarked reserves and a draw down from the Council Fund. • The overall over spend on the Council budget is primarily due to ongoing pressures within the Social Services and Wellbeing Directorate, Home to School Transport, Homelessness and Legal Fees. • The Council’s budget for 2024-25 is £360.671 million, and is based on a council tax increase of 9.5% and achievement of £13.045 million of budget reductions. • The current projected over spend for 2024-25 is £9.212 million. • Going forward there are projected budget reductions of around £10.8 million for 2025-26, and similar levels in future years. • Due to the need for a comprehensive spending assessment after the General Election in July 2024 it is likely that the provisional local government settlement for 2025-26 will not be published until later in the calendar year again so the Council needs to engage with Town and Community Councils earlier to determine if there are any services or functions that can be transferred to them to support the Council’s budget position for 2025-26 onwards. |

1. Purpose of Report

- 1.1 The purpose of this report is to provide the Town and Community Council Forum with an update on the Council’s budget, specifically the revenue budget outturn for 2023-24, the approved budget for 2024-25 and future budget projections, budget pressures and anticipated timescales.

2. Background

2023-24 Revenue Budget Outturn

- 2.1 On 1st March 2023, Council approved a net revenue budget of £342.047 million for 2023-24 based on the provisional local government settlement received from Welsh Government (WG) in December 2022. The Welsh Government announced its final settlement on 28th February 2023 which included an increase in the Revenue Support Grant (RSG) for the Council of £287,106, as a result of the transfer into the final local government settlement of a grant in respect of the Fire and Rescue Authority (FRA), which the Council would be responsible for then paying over as part of the FRA levy. This resulted in a final net revenue budget for 2023-24 of £342.334 million, and this was reported to Council on 15th March 2023.
- 2.2 Cabinet has received quarterly monitoring reports on the revenue budget during the 2023-24 financial year, and the outturn report was presented to Cabinet on 23rd July 2024 and Council on 24th July 2024. The high level outturn summary for the financial year is presented in Table 1 below:

Table 1 - Comparison of budget against actual outturn at 31st March 2024

| Directorate/Budget Area | Budget 2023-24 £'000 | Final Outturn Q4 2023-24 £'000 | Final Over / (Under) Spend 2023-24 £'000 |
|--|----------------------------|---|---|
| Directorate | | | |
| Education and Family Support | 145,861 | 147,214 | 1,353 |
| Social Services and Wellbeing | 99,386 | 111,213 | 11,827 |
| Communities | 34,382 | 34,502 | 120 |
| Chief Executive's | 25,410 | 25,949 | 539 |
| Total Directorate Budgets | 305,039 | 318,878 | 13,839 |
| Council Wide Budgets | | | |
| Capital Financing | 7,142 | 3,063 | (4,079) |
| Levies | 9,189 | 9,181 | (8) |
| Apprenticeship Levy | 750 | 831 | 81 |
| Council Tax Reduction Scheme | 16,054 | 15,567 | (487) |
| Insurance Premiums | 1,363 | 764 | (599) |
| Repairs & Maintenance | 460 | 0 | (460) |
| Pension Related Costs | 430 | 457 | 27 |
| Other Corporate Budgets | 1,907 | 2,153 | 246 |
| Total Council Wide Budgets | 37,295 | 32,016 | (5,279) |
| Net Council Tax Collection | | (1,506) | (1,506) |
| Transfers to / from Earmarked to Reserves | | (6,952) | (6,952) |
| Transfer from Council Fund | | (102) | (102) |
| Total | 342,334 | 342,334 | 0 |

- 2.3 The overall outturn at 31st March 2024 was a net over spend of £7.054 million comprising £13.839 million net over spend on directorates and a net

under spend of £5.279 million on Council wide budgets. The outturn position also takes into account additional council tax income collected over budget of £1.506 million during the financial year, of which £516,000 was in respect of empty property premiums. The net over spend at year end has been met from the net unwinding of earmarked reserves to the value of £6.952 million and the transfer of £102,000 from the Council Fund.

- 2.4 The full report, along with detailed explanations for the variances against budget by directorate, can be viewed on the Council's website as part of the Cabinet and Council agendas for those dates outlined in paragraph 2.2. However, in summary, the main pressures arising during 2023-24 were in the service areas of Social Services and Wellbeing (SSWB), Home to School Transport (HtST), Homelessness and Legal Fees.
- 2.5 With regard to Social Services, budget growth of £8.174 million was approved by Council as part of the Medium Term Financial Strategy (MTFS) for 2023-24. However, a significant proportion of this was to address the implementation of the Real Living Wage for care workers. The directorate continues to see an increase in demand and this budget growth was insufficient to meet the increase in demand, particularly in children's social care. There were also increases in the number of independent residential placements in children's services, along with pressures in learning disabilities and older persons' residential placements. The outturn for the directorate shows an over spend of £11.827 million in 2023-24. However, on 20th September 2023 a 3 year sustainability plan to improve outcomes for children and family services in Bridgend was approved by Council, with an immediate budget virement of £1 million approved for children's services. Council also noted the additional use of up to £2.5 million of earmarked reserves in 2023-24 to support the service whilst a more permanent funding solution was sought, and this has been drawn down in full in 2023-24 or the social services outturn position would have been an over spend of £14.327 million. A recurrent budget of £2.5 million was approved by Council as part of the Medium Term Financial Strategy (MTFS) budget setting process in February 2024 to provide this as a permanent budget to Children's services in 2024-25.
- 2.6 There has also been a significant over spend on home to school and college transport of £1.780 million in 2023-24, due to the impact of retendering exercises on the cost of the service. Higher fuel costs, shortage of drivers and escorts have been common since the pandemic. To try and mitigate this going forward Council approved budget growth of £1.2 million for 2024-25 when the budget was approved in February 2024.
- 2.7 The other main area of budget over spend for 2023-24 was in respect of homelessness. Council has approved budget growth of almost £2.9 million in previous years to meet the rising pressures on the homelessness budget, but the Council continues to see a significant increase in the provision of temporary accommodation, from 601 households and 965 individuals between April 2022 to March 2023, to 659 households and 1,034 individuals between April 2023 and March 2024. There is an over spend on housing and homelessness of £240,000 in 2023-24.

- 2.8 Finally, legal fees continued to be a pressure in 2023-24, specifically in relation to public and private law childcare cases, along with an increase in the volume of complex cases that have required King's Counsel. The net over spend in Legal, Democratic and Regulatory services is £553,000. Budget growth of £300,000 was approved by Council as part of the MTFs budget setting process in February 2024 towards the increase in legal fees for children's services.

2024-25 Revenue Budget

- 2.9 Council approved the budget for 2024-25 at its meeting on 28th February 2024 as part of the Medium Term Financial Strategy 2024-25 to 2027-28. This, again, was based on the Welsh Government's provisional local government settlement, which was only received by Councils on 20th December 2023. The final local government settlement was only published by Welsh Government on 27th February 2024 and the headline figure was an overall increase in Aggregate External Finance (AEF) across Wales, after taking into account new transfers into the settlement, of 3.3%, compared to 3.1% in the provisional settlement. This was attributed to an additional £14.4 million of Revenue Support Grant announced on 7 February 2024 in respect of social care and education. For Bridgend this meant a 3.2% increase in AEF, compared to a 3.1% increase reported in the provisional settlement. In cash terms this was an increase in funding of £649,540. There was also additional funding in respect of some small grants that had transferred into the settlement, which were passported to the services affected.
- 2.10 The employer contribution to teachers' pensions has increased by 5% in 2024-25, an increased cost of around £3.3 million to £3.5 million to the Council. With regard to funding to meet these costs, in the final settlement the Minister for Finance and Local Government re-stated that funding for this is expected to be provided by UK Government during 2024-2025 and that she had written to the Chief Secretary to the Treasury to press for assurances on the level and timing of this funding. No provision has been made in the budget for this expense and, to date, no funding has been received by the Council from UK or Welsh Government for it.
- 2.11 The Council's net budget requirement for 2024-25 is £360,671,417 and is allocated as outlined in Table 2, and funded as outlined in Table 3.

Table 2 – Net Revenue Budget 2024-25

| | Revised Budget 2023-24 | Specific Transfers to/ (from) WG | Inter-Directorate Transfers | Pay / Prices / Other pressures | Budget Pressures (Appendix C) | Budget Reduction Proposals (Appendix D) | Opening Revenue Budget 2024-25 |
|--|------------------------|----------------------------------|-----------------------------|--------------------------------|-------------------------------|---|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Service Directorate Budgets: | | | | | | | |
| Central Education & Family Support | 29,400 | | 0 | 177 | 2,200 | -1,560 | 30,217 |
| Schools | 114,740 | | 0 | 1,969 | 0 | -3,441 | 113,268 |
| Education and Family Support | 144,140 | 0 | 0 | 2,146 | 2,200 | -5,001 | 143,485 |
| Social Services & Wellbeing | 98,436 | 40 | 0 | 17 | 8,330 | -2,248 | 104,575 |
| Communities | 32,283 | 257 | 300 | 324 | 0 | -2,460 | 30,704 |
| Chief Executives | 25,338 | | 0 | 3 | 330 | -3,246 | 22,425 |
| Total Directorate Budgets | 300,197 | 297 | 300 | 2,490 | 10,860 | -12,955 | 301,189 |
| Council Wide Budgets: | | | | | | | |
| Capital Financing | 7,142 | | | | | -90 | 7,052 |
| Levies | 9,189 | | | | 446 | | 9,635 |
| Repairs and Maintenance | 670 | | | | | | 670 |
| Council Tax Reduction Scheme | 16,054 | | | | | | 16,054 |
| Apprenticeship Levy | 750 | | | | | | 750 |
| Pension Related Costs | 430 | | | | | | 430 |
| Insurance Premiums | 1,363 | | | | | | 1,363 |
| Other Council Wide Budgets | 6,539 | 0 | -300 | 16,739 | 550 | | 23,528 |
| Total Council Wide Budgets | 42,137 | 0 | -300 | 16,739 | 996 | -90 | 59,482 |
| Net Budget Requirement | 342,334 | 297 | 0 | 19,229 | 11,856 | -13,045 | 360,671 |

Table 3 – Funding of Net Revenue Budget

| | £ | % |
|-----------------------|--------------------|-------------|
| Revenue Support Grant | 205,952,692 | 57.10 |
| Non Domestic Rates | 52,971,909 | 14.69 |
| Council Tax Income | 101,746,816 | 28.21 |
| Total | 360,671,417 | 100% |

2.12 Some of the main features of the budget include:

- The budget is set based on a council tax increase (Bridgend County Borough Council element) of 9.5%.
- Provision for pay and price pressures of £19.229 million has been included in the budget. This includes pay pressures for teachers and other council employees, and unavoidable inflationary increases for both council run and commissioned services.
- In addition, funding for other unavoidable budget pressures of £11.856 million is included in the budget, comprising:
 - £2.2 million for education services (including £1.2 million for home to school transport and £500,000 for additional learning needs)
 - £8.33 million for social services (including £3.36m for pay and prices within commissioned services towards the cost of the Real Living Wage and inflationary pressures, £2 million for Children’s services (linked to paragraph 2.5) and £2.97 million towards increased costs of home care for adults with learning disabilities and additional residential / nursing placements.
 - £300,000 towards legal fees for Children’s services.

- £446,000 for the increase in the Fire and Rescue Authority levy.
- The budget is predicated on the achievement of £13.045 million of budget reductions including:
 - £3.441 million reduction in school budgets (3%);
 - £1.560 million central education budget reductions;
 - £2.248 million social services and wellbeing budget reductions;
 - £2.460 million communities directorate budget reductions;
 - £3.246 million chief executive directorate budget reductions.

Included in these budget reductions each directorate is tasked with achieving vacancy management savings of at least 3% of eligible posts (excluding grant funded and income generating posts), and staff mileage savings (£198,000). There are also a wide range of service reductions and service restructures, all of which will impact upon the ability of the Council to respond to requests for information and other queries or requests from members of the public and elected members. Full details of all approved budget reductions are included in the MTFS papers to Council on 28th February 2024.

- 2.13 Progress against achievement of these budget reductions will be reported on a quarterly basis to Cabinet before scrutiny by the Corporate Overview and Scrutiny Committee. The quarter one revenue monitoring report will be presented to Cabinet on 23rd July 2024. The financial position for 2024-25 is already serious with a number of budget reductions not likely to be achieved in part or full, and a range of budget pressures still arising in social services and wellbeing, home to school transport and homelessness services. The current projected over spend for the Council for 2024-25 is £9.212 million.

3. Current situation / proposal

Medium Term Financial Strategy 2024-25 to 2027-28

- 3.1 The Medium Term Financial Strategy 2024-25 to 2027-28 outlined a range of funding scenarios for future years, based on limited known information to date. Welsh Government has not provided any indications of future funding, however, discussions between Welsh Government and the Society of Welsh Treasurers have made it clear that the financial position will be no less challenging, potentially with a 0% change to AEF for 2025-26, and that Councils should plan accordingly.
- 3.2 On this basis the Council has set out a number of funding scenarios for 2025-26 to 2027-28 (ranging from +1% increase in AEF under the best case scenario to -1% reduction in AEF under the worst case scenario) taking into account provisions for pay, prices and other unavoidable pressures, along with a potential council tax increase per year of 4.5%. The impact of this in terms of likely levels of budget reduction are set out in Table 4.

Table 4 – Future Funding Scenarios – Projected Budget Reductions

| | 2025-26 | 2026-27 | 2027-28 | Total |
|-----------------------------|----------------|----------------|----------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Best Scenario | 8,242 | 8,010 | 7,768 | 24,020 |
| Most Likely Scenario | 10,822 | 10,615 | 10,400 | 31,837 |
| Worst Scenario | 13,402 | 13,169 | 12,928 | 39,499 |

- 3.3 Based on the Most Likely funding scenario of 0% change to AEF, it is projected that there will be a requirement to make £10.822 million of budget reductions in 2025-26, with similar amounts in future years. However, if any additional funding is required to meet further budget pressures, on top of the limited funding already included in the assumptions, then these budget reduction requirements could increase.
- 3.4 The Council cannot present a draft budget for consultation until it has received the provisional local government settlement from Welsh Government. This usually follows the Welsh Government's publication of its own draft budget. In recent years, due to a number of reasons, including the pandemic, spending reviews and the general election in 2019, Welsh Government has not published its provisional local government settlement for the following financial year until late in December. This has impacted considerably on the amount of detail that can be published to support a public budget consultation and consequently on the time available to consult. Welsh Government have then not published their final local government settlement until the end of February, only a few weeks before the start of the financial year.
- 3.5 With the general election on 4th July 2024, and the subsequent spending review that needs to take place before the end of this calendar year, it is difficult to say whether or not the timeframe for publication of Welsh Government's budget, and thereafter the provisional local government settlement, will remain as in recent years. The UK government's spending plans for 2025-26 need to be announced before November of this year, so it is likely that the provisional local government settlement will once again be published in December.

Town and Community Precepts

- 3.6 Town and Community Councils set a precept each year which is collected by the county borough council along with the council tax for the county borough and for the precept for the Police and Crime Commissioner. The council tax for the county borough is approved by Council as part of the Medium Term Financial Strategy, and this is then included in a report to Council in February prior to the start of the financial year outlining the aggregate charge for each town and community council area for each tax band for the forthcoming financial year.
- 3.7 Town and Community Councils are required to notify the Council of their precept by a specified date in January to enable the council tax reports to be collated and the detailed council tax calculations to be undertaken in readiness for the council tax bills to be issued early in March. Given the late

announcements of the local government settlements in recent years, and the subsequent delays in the publication of the draft budget and budget reduction proposals by the Council, which has not been until January for the last few years, there has been no time available for town and community councils to review the Council's proposals and engage with them on opportunities for taking on the provision of specific services from the Council and build the proposals into their precept considerations.

- 3.8 However, the financial outlook is very challenging and the amount of savings the Council needs to make is unlikely to reduce. It is likely moving forward that the Council will be unable to deliver all of the services it has done historically, or certainly not to the same level or frequency. Careful prioritisation will be necessary with an inevitable focus on those services that are statutory and often only the Council can provide, and also those preventative services that can help reduce demand on our main statutory services. There is unprecedented demand for services such as social care and those related to homelessness and for those that are most vulnerable in our communities, which is taking an increasing proportion of the overall budget. However, it is recognised that local residents quite rightly also highly value the visible services within the County Borough that make Bridgend an attractive place to live, work and visit. The Council's capacity and resourcing to deliver all of these services to meet expectations has gradually been diluted and compromised from over a decade of budget cuts. Therefore, it is clear moving forward that we need to seek new ways of delivering some services, partnering with other relevant organisations when appropriate and enabling and facilitating others to take on some additional responsibility.
- 3.9 In order to plan and hopefully co-produce some solutions to these challenges the Council and town and community councils need to engage as early as possible to discuss the potential for the transfer of services to town and community councils, giving sufficient time for proper engagement and planning, and ideally for town and community councils to build the costs of these services into their precept for the following financial year. The process should be two-way, not driven solely by proposed budget reductions. Town and community councils could propose to take on specific services which could then lead to budget savings for the Council. This engagement should take place as soon as possible and then be built into budget reduction proposals by the relevant directorates in readiness for the draft budget for 2025-26 and beyond .
- 3.10 It is proposed that a 'Summit' is arranged in September to which representatives from all town and community councils would be invited, with the specific purpose to discuss and agree which areas of service could realistically be candidates for town and community councils to take on or help deliver, and set out an agreed action plan to progress matters. It is recognised that while some changes could be made in time to set the relevant precept for 2025-26, others may require a longer lead in time and more realistically may be achieved for 2026-27. It is acknowledged that town and community councils will need to think carefully about their ability and capacity to take on some services, but if some valuable services are to continue to be delivered in local communities, town and community councils will play an important part, and their close relationship with their local communities may mean that in some cases they can deliver services more effectively than this Council.

3.11 Additionally, the current review of town and community councils that will conclude later this year after consultation, and subject to Council approval, may help produce a tier of government better able to consistently address some of these challenges by creating town and community councils of sufficient size and capacity while retaining the 'localism' that also often defines some of our most successful councils.

4. Equality implications (including Socio-economic Duty and Welsh Language)

4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report therefore it is not necessary to carry out an Equality Impact Assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

6. Climate Change Implications

6.1 There are no climate change implications arising from this report.

7. Safeguarding and Corporate Parent Implications

7.1 There are no safeguarding or corporate parent implications arising from this report.

8. Financial Implications

8.1 There are no financial implications arising from this report.

9. Recommendations

9.1 That the Town and Community Council Forum notes the update on the Council's budget position and actively engages with the Council on opportunities for taking on Council services going forward to support the budget planning process.

Background documents

None