

# Report

## Cabinet

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### Part 1

Date: 14 February 2024

**Subject** 2024/25 Budget and Medium-Term Financial Plan (MTFP)

**Purpose** To present to Cabinet the results of the public consultation on the draft 2024/25 budget proposals, as set out in their January 2024 meeting, and provide an update on any changes in budgetary assumptions in the intervening period. Cabinet are requested to agree their final budget proposals and recommend the associated Council Tax level required for consideration at Full Council in their meeting on 29 February 2024.

**Author** Head of Finance

**Ward** General

**Summary** The draft budget proposals for 2024/25 agreed in the January Cabinet meeting have been subject to detailed consultation, and the results have been set out within this report and its appendices.

Whilst the draft Welsh Government funding settlement was received prior to setting the draft budget, the Cabinet will be recommending a final budget and the Council agreeing a final budget and rate of Council Tax before the final settlement is known. Whilst not ideal, this has happened over numerous recent years and whilst no changes are expected other than potentially cost neutral movements in specific grants into/ out of the final settlement, there are potentially more uncertainties coming from this in 2024/25 and the report sets those out and the potential mitigation for these potential risks / uncertainties. Therefore, Cabinet is finalising their 2024/25 budget based on the funding position made up of the draft Revenue Support Grant, the confirmed increase in the Council's tax-base and Council Tax income at the rate that will be recommended at this meeting.

This report summarises the key aspects of the draft budget, feedback on the consultation and other key contextual matters before setting out the current position on the 2024/25 budget which Cabinet will consider. The final proposals will be announced at the meeting, following consideration of the above.

### Section:

- 1 Background
- 2 Finalising the budget
- 3 Financial planning assumptions
- 4 Public consultation
- 5 Medium term financial plan (MTFP)

- 6 Risk, reserves, financial resilience, and performance  
7 2024/25 proposed Council Tax

**Appendix:**

- Appendix 1 Minutes from the Employee Partnership Forum  
Appendix 2 Extracts from Scrutiny Committees  
Appendix 3 Extracts from Schools Forum minutes  
Appendix 4 Public budget consultation responses and feedback  
Appendix 5 Specific responses to budget proposals  
Appendix 6 Final Budget investments recommendations  
Appendix 7 Final Budget savings recommendations  
Appendix 8 Medium term financial plan (MTFP)  
Appendix 9 Reconciliation of movements since budget consultation  
Appendix 10 Financial resilience snapshot  
Appendix 11a Projected earmarked reserves  
Appendix 11b Summary of transformation fund spend and forecast  
Appendix 12 Fees and charges  
Appendix 13 Equalities Issues

**Proposal Cabinet is asked:**

**Budget proposals and medium-term plan (section 3-5)**

1. To note the formal consultation on the budget as outlined in section 4 and the feedback received, shown in Appendices 1 to 5.
2. To note the equality issues and the Fairness and Equalities Impact Assessment (FEIA) on the budget proposals, shown in Appendix 13.
3. To review and confirm the final budget recommendations (Appendix 6 - 7), as currently summarised within the medium term financial plan (Appendix 8).
4. To agree the 2024/25 fees and charges of the Council shown in Appendix 12.

**Overall revenue budget and resulting Council Tax 2024/25 (section 6 and 7)**

5. To note the significant risks and uncertainties within budget planning and specific issues highlighted in Section 6 of this report and the mitigation in place to manage.
6. To recommend the detailed budget investments and savings and resulting Council Tax rate to full Council, noting that a formal resolution including the Police and Crime Commissioner for Gwent and Community Councils' precepts will be presented to Council on 29 February.
7. To approve expenditure and use of the Transformation Fund in line with the summary shown in Appendix 11b, noting they are based on detailed proposals reviewed by Cabinet in their January 2024 meeting.
8. To approve the repurposing of earmarked reserves as set out in paragraph 6.7.

**Action by** Head of Finance – (i) finalise Council Tax calculations in line with agreed Cabinet Council Tax rate for Council's February meeting (ii) prepare budget papers in line with agreed Cabinet proposals for Council's February meeting.

Heads of Service – implement all delegated savings with immediate effect.

**Timetable** Immediate

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Strategic Directors
- Head of Law and Standards
- Head of People, Policy and Transformation

**Signed**

## 1 Background

1.1 Budget preparations for 2024/25 continued to be challenging and the draft budget agreed in early January 2024 set out the position and how it had changed from that anticipated in the February 2023 position reported to both the Cabinet and full Council.

1.2 The 2024/25 budget shortfall presented to Cabinet in January 2024 confirmed a significantly lower 'budget gap' from that anticipated and reported back in February 2023 - from c£15m in February 2023 to c£3.8m in January 2024.

This reduction had come about primarily from funding improvements. Whilst service area budget pressures had increased, they were mitigated by lower cost/inflation increases, itself primarily due to lower energy prices. New saving proposals to meet the budget shortfall was £4,417k and this was in addition to existing savings full year impacts of £713k being implemented. The table below summarises the draft budget position.

**Table 1. - The 2024/25 draft budget**

	<b>£k</b>
Funding increase - RSG	13,450
Funding Increase – Teacher’s pension	3,419
Funding Increase – Council Tax	6,454
Prices / Inflation pressures	17,678
Service pressures / Investments	9,450
<b>Budget Gap</b>	<b>3,805</b>
Savings – previously approved / new	5,130
Temporary use of reserves	400
<b>MTFP Balance</b>	<b>(1,725)</b>

1.3 As always, the budget process has continued since Cabinet agreed the detailed budget proposals for consultation. The table below sets out the changes that have arisen during this time, mainly relating to (i) responses to some of the anticipated changes to specific grants outlined in the Welsh Government draft settlement and (ii) confirmation of other / new cost pressures and (iii) new savings in non-service budgets with no service impacts, and the revised MTFP reflects the current budget position.

**Table 2. 2024/5 budget - Key changes to pressures/ investments since January draft budget**

<b>MTFP Balance – draft budget</b>	<b>(1,725)</b>
<b><u>New/Updated budget pressures</u></b>	
Investment in staffing structures within Housing	577
Increase in Fire Levy budget provision	340
Increase in revenue budget contingency	263

<b><u>New / Updated funding and savings</u></b>	
Additional Income from Council Tax premiums	(600)
Savings from Non-Service budgets from budget realignment to match costs	(150)
<b>Updated MTFP 'gap'</b>	<b>(1,295)</b>

A full reconciliation of movements since December Cabinet can be found in Appendix 9.

1.4 The Council's final settlement will be announced in early March 2023. The Cabinet are therefore being asked to approve their final budget recommendation and Council Tax levels to Council without the certainty of that. There are a number of adjustments expected in that or potentially early on in the financial year outside of the core RSG funding settlement.

- Funding of increased employers pension contribution for teaching staff. This cost is included in the budget proposals within schools funding. This is expected to be £3,419k and the budget here assumes it'll be fully funded by the Welsh Government. Ministers have confirmed that funding received from UK Treasury will be passed to Councils but there is a risk that it could be lower than needed.
- Funding of increased employers pension contribution for firefighters. It is not known yet if that funding will be passed direct to the Fire Authority or to Local Authorities; the latter option resulting in an increased fire levy. As above, there is a risk that the value could be lower than needed.
- Changes in specific grants. There were a small number of grants not finalised at the draft budget stage and won't be confirmed until the final settlement stage, at an all-Wales level. In addition, it is known that a number of grants will be transferring into the settlement and others amalgamated and used more flexibly which is welcome on one level. As always, there is a risk that grants transferring or confirmed may be reduced from current levels. The budget here makes no allowance for any reductions/increase and therefore, as always, the working policy that services will adjust service provision in line with grant funding availability, wherever possible, continues.
- The UK Government announced new and additional funding for Local Government in England on the 24<sup>th</sup> January and the Welsh Government are anticipating c£25m in additional consequential funding from that. At the time of writing, the Welsh Government announced they would distribute a further £25m to Local Government in the final settlement with £10m used to reverse the reductions in social care workforce grants announced in the draft budget settlement. The budget position in this report includes that assumption. The distribution of the balance to individual Councils of the increased funding is not yet known with certainty and will therefore be announced at the Cabinet meeting itself.

1.5 It should be noted that there has been an update to the fees and charges schedule (Appendix 12) since the draft budget was published. This update relates to Trade Waste charges and is the result of changes in legislation for workplace recycling which come into force from April 2024. The legislative changes have necessitated a review of the service, which has only recently concluded. The new charges are being introduced to ensure compliance with the new regulations. The charges only apply to services purchased from NCC, with private waste companies being free to set their charges as they see fit and business can choose who to purchase services from.

## 2 Finalising the budget

2.1 Within the context of the above, Cabinet have considered their final budget decisions. In doing this, key considerations include:

- (i) key assumptions and budget proposals included within the draft budget – section 3;
- (ii) results of the public consultation – section 4;
- (iii) the medium-term context within which Cabinet are making this decision – section 5;
- (iv) financial risks and reserves – section 6.

## 3 Financial planning assumptions

3.1 The key assumptions included in the development of the 2024/25 budget and the medium-term financial plan (MTFP) was reported to Cabinet in their January meeting when they agreed their draft budget. They are replicated here for information as Cabinet now considers and confirms their final budget, including the quantum of budget investments and savings in their draft budget and those additional items shown in Table 1 above.

As always, future years assumptions are subject to ongoing review.

**Table 3:** Financial implication of key assumptions

	2024/25	2025/26	2026/27	Sensitivity Analysis
	Actual	Budget Planning Assumption	Budget Planning Assumption	+/- 1% change
RSG Increase - core	13,450k	-	-	£3,000K
RSG Increase – data driven changes		500k	500k	n/a
Council Tax – 8.5% 24/25 and 4% thereafter	7,195k	3,521k	3,662k	£711K
Pay inflation – weighted average 4.9% 2024/25 and 3% thereafter	10,153k	8,026k	7,528k	Teacher's - £550k NJC - £1,150k
Contract inflation – various	7,562k	10,562k	11,352k	Energy- £110k Care providers - £666k

### Increasing costs and demand

#### Inflationary Increases

3.2 Inflation has fallen significantly since the current year's budget was set and currently stands at 4% (CPI). There are still areas of high price increases but in general, the

2024/25 budget and future year assumptions have been reduced, more akin to general historical levels in the later years of the MTFP.

- 3.3 Contract inflation is applied to budgets only where the Council has a contractual commitment for increased costs or where costs unavoidably increase outside of the Council's direct control, ensuring that budgets are set at a realistic level, for example social services community care contracts that incorporates the living wage uplift payable to staff plus the running costs of the homes.
- 3.4 Of the £6,717k contract inflation in 2024/25, that is mainly made up of the following:
- £5.1m in relation to social care commissioning contracts which are set, in part, with the Living Wage increases to maintain ability for staff in the sector to be at least paid this.
  - £0.4m in relation to payments to foster carers.
  - £0.6m in relation to levies to organisations such as Natural Resources Wales.
  - £0.4m in relation to transport, particularly home to school transport.
  - £2.1m in relation to various contracts for supplies and services, such as school catering and Additional Learning Needs provision.
  - £1.8m of negative inflation in relation to energy, resulting from a fall in energy prices that will be experienced during 2024/25.

#### Staff Costs

- 3.5 As always, there is uncertainty in respect of pay inflation as these are generally set and agreed annually and a few months into the financial year. The 2024/25 budget includes:
- A cash value of £1,340 against every NJC pay point up to point 43 and 2.6% on pay points from point 44. This amounts to a percentage increase of 6% on the lowest pay point and 2.6% at pay point 43. As a weighted average, across the total pay bill, this equates to an uplift in pay of circa 4.9%.
- This follows the pay award framework used over the last two years, albeit at lower levels (£1,925 on pay points in each of last two years).
- A 4% increase in teachers' pay levels. This more traditional structure has continued to be used for teacher's pay.
  - Thereafter, the MTFP assumptions for pay are increases of 3% per annum for all staff groups.

#### Service Demand

- 3.6 Alongside inflationary pressures, the Council is experiencing exceptional levels of demand and cost pressure in some areas; most significantly in Children's Services and Housing Services, linked to Homelessness.
- The Children's social care pressure is linked to the number and complexity of placements for children looked after. Whilst new 'Eliminate' Grant funding was awarded for 3 years to 2024/25, it is a pressure on the service/council when the grant ceases as it is being used for day-to-day service costs. In addition to that increased (external) funding, on-going pressures means that a further

£2.6m is required for Out of Area placements and Emergency Placements in the 2024/25 budget.

- Housing services continues to see the growing homelessness demands being seen across the city. The main issues are being caused by the increased demand and also the s/t accommodation available in the city which does not attract full Housing Benefit subsidy contributions; thus leaving the Council to subsidise a large part of that cost. A Transformation plan has been developed by the service which requires permanent investment in their current temporary staff structures to enable them to re-focus and structure that to focus on prevention and increasing the types and tenure of accommodation they access which attracts better Housing Benefit funding. An investment of £600k was included in the draft budget and this final recommended budget includes a further (new) £577k investment.

3.7 Appendix 6 sets out the budget investments over and above inflation. These are investments required to deal with the exceptional levels of demand that the Council is experiencing and to ensure budgets are realistic to deal with the demands being faced within key areas.

#### Schools

3.8 Cabinet considered the schools' funding position and set it out in their draft budget in early January. That position remains unchanged, and the table below sets out the summary position.

No savings are set for schools' budgets.

**Table 4. 2024/25 budget** – School funding increases over MTFP period

	<b>2024/25 £k</b>	<b>2025/26 £k</b>	<b>2026/27 £k</b>
Teaching Staff – pay award assumption	4,026	3,367	3,066
Non-teaching staff – pay award assumption	2,404	1,621	1,550
Contract/Income inflation	(589)	1,018	1,142
New & growing schools	(37)	1,273	1,360
Increased employer pension costs - teachers	3,419		
Other school investments	231	519	

#### Savings

3.9 The identification of new savings is a requirement to balance the budget for 2024/25. The draft proposed savings identified for 2024/25, not including savings approved in previous years, total £4,567k, the detail of which can be found within Appendix 7. This figure includes the addition of further savings totalling £150k, which officers have identified since December. These savings are comprised of relatively small recurring savings in the non-service area, where budgets are being lowered to align with current costs in three specific areas.

#### Funding – RSG and Council Tax



- 3.10 As table 1 above confirms, the budget gap and the resulting savings requirement for the Council are significantly affected by funding assumptions – the WG grant and council tax increases.
- 3.11 In addition to RSG and council tax funding; specific grants are a key element of the Council's funding which often assists in supporting core service delivery. A significant level of specific grant funding is received from WG each year and as already said, we still await the finer details of funding levels for 2024/25 including the impact of some grants being incorporated in to the RSG as well as grants amalgamations and simplification which have been signalled by the Welsh Government.
- 3.12 We may see a number of grants reduce in cash or real terms during 2024/25 and it is proposed, in line with the Council's current working policy, that service areas deal with these matters with Cabinet Members in terms of identifying issues as they become aware of them and developing necessary solutions to be able to absorb the impact within existing resources. This may involve reducing/ stopping services that WG specific grants no longer fund. These grants will be included within service areas budgets once the value and conditions are known.

#### **4 Public consultation**

- 4.1 The budget proposals agreed by Cabinet in January have been consulted on through a range of stakeholder groups and formats, which are as follows:
- With Trade Unions via the Employee Partnership Forum on 18 January 2024 (minutes included within Appendix 1 and Trade Union responses included within Appendix 5);
  - With all Scrutiny Committees in their January 2024 meetings where Members discussed the detailed investments and savings proposals, plus the MTFP. Their reports and conclusions are included in Appendix 2;
  - With the Schools' Forum on 18 January 2024. Responses are included in Appendix 3;
  - With the public from 11 January to 9 February 2024. An interim analysis of responses, as at 7 February 2024, is included in Appendix 4 (it should be noted that the Cabinet will consider the final consultation responses prior to making any final budget decisions);
  - Engagement with Newport Fairness Commission. The commission took a different approach to reviewing the proposed budget, focussing on specific themes, rather than all proposals. Therefore, there is no formal response provided.
- 4.2 During the 2024/25 budget consultation, 1,397 public responses had been received as at 7 February 2024.
- 4.3 During the budget consultation we have carried out several engagement exercises with the public, which included:
- A pre-budget public survey to identify the services that matter most to people, as a means of informing medium term budget planning and the investments set out in the draft budget. This survey forms part of an approach to make engagement on the budget and service planning an ongoing process throughout the year;
  - Carrying out an online survey via the public Wi-Fi on Newport buses that received 829 responses;

- Promotion via the media to all households using Newport Matters, Council Facebook & Twitter, My Newport customer portal and Council Website;
  - Requesting partner networks to circulate details of the consultation e.g. One Newport contacts, Newport Youth Council, 50+ Forum, voluntary sector contacts;
  - Engagement with parents through schools;
  - Engagement with Newport Fairness Commission;
  - Engagement with Newport Youth Council so that young people's voices are included in the consultation;
  - Engagement with the public via ward meetings, where requested.
- 4.4 In addition to completed surveys, representations have been received from organisations and have been considered by Cabinet Members and Officers as part of the budget consultation, these are particularly in relation to the proposals on schools funding
- 4.5 The comments received in these representations are consistent with those summarised in Appendix 5.

## **5 Medium Term Financial Plan (MTFP)**

- 5.1 The MTFP is the articulation of the financial challenges and includes the savings identified over the next three years. The scale of the budget challenges significantly outweigh funding increases; therefore, consideration must be given to how the Council is able to continue operating effectively for the residents of Newport whilst maintaining financial sustainability. With savings totalling circa £80m having already been identified over the last decade, it will not be possible to balance the medium term financial position as currently assumed through efficiencies alone. This means that required savings will impact upon front line service delivery. The Head of Finance will continue to work with the Corporate Management Team and Cabinet to develop the budget strategy over the medium term to ensure the following issues and uncertainties are accounted for as appropriate:
- the economic challenge, in the context of major cost and demand pressures.
  - increasing demand within service areas over and above provision already made within the MTFP;
  - potential financial issues on school budgets.
- 5.2 The Council has a Corporate Plan covering the period to 2027 and this is supported by various other plans to achieve the outcomes within it. A key plan is the Council's Transformation Plan and that is currently in development. A number of corporate projects are already underway and as already said, Housing services have developed a plan for their demand led challenges. The emerging Transformation Plan will form a key part of the strategy for addressing part of the budget gap in the future and is therefore very important. Therefore, further work is required to build a budget and transformation strategy that ensures sustainable services and financial stability.
- 5.3 Cabinet is asked to take a strategic medium-term view, and following this consultation period, recommended to agree the MTFP including all budget proposals (Appendix 6 - 7), as summarised within Appendix 8.

## **6 Risk, reserves, financial resilience, and performance**

6.1 A key driver in the budget strategy and MTFP framework is the need to manage the Council’s general and financial risks, its financial resilience and performance. This next section looks at these issues and identifies how they are dealt with, whilst considering how they influence the Council’s 2024/25 budget and medium-term projections.

**Risk**

6.2 The Council maintains a corporate risk register, which is regularly reviewed by the Corporate Management Team and Cabinet, as well as the Governance & Audit Committee from a procedural / risk management framework viewpoint. The Council’s budget strategy and MTFP framework needs to reflect risks and incorporate appropriate financial mitigation, where required. This was explained and set out in detail for the Cabinet’s draft budget in January and is summarised here now.

6.3 The Quarter 2 Corporate Risk Register identifies 15 risks that are considered to have a significant impact on the achievement of the Council’s objectives and legal obligations. Overall, 9 of these risks are severe. There are several risks identified in the risk register that to fully mitigate would be unaffordable. In these cases, the risk is identified, and the Council needs to consider and assess how best to mitigate and continue lobbying WG to provide more funding in these areas, as these risks are not unique to Newport.

6.4 Four current risks with significant uncertainty are (i) stability of social services providers, (ii) pressures on adult services (iii) pressure on delivery of children services and (iv) pressure on housing and homelessness services. A number of budget investments /pressures are included in this draft budget which directly impact positively on some current risks in the corporate risk register:

<b>RISK</b>	<b>DRAFT BUDGET</b>
Demand for education Additional Learning Needs / Special Education Needs support	budget pressure included in the draft budget
Education out of county placements	
School Finance / cost pressures	no savings included for schools in the draft budget  funding of increased school pupil numbers in the draft budget
Pressure on housing and homelessness	budget pressure included in the draft budget
Stability of social care providers	budget inflation fully funded to maintain at least a living wage level to care providers’ staff in the draft budget
Pressure on adult services	
Pressure on delivery of children’s service	budget inflation fully funded to maintain at least a living wage level to care providers’ staff in the draft budget  budget pressure for increased demand and

	investment in the safeguarding hub included in the draft budget
Welsh Government net zero carbon target by 2030	The budget saving for reduced energy costs for 2024/25 allows for the retention of a £500k budget which will be used as a source of matchfunding where external funding bodies, such as WG, require the Council to contribute towards net zero projects that are predominantly grant funded.

6.5 Outside of the risk register, and as noted in this report above, there are also other key issues and risks which the Cabinet's attention needs to be drawn too:

- Uncertainty on the adequacy of funding for the employers increased pension contribution for teachers and firefighters as explained in 1.4 above.
- A risk regarding the 2024/25 pay awards, should the final awards exceed the provision contained within the proposed budget.
- Uncertainty related to grant transfers into the final settlement and the amalgamation of current grants as explained in 1.4 above.
- Likely continuation of overspending in housing services on homelessness provision in 2024/25 before their transformation plan takes full effect in the following year and continuing increase in demand on social care services.
- Delivery of the current 2023/24 financial year savings is not yet complete (£1,031k) and there are outstanding elements of previous year savings also outstanding (£105k).

6.6 The HoF is required to independently assess and report, to Council, on the adequacy of the budget (and Council Tax level as an integral part of this) and reserves in the context of the financial issues and risks facing the Council. The assessment of the risks mentioned here and how we plan and utilise the above options are key to this.

### **Financial Resilience**

6.7 A robust view is taken in managing budget risks and protecting the financial health of the Council. In that respect, the Council's financial resilience is a key consideration and Appendix 10 shows the current 'snapshot' of the key data and information showing an overview of the health of the Council. In the context of the challenging economic climate, the budget has the following areas of mitigation which will be required to support the budget challenges and risks set out above.

- (i) existing revenue contingency budget £1.373m which will rise to £1.6m with these budget proposals;
- (ii) existing revenue budgets not yet committed (capital financing budget), and which are set aside to manage revenue budget risks in the short-term at c£2.2m;
- (iii) specific reserves earmarked for uncertainty on pay costs increase at £1.4m,
- (iv) specific school reserves forecast at c£10m
- (v) potential receipt of further new one-off funding from the additional consequential funding given to the Welsh Government following the announcement of additional Local Government funding on 24<sup>th</sup> January 2024.
- (vi) investment in revenue budgets to mitigate risks on an ongoing basis.

6.8 Key headlines from the above list include:

- Earmarked Reserves: Although the Council's reserves have increased in recent years, nearly all of these are earmarked for specific purposes. However, as a last resort they do provide some mitigation but use of them means that the original purpose would be affected and/or would result in a budget pressure to build those reserves up again, as well as delaying the identification of recurring mitigation for the identified budget gap. The Council has a specific risk to deal with the inherent uncertainty of pay budgets at £1.4m

The budget recommended requires an annual £400k of reserve funding in Children Services to fund emergency placements budget provision for two years, as they develop and then implement their transformation plan. It is recommended that the Cabinet re-purpose and approve the following reserves for that purpose:

- General Investment Risk Reserve (£200k)
  - COVID Risk Reserve (£420k)
  - COVID Reserve (£180k)
- Revenue Contingency budget & General Reserves: The (i) contingency base budget and other (ii) specific risk reserves held by the Council are taken into consideration when assessing the level of the general reserve and help to mitigate the risk to the Council. The general reserve is now too low relative to the size of the Council's budget which has increased significantly over the last 5 years as WG funding increased. The general reserves are however, in some respects, a 'blunt tool' to manage risk as they would be required to be increased again straight away if used. In that sense, setting deliverable budgets, managing budgets robustly and having a meaningful level of revenue budget contingency is more effective.

The final budget proposals here include a budget proposal to increase the level of the Council's budget contingency to £1.6m (from c£1.3m) and this will need to be kept under review in future years. The Head of Finance considers this a required budget investment to manage the increasingly challenging demands on the Council's budgets and medium-term funding outlook. Supplementing it will be the Council's non-committed element of its capital financing budget for 2024/25 at c£2.2m. This is temporary only and is reducing each year as the capital programme is completed but will provide, for example, mitigation for continued increasing demand in housing and children's services for the 2024/25 financial year whilst their transformation plans are implemented. Given the above comments, the Council's general reserves can be maintained at current levels due to the overall level of reserves which, in the last resort, provide more than adequate financial mitigation, albeit with resulting impacts as noted above.

- School budgets- Reserves: The position in relation to school reserves improved after the Covid period and funds built up over those years are now being spent not only on initiatives which gave rise to increased WG funding over that period but also to delay making budget savings which were required as part of the 2023/24 budget. The forecast net spend against school budgets this year will see reserve balances reduce to c£10m by the end of this financial year. It is important to note that school reserves can only be used by each individual school and not generally by the Council.
- The Council is investing significantly in Children's Services and Housing at c£4.1m. This will provide some mitigation for current demand levels.

6.9 The Council is developing a strategic transformation programme and the necessary governance arrangements to review and deliver it and has its 'transformation plan fund'

(previously invest to save) reserve to fund the one-off cost of change. The programme is integral to developing ongoing financial sustainability whilst also ensuring key services can be delivered.

### **Fairness and Equality Impact Assessments (FEIAs)**

- 6.9 In line with the council's legal duties as set out in the Equality Act 2010 and the Welsh Language (Wales) Measure 2015, all proposals that are subject to public consultation have undergone a full equality impact assessment which will be updated as needed for the final Council meeting to reflect public consultation responses.
- 6.10 Appendix 13 provides the impact assessment for the new saving proposals individually listed in Appendix 7, showing any issues, after mitigation, of any equalities issues that Cabinet and Council need to be aware of.

## 7 2024/25 proposed Council Tax

- 7.1 The draft budget included a Council Tax increase of 8.5% in 2024/25 and 4% base assumption in future years.
- 7.2 The improved RSG, Council Tax increase, budget planning assumptions and savings identified means that there remains a budget surplus of £1,295k. Cabinet will need to decide on how this budget surplus is to be addressed to give a balanced position.

**Table 6:** 2024/25 available and required budget

The table below shows the available and required budget funding with a 8.5% increase in council tax. Cabinet will be aware that beyond 2024/25 there has been a further 4% increase implicit in the MTFP planning parameters. In setting Council Tax, the Council needs to be aware of the need to set a balanced budget.	
<b>Council Tax at Band D at 8.5%</b>	£1,497.44
<b>Budget requirement</b>	<b>£000</b>
Base budget 2023/24	373,676
Inflation	17,678
Transfer to reserves	429
<b>DRAFT BASE BUDGET 2024/25 (before investments/savings)</b>	<b>391,783</b>
Budget investments – (inc. increase of £1,229k required in Council Tax Reduction based on 8.5% Council Tax increase)	11,430
Budget savings	(5,280)
<b>DRAFT BASE BUDGET 2024/25</b>	<b>397,933</b>
<b>Draft funding available</b>	
Draft WG settlement	302,972
Specific Teachers' Pension funding	3,419
Current Council Tax at new tax base	84,642
Increased Council Tax @ 8.5%	7,195
Council Tax premiums	600
Use of reserves on a temporary basis	400
<b>Total</b>	<b>399,228</b>
<b>Balance to allocate</b>	<b>(1,295)</b>

- 7.3 Before Cabinet can recommend a budget to Council; decisions are required based on the figures shown in the above table. Options include:
- delete previously agreed savings
  - providing additional capacity within services or contingencies
  - fund new initiatives and policies
  - consider the level of Council Tax required to balance the budget. A 0.1% change in council tax equates to £71k. The current MTFP and draft 2024/25 budget assumes an increase of 8.5%.

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Previously agreed budget savings not delivered	M	M	(i) robust budget proposal process (ii) robust budget monitoring (iii) programme governance (iv) service planning (v) retention of reserves and budget contingency	Head of Finance/ Heads of Service
Budget savings not delivered on time leading to in year overspending	H	M	(i) robust budget monitoring (ii) programme governance (iii) retention of reserves and budget contingency	Heads of Service Head of Finance
Unforeseen Pressures	H	H	(i) retention of reserves and budget contingency (ii) robust budget review	Head of Finance/ Heads of Service

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

The overall aim of the budget and MTFP is to ensure resource allocation is based on priorities, supports the delivery of the Council's soon to be developed transformation plan, savings proposals and protects the financial health of the Council.

## Options Available and considered

Cabinet has various options open to them on the detailed proposals contained within this report. Taking a strategic medium-term view, Cabinet should approve the three-year plan as summarised in the MTFP, though they could approve 2024/25 proposals only. For 2024/25 Cabinet must recommend a final revenue budget and resulting council tax level to the Council.

## Preferred Option and Why

That Cabinet are asked to approve a three-year MTFP.

Cabinet must set a balanced revenue budget and recommend the related council tax amount required for this level of spending to Council.

## Comments of Chief Financial Officer

All financial details are included in the body of this report. The Cabinet have the responsibility to put forward a final budget recommendation to the full Council who will then review and agree the final budget and rate of Council Tax at its meeting on the 29th February.

As the report indicates, the budget has been prepared under continuing increased service demands and resulting financial challenges that come from that. The report highlights a number of key risks; some within the Council's Corporate Risk Register. It is essential that revenue budget contingency is increased and that we augment that with the uncommitted capital financing budget for 2024/25 given continuing demands on services and the time taken



to implement and see the full impact of transformation plans. These are outlined in the report and the HoF/S151 officer will provide an overall opinion on the final budget recommendation following the finalisation of the budget. In saying that, budget proposals allow for a reasonable level of revenue budget contingency at this point and whilst not impact free, the reserves of the Council provide further mitigation in the worst-case scenario.

### **Comments of Monitoring Officer**

There are no specific legal issues arising from the Report at this stage. Cabinet is being asked to consider the budget consultation responses and agree the final savings proposals in order to deliver a balanced budget for 24/25. Where the relevant business cases are not delegated to Heads of Service and Cabinet Members in accordance with the Council's scheme of delegation, Cabinet are required to take the final decisions on those business cases in the light of the responses to the public consultation, prior to making a recommendation to Council regarding the budget for 24/25. The implementation of the business cases are executive matters, with the exception of any which purely relate to staffing proposals and operational matters which are non-executive matters delegated to Heads of Service. Business cases which have an impact on the delivery of services, have been the subject of Equality and Fairness Impact Assessments to ensure that the Council has regard to its public sector equality duties under the Equality Act and is also acting fairly in terms of the impact of the proposed changes on service delivery. In addition, where specific proposals have impacted on staffing levels, these have been the subject of a staff consultation process. The setting of the overall base budget and council tax rate for 24/25 is a matter for full Council, as these are non-executive reserved matters under the Constitution. Therefore, Cabinet will need to recommend the final budget and the proposed Council tax increase to full Council for approval in accordance with the Local Government Finance Act 1992.

### **Comments of Head of People, Policy and Transformation**

The 2024/25 Budget and Medium-Term Financial plan gives Cabinet the opportunity to consider the implications and opportunities in the deployment of resources across a range of functions and services over the next three years.

The Council's headcount and full-time equivalent posts have reduced significantly in recent years to meet the financial challenges. Whilst potential impacts on frontline services have been minimised for 2024/25, the Councils workforce will nevertheless be impacted by proposals to deliver services in different ways or to reduce provision. All staff potentially affected by the budget proposals have been consulted with, or will be as and when necessary, and the relevant trade unions have made representations, which are referenced in this report.

As part of the consultation process, opportunities have been made available for the public to express their views and these are included in the report for the consideration of Cabinet. A significant number of responses have been received via email, on-line consultation pages, through bus Wi-Fi and discussions with stakeholder groups.

The Council is required to ensure it considers the impact of decisions taken now on future generations and also the impacts on protected equalities groups. This has been done through the use of Fairness and Equality Impact Assessments which consider all key savings proposals. It should be noted that meeting the sustainable development principle is becoming increasingly difficult whilst the Council faces both immediate and long-term financial pressures and many achievable savings have already been made in previous years.

### **Scrutiny Committees**

Comments from Scrutiny Committees are included in Appendix 2 of the report.

#### **Fairness and Equality Impact Assessment:**

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The Wellbeing of Future Generations Act 2015, which came into force in April 2016 provides a framework for embedding sustainable development principles within the activities of Council and has implications for the long-term planning of finances and service provision. The business cases used to develop savings proposals include specific linkage with Future Generation Act requirements of the “five ways of working”.

Long term - The medium-term approach that is in place for financial planning within the Council is intended to bridge the gap between longer-term strategic aspirations and sustainable development concerns with the more immediate pressures of setting a balanced budget each year.

Prevention – Taken as a whole the proposed investments are geared towards sustaining preventative type services and focussing on some of the most vulnerable groups which should have the greatest impact over the longer term and will help to prevent negative outcomes getting worse.

Integration – The budget and medium term financial plan has the overall aim of balancing resource allocation across services to support the range of strategic priorities and the delivery of the Council’s change programme whilst ensuring financial sustainability.

Involvement – The budget is informed by insight gained from public engagement work, including previous budget consultations. Pre-budget public engagement on the relative prioritisation of Council services has informed the proposed budget investments. Newport Fairness Commission along with other stakeholders will be engaged as part of the consultation.

Collaboration – Whilst the budget and medium term financial plan is a Council owned document it recognises that services are increasingly delivered in a collaborative public sector landscape with a greater emphasis on regional working e.g., through Corporate Joint Committees, Gwent-wide and South East Wales based partnerships.

The Well-being of Future Generations Act has involvement as one of the five ways of working under the sustainable development principle. Involvement in the development of this budget has included a seven-week period of public consultation and consultation with Trade Unions via the Employee Partnership Forum, with all Overview and Scrutiny Committees, with the Schools’ Forum and with the Council’s Fairness Commission.

#### **Consultation**

Consultation on the budget has been undertaken, as outlined in section 4 of the report and within the appendices.

#### **Background Papers**

January 2024 Cabinet report - 2024/25 Budget and Medium Term Financial Plan

Dated: