

## 2024/25 Budget Planning Framework

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### 1. Introduction

- 1.1. The Council's Medium term financial strategy and plan are the link between its long-term policy objectives and its financial capacity. It seeks to ensure that the Council's strategic objectives can be achieved within the confines of the financial resources available.
- 1.2. The current medium term budget modelling was developed as part of the budget process for 2023/24 and ultimately informed the budget that was approved by Council in March 2023. There continues to be significant change, both nationally and locally that impacts the Council's operating environment.
- 1.3. It is therefore appropriate that the budget assumptions, modelling and risks are reviewed and updated to reflect the impact of the current economic situation, the revised demands and assumptions that this brings, together with aligning with the policy objectives of the Council.
- 1.4. The budget and medium-term financial planning process has had a consistent theme over recent years. The Council has had to absorb and manage significant pressures as well as adopting significant savings proposals.
- 1.5. Whilst the budget process adopted over time has had a medium-term focus and looked to promote financial sustainability, the funding context for the Council, the increased demands upon Council services, and the layers of service efficiency already generated over recent years, all provide a very challenging landscape for setting the 2024/25 budget. The Council's response therefore needs to be thoughtful, targeted, and promote longer-term reform that will ensure financial sustainability.

### 2. External context

- 2.1. Since the 2023/24 budget was set, we have continued to see significant volatility in the global and national political and economic landscape, resulting in a severely challenging operating environment for the Council.

- 2.2. Over the last three years the Council has needed to respond to the Covid pandemic, the energy and cost-of-living crisis, rocketing inflation, and the steepest rise in borrowing costs for 30 years.
- 2.3. In recent months we have seen inflation continue to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to edge down to 6.8%.
- 2.4. The Bank of England's Monetary Policy Committee has continued tightening monetary policy, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted to maintain Bank Rate at 5.25%. In the short term the risks are to the upside if inflation increases again, but over the remainder of the 2023/24 financial year the risks are to the downside from economic activity weakening more than expected.
- 2.5. The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months will mean that the full impact from Bank Rate rises is still yet to be felt by households.
- 2.6. Although energy prices have fallen since peaks last year and remained fairly steady through Q1 of the 2023/24FY, prices are still far higher than 2 years ago, and the market remains volatile. Recent trends have been on an upward trajectory with electricity demand high over the summer period across Europe, and maintenance issues reducing Norwegian gas production by a third.
- 2.7. A mix of stubbornly high labour costs, a workforce and skills shortages remain.
- 2.8. There is no end in sight to the Russia-Ukraine war and its associated impact on supply chains, with the further overlay of the conflict in the Middle East.
- 2.9. The context outlined above has significant implications for the Council's medium term financial planning. These implications are summarised below and will be central to the update of the budget assumptions for 2024/25 and over the medium term.

<b>Factor</b>	<b>Planning Implications</b>
<b>Inflation</b>	Increased costs across supplies and services, contractual arrangements calculated via CPI/RPI, impact on pay awards.
<b>Supply chains</b>	Disruption to availability of materials, parts and supplies leading to increased costs for alternative/expedited solutions.
<b>Labour market</b>	Shortage of staff leading to increased costs for commissioned services and agency staff, real living wage implications.
<b>Energy Crisis</b>	Increasing energy costs across Schools, Leisure centres, Offices, and Street Lighting, increased fuel costs for Council vehicles and for contracted transport providers.
<b>Interest Rates</b>	Increased cost of borrowing and associated impact upon the affordability of the capital programme.

### **3. Funding context**

- 3.1. The primary funding of the Council's revenue budget comes from the Welsh Government (WG) settlement, and through council tax income. The assumptions for these funding elements are fundamental in developing robust medium term financial plans.
- 3.2. When issuing the final local government settlement for 2023/24 in March 2023, WG provided an indication that the 2024/25 settlement would be uplifted by 3.1% across Wales. This figure is indicative and dependent on current estimates of business rate income, and the funding provided to WG by the UK Government.
- 3.3. The 2023/24 final settlement for Monmouthshire was £122.675m. An uplift of 3.1% would equate to additional income of £3.8m. It is unclear at this stage, whether the indicative funding allocations will be revisited by the UK and Welsh Governments
- 3.4. Local authorities continue to lobby Welsh Government directly and through the WLGA to ensure that there is a strong body of evidence to support the need for funding at a level that allows Council services to be sustained and at the level of increased demand being experienced.
- 3.5. The provisional settlement is expected on 20th December 2023. Cabinet will therefore need to delay consideration of the draft budget proposals until January in order that the most up to date funding announcement can be included. Welsh Government's final local government settlement is due to be published on the 27th of February 2024, the day before Cabinet will be considering the final budget proposals and ahead of Council setting the budget for 2024/25 on 29th of February.
- 3.6. In addition to the settlement, Councils also receive specific grants which are accompanied by explicit terms and conditions as to how they can be used. As a general rule, these grants cannot be used to fund core expenditure. For 2023/24, £70m of specific grants have been budgeted for, however the final value of awards will likely be much higher.
- 3.7. WG have committed to reducing the administrative burden of specific grants on local authorities including exploring the option for any transfer into the overall WG settlement. Whilst the Council would generally welcome this approach, there would need to be careful consideration of whether the level of awards would be disproportionately affected by Monmouthshire's low relative share of overall WG settlement.
- 3.8. The Council Tax planning assumption is currently modelled at a 5.2% year on year increase. Cabinet have not yet considered the level at which Council Tax will be set for 2024/25, and the rate of increase used is for illustrative purposes only at this stage. In proposing the final level of increase for the 2024/25 budget, consideration will be given to local context, such as the affordability for communities, together with the ongoing need to meet increasing demand and cost pressures of essential local services.

- 3.9. Fees and charges make a significant contribution to the Council's budget, with £24m budgeted to be received in 2023/24. Any proposed changes to fees and charges will be presented for consideration as part of the draft budget papers, and ultimately approved by Council at final budget setting stage.

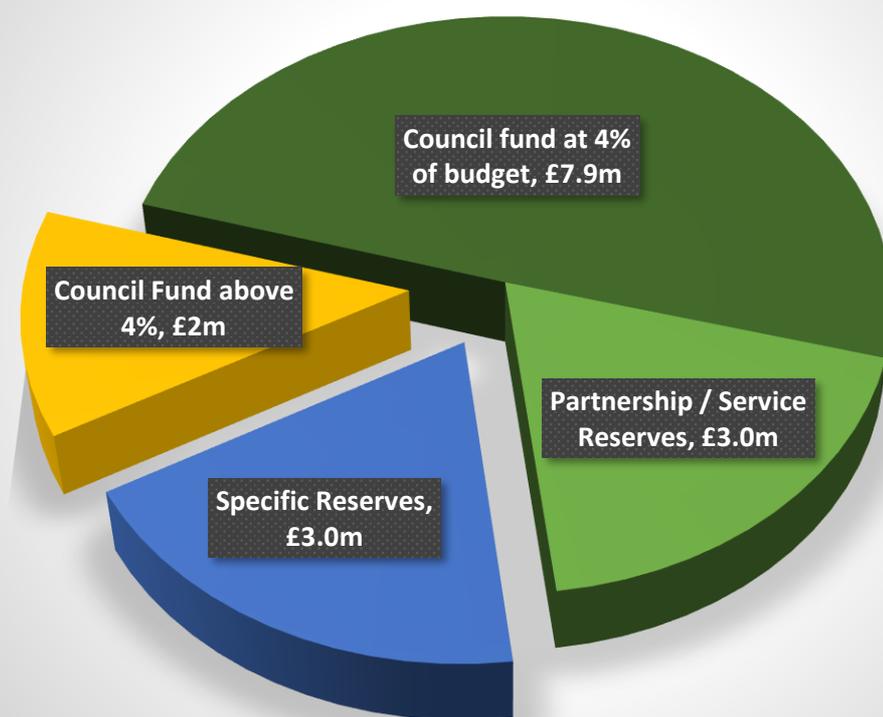
#### **4. Current year budget**

- 4.1. Both the national and funding context explained above are already having a significant impact on the Council's finances in the current financial year.
- 4.2. The month 5 position reported to Cabinet on the 8th of November highlighted budget pressures totalling £7m as a consequence of demand pressures, cost inflation, income loss, pay awards, and transferred responsibilities which have not been fully funded.
- 4.3. Whilst approval of additional in-year use of revenue reserves of £2.5m, and savings in borrowing costs and Council Tax mitigate these pressures in part, there has been a need to instigate immediate budget recovery action to ensure the Council finishes the year in a financially sustainable position, and without the need to further call on severely low levels of reserves.
- 4.4. Importantly, the budget for 2023/24 continues to be supported by £3m of capital receipts under the flexible use of capital receipts directive. Reliance on this mitigation when first utilised in 2019/20 was intended to be a short-term measure only to support investment in wider service redesign view a view to reducing the level of overall service cost in the medium term. However, given the continued level of service change required to be generated by services in order to reduce cost over the past 4 years, this measure has been needed to continue.
- 4.5. The inherent pressures noted above will clearly need to be assessed for their impact upon the 2024/25 budget and over the medium term unless suitably mitigated through additional funding or alternative recurrent service savings.

#### **5. Reserves**

- 5.1. The 2023/24 budget is supported by £5.5m of revenue reserves and £3m of capital receipts by way of capitalisation directive. Support from reserves was intended as a one-off measure for 2023/24, both to allow time for services to redesign service delivery in order to operate at a lower cost base over the medium-term, and to mitigate an expected temporary period of significant cost inflation impacting on all aspects of service delivery.
- 5.2. The in-year use of reserves for these purposes has served its purpose. However, it was understood that this would create a financing gap for 2024/25 and that low reserve levels would not allow for any further support from revenue reserves.
- 5.3. When allowing for the Responsible Financial Officer's recommended minimum prudent level to be held in the Council fund reserve for emergency use of £7.9m, and £3m of non-accessible balances held in partnership or service reserves, overall revenue reserves of just £5m are expected to be available at the end of 2023/24.

## Revenue Reserves



- 5.4. With continued economic uncertainty on the immediate horizon, our reserves remain critical to our financial stability and resilience as an organisation. The extended period of high inflation being seen in 2023/24, future cost pressures and lower funding settlements indicated by WG, will result in reserves being required to manage overall budgetary risk, and not to support general revenue spending.
- 5.5. The use of reserves and the levels at which they are maintained is determined on an annual basis as part of the Council's budget setting process and follows a risk-based assessment by the Responsible Financial Officer.
- 6. Budget assumptions and the projected budget gap**
- 6.1. The Authority's medium term budget model is reviewed annually and is continually updated through the budget process. The brought forward model contains the base budgets of the Authority overlaid with assumptions that are then updated in the light of updated data and information. This allows prudent changes to be made to the modelling to enable the gap between resources and expenditure to be highlighted.
- 6.2. External data from sources such as the Office for Budget Responsibility (OBR), and the Wales Fiscal Analysis unit support the budget assumptions applied within the modelling.

- 6.3. This is further supported by the work that Welsh Local Authorities produce through the Welsh Local Government Association (WLGA), that allow us to validate and challenge the assumptions we make throughout the budget process.
- 6.4. The budget planning assumptions in the brought forward budget model are compared below to the updated assumptions following new data and information coming forward:

<b>BUDGET ASSUMPTION</b>	<b>2024/25 Brought forward assumption</b>	<b>2024/25 Updated Assumption</b>
<b>Expenditure:</b>		
Pay award (non-teaching staff)	2.30%	4.50%
Pay award (teaching staff)	2.80%	4.40%
Superannuation rates	24.50%	24.50%
Non-pay inflation	0.00%	2.00%
Service pressures (non-pay)	£7.5m	£6m
Borrowing cost pressures	£1m	£1m
Fire levy	3.95%	5.20%
<b>Income and Efficiencies:</b>		
Staff vacancy factor (non-schools)	2.00%	3.00%
Fees and charges	0.00%	5.20%
<b>Funding:</b>		
Welsh Government Settlement (AEF)	3.00%	3.00%
Council Tax (MCC) - Band D increase	3.95%	5.20%

- 6.5. The initial review of the assumptions contained in the modelling suggested a number of prudent proposed changes:

<b>Pay award (non-teaching staff)</b>	<p>Increase from 2.3% to 4.5%.</p> <p>Sustained levels of high inflation have resulted in protracted pay negotiation processes and upward pressure on pay awards, with pay negotiations for 2023/24 continuing at a national level. The final award is expected to exceed the budgeted increase for 2023/24, with a likely increase of circa 7% on average. Whilst this pressure will be partly managed during 2023/24 from one-off reserves set aside as part of the budget, the ongoing base budget pressure will need to be addressed in 2024/25.</p> <p>Assumptions for the 2024/25 pay award had previously been forecast at a 2.3% increase, but with inflation remaining higher for longer, information</p>
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	collated suggests that this should prudently be increased to 4.5% as the central case.
<b>Pay award (teaching staff)</b>	<p>Increase from 2.8% to 4.4%.</p> <p>Pay awards for teaching staff have similarly seen increases in recent years and are expected to continue for 2024/25. The 4.4% increase reflects the central case of WLGA estimates and is calculated using assumptions for both 2023/24 and 2024/25 Academic Years. Welsh Government do have delegated responsibility for setting pay levels for teachers, unlike with non-teaching (LGE) staff. Welsh Government has funded pay award increases in recent years, however there is signalling that this may not be the case moving forward, and therefore the prudent assumption taken is that this remains unfunded or is incorporated into the settlement assumption.</p>
<b>Superannuation rates</b>	<p>No change is advocated to the existing assumption.</p> <p>The Council's Local Government Pension Scheme valuation review in 2022 has resulted in revision to the Councils contribution rate, with a stepped increase to 25.3% over 2023-26. This change is reflected in the Councils existing budget planning.</p> <p>The Teacher's Pension Scheme (TPS) is subject to its actuarial review which will take effect from 1st April 2024. Our planning assumes that any variation in contribution rates for teaching staff will be fully funded by Welsh Government, as was the case previously.</p>
<b>Non-pay inflation</b>	<p>Increase from 0% to 2%.</p> <p>Traditionally a non-pay inflation factor of 0% has been used for modelling purposes, in favour of including evidence-based pressures being brought forward from services. However, reflecting upon previous budget rounds and the significant impact that inflation has had on final cost pressures experienced by services, it is felt that an allowance of 2% at this stage of the process (which takes overall service cost pressures to £9m) is prudent. This assumption will be further considered as better information becomes available of the level of service pressures expected in 2024/25.</p>
<b>Service pressures (non-pay)</b>	<p>Reduce from £7.5m to £6m.</p> <p>Provision is initially made in budget modelling for "unidentified pressures" of £7.5m in each of the 4 years of the medium-term financial plan and based on the level of pressures that have historically presented themselves and been accommodated as part of the budget process.</p>

	<p>The most recent month 5 budget forecast for 2023/24 has reported forecast (non-pay) cost pressures of £6m and where immediate budget recovery action is now being taken. An initial review of whether all of these are recurrent pressures will be made in the early stage of the budget process and will be the subject to rigorous review and challenge with the aim of reducing and mitigating their impact.</p>
<b>Borrowing cost pressures</b>	<p>Maintain at £1m.</p> <p>A full review of the revenue cost of our existing and planned capital expenditure will be undertaken during the budget process. At this early stage, as a net borrower, the heightened interest rate environment is expected to create further cost pressure of £1m in 2024/25.</p>
<b>Fire levy</b>	<p>Increase from 3.95% to 5.2%</p> <p>The Council is required to pay a levy and annual contribution towards the South Wales Fire and Rescue Authority. A planning assumption of a 5.2% increase has now been modelled ahead of the process of consultation and engagement with constituent Councils, reflective of the expected pressure on SWFRA budgets.</p>
<b>Staff vacancy factor (non-schools)</b>	<p>Increase from 2% to 3%</p> <p>Services have been experiencing a challenging labour market in the post-Covid period with a shortage of available staff leading to pressure on existing staff structures, and increased costs for commissioned services and agency staff.</p> <p>A vacancy freeze initiated as part of the budget recovery action during 2023/24 will maintain a degree of vacancy throughout staffing structures leading into 2024/25.</p>
<b>Fees and charges</b>	<p>Increase from 0% to 5.2%.</p> <p>As a general rule, the council's policy is based on full cost recovery with inflationary uplifts considered annually to ensure that the Council recovers its costs for the services it provides. Whilst a blanket uplift is not applied, an increase in line with inflation is expected unless there is a clear evidence base to do otherwise. With inflation currently anticipated to subside over the remainder of the year, an initial assumption of 5.2% is used.</p>
<b>Welsh Government Settlement (AEF)</b>	<p>Maintain at 3%</p> <p>WG have provided an indication that the 2024/25 settlement would be uplifted by 3.1% across Wales. The announcement of the provisional Local Government Settlement is not expected until late in December.</p>

	<p>However in periods of comparatively low funding settlements, Monmouthshire has historically received a below Wales average increase due to the factors that influence individual Authority settlements.</p> <p>It is unclear at this stage, whether the indicative funding allocations will be revisited by the UK and Welsh Governments. However, the Welsh First Minister has announced that Welsh Government is facing its toughest financial situation since devolution, and it is currently anticipated that funding priorities remain elsewhere in the public sector.</p>
<p><b>Council Tax increase</b></p>	<p>Increase from 3.95% to 5.2%</p> <p>The council tax increases built into modelling are solely for modelling purposes and Cabinet have not yet considered the level at which Council Tax will be set for 2024/25. In proposing the final level of increase for the 2024/25 budget, consideration will need to be given to local context, such as the affordability for communities, balanced against the ongoing need to meet increasing demand and cost pressures of essential local services.</p> <p>The increased assumption at this stage is reflective of the pressures being seen on Council services, balanced alongside the expected funding from other income streams for the Council.</p>

- 6.6. There are also a number of other factors to consider when updating the budget modelling:
- The Council purchases its energy via a purchasing consortium and receives regular updates on market conditions and data to assist us in budget preparation. As we move through the initial stages of the budget process, the impact of revised energy prices will be assessed across our estate, street lighting and the Council’s solar farm. Given external influences, the situation will remain a dynamic one, and will require regular monitoring to allow for mitigating actions including a review of our decarbonisation work and reduction in overall energy usage.
- 6.7. The effect of these revised assumptions and pressures being incorporated into the updated modelling is shown below for 2024/25, indicating a projected budget deficit of £14.4m.
- 6.8. Whilst the budget process is always a dynamic one, and all figures will be revised during the process, the funding outlook for local government remains challenging and the projected budget gap a very real one.

2024/25 Budget	(£000's)	
2023/24 Balanced Budget		0
<b><u>Pay</u></b>		
Superannuation rate	244	
Pay inflation - non-teaching	4,318	
Pay inflation - teaching	1,641	
2023/24 Pay award recurrent	960	
		<b>7,163</b>
<b><u>Non-Pay</u></b>		
Non-pay inflation	3,160	
Fire Levy	284	
Recurrent 2023/24 service pressures	6,019	
Treasury, Corporate & Reserves	6,060	
		<b>15,523</b>
<b><u>Income</u></b>		
Council tax increase	-3,481	
WG settlement increase	-3,680	
Fees & Charges	-1,149	
		<b>-8,310</b>
<b>Budget Gap</b>		<b>14,376</b>

## 7. Budgetary Risk

- 7.1. In planning the Council's 2024/25 budget, the Council faces a number of financial uncertainties due to the lack of information available, and the volatile wider economic environment that continues to impact public services. As a result we need to ensure there is an effective risk management framework that allows us to consider and manage risks appropriately and for mitigation measures to be put into place wherever possible. The main risk impacting our current financial planning are summarised as follows:

<b>Service pressures</b>	Lack of detailed knowledge about the recurrent budget pressures from 2023/24 and new pressures that will be forthcoming from services for 2024/25
<b>Teachers pay – 2022/23 AY</b>	Confirmation as to whether the 2022/23 Academic Year (AY) additional pay award for teaching staff of 1.5% that is funded by grant in 2023/24FY, will be added to the settlement in 2024/25
<b>National living wage / Real living wage</b>	The local government staff pay increase, at the lower end of the scale, is directly impacted by the increase in the National Living Wage. At the start of any financial year, the lowest paid scale must increase to meet at least the minimum wage expected in the following April. There are no forecasts for the

	<p>April 2025 rate, however even in periods of very low inflation NLW has increased by at least 4%, with the exception of 2021.</p> <p>It is also the case that there is little headroom at the lower end of the scale, potentially leading to the Council needing to reassess its pay grades.</p> <p>Further to this, the Council is a Real living wage (RLW) employer with its staff and apprentices all paid at this level or above, and with RLW being directly linked to NLW levels.</p> <p>The impact of the National Living Wage and also has impacts on commissioned care through social services and where Welsh Government have set an expectation upon local authorities to fund care workers in line with the National Living Wage.</p>
<b>Economic factors</b>	The impact of inflation and interest rates on the cost of goods and services and the Council's borrowing costs.
<b>Delivery of budget saving proposals</b>	Services are currently forecasting to deliver 83.6% of the £10m in-year budget saving proposals for 2023/24, which is in line with historic experience. This points to a risk in fully delivering on a level of budget saving proposals for 2024/25.
<b>Variations to settlement Assumptions</b>	Each 1% increment in WG settlement funding accounts for around £1.2m and has a significant impact upon our planning for service delivery.
<b>Income</b>	The cost-of-living crisis impacting communities has a significant impact on household disposable incomes and consequently the demand upon income generating Council services.
<b>Debt recovery</b>	Similarly, the cost-of-living crisis has an impact on our debt recovery levels in respect of Council tax and chargeable services.
<b>Capacity for service change delivery</b>	The level of staff vacancy being experienced across Council services could impact on the ability to deliver a strategic approach to delivery of service change.

- 7.2. The Council's reserves play a critical role in the effective monitoring and management of these risks, and as our budget plans are finalised these risks will need to be reassessed against our capacity to effectively mitigate these through severely low levels of reserves.
- 7.3. The medium-term outlook remains very uncertain. Budget assumptions have been revised and based on the premise that inflation will be brought under control, and that public spending reductions by UK Government and that impact on local government in Wales are no worse than modelled. There are a lot of downside risks that could still play out and that

could adversely impact further the budget shortfalls modelled over the medium term. These shortfalls are shown for illustrative purposes below:

<b>Budget shortfall</b>	<b>In Year (£m)</b>	<b>Cumulative (£m)</b>
2024/25	14.4	14.4
2025/26	7.8	22.1
2026/27	7.1	29.2
2027/28	6.5	35.7

## **8. Bridging the gap between expenditure and available resources**

- 8.1. The Council's budget process for 2023/24 began with a projected budget deficit of £23m and concluding with a balanced budget being set in March 2023. In doing so, the Council has needed to instigate £10m of service efficiency, change and reduction, alongside drawing on support from reserves of £6m.
- 8.2. Since March 2023, sustained inflationary pressure on goods, services and pay, alongside unrelenting service demand has resulted in in-year unbudgeted pressures of £7m developing, requiring the Council to draw on a further £2.5m of reserves and requiring even further service change to be generated through to the end of March 2024.
- 8.3. The year-on-year budget pressures that have developed over recent years, funding settlements not keeping pace with inflation or demand, and new responsibilities not being fully funded, has led to a reliance on revenue reserves and capital receipts to support the budget.
- 8.4. With reserve balances moving towards emergency levels, and the layers of efficiency being driven from services over time, the current Council's financial challenge over the next 4 years is extremely challenging. The Council's response therefore needs to be thoughtful, targeted, and promote longer-term reform that will ensure financial sustainability.
- 8.5. An Audit Wales financial sustainability assessment of the Council undertaken in July 2021 identified the need for a more medium-term outlook to be taken on the sustainability of service delivery models, *"To bridge its estimated future funding gap and contribute to strengthening its financial sustainability the Council should develop and deliver a programme of sustainable planned savings over the medium term"*.
- 8.6. Whilst efforts as part of the 2023/24 budget process looked to promote budget savings over both 2023/24 and 2024/25, it is clear the scale of approach did not go far enough in meeting the challenge now facing the Council over the medium-term.
- 8.7. Given the above, it is anticipated that radical reform of service delivery models may be required over the next few years in order to place the Council back on a financially sustainable footing.
- 8.8. **2024/25 Budget strategy** – In approaching the 2024/25 budget and looking forward over the medium-term Cabinet needs to consider the extent to which cost savings can be

achieved through either service efficiencies or reductions, notwithstanding potential mitigation of budget shortfalls through additional funding or income.

- 8.9. The last fifteen years has already seen budget shortfalls managed to a significant degree through service efficiencies, leading to some service areas now already delivering essential and often statutory functions at their bare minimum. Given the scale of the potential shortfall for 2024/25 and over the medium term, a thoughtful and evidence-based approach will be taken to managing notable real term and nominal reductions.
- 8.10. Of the £197m budget allocated to services, 77% of the budget sits with the Council's three main services, Social Care, Education, and Communities & Place (including Waste, Housing, Planning, Highways, and Transport). It will not be possible to balance the budget without those three main services areas absorbing a significant proportion of the budget shortfall facing the Council.
- 8.11. Cabinet has therefore tasked officers with developing options for meeting the budget gap for 2024/25, ensuring that these take into consideration the key strategic aims outlined in the Community & Corporate plan. Cabinet have been extremely clear that the budget build for 2024/25 will recognise priorities set within the Community and Corporate Plan with reducing the impact of inequality on citizens and climate change on communities being central to all considerations.
- 8.12. It should be recognised and even at this early stage of the budget process that careful consideration will need to be given to the extent to which the Council will now be able to meet all of its commitments and as outlined in the plan. Clearly every effort will be made to mitigate the impact of commitments either not being delivered or delivered to a lesser extent.
- 8.13. The budget framework will need to be underpinned by a set of strategic budget principles that recognises the key components necessary to allow the Council to put itself on a sustainable financial footing and where council services can operate safely and within a restricted and reducing funding envelope. These principles are not intended to be exhaustive but can be summarised as follows:

<b>Strategic budget principles 2024/25</b>
A citizen facing budget focused on fairness and sustainability that mitigates any potential increase in inequality caused by the Councils actions.
A balanced budget reflecting objectives, priorities and commitments set out in the Council's Community and Corporate Plan.
A budget set without recourse to reserve funding. In year spending will be met by in year funding.
An affordable and acceptable level of council tax increase with qualifying households being encouraged to access all dispensations they are entitled to receive.
To increase existing fees and charges. As a minimum fees and charges will be increased to match cost inflation. The Council will review opportunities to introduce new fees as appropriate.
To optimise the use of land and buildings and consider alternate uses or disposal where there is not a clear ongoing case for continued use.

To be open to using capital receipt balances to support one-off revenue expenditure associated with service reform and to reviewing existing capital programme commitments not yet entered into.

To manage, wherever possible, any necessary reduction in the workforce through turnover rather than through specific voluntary or compulsory redundancy programmes.

To optimise the use of specific grant funding, taking advantage of legitimate opportunity to offset existing core cost through direct charge to the funding stream.

To sustain services through the development of strategic partnering arrangements with other local authorities, public sector partners, town and community councils, and third sector organisations.

## **9. Capital programme**

- 9.1. The Council's Capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. Demand for capital resources remains high and therefore inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners remain key to meeting this demand.
- 9.2. The Capital strategy will be refreshed and brought alongside final budget proposals to Council in February 2024.
- 9.3. The Council has strengthened its scrutiny and challenge of the Capital Programme through the established Capital and asset management working group (CAMWG). The process in place looks to ensure that projects are prudent, affordable and will deliver tangible benefits to core policy objectives over the long term.
- 9.4. The Capital Programme for 2024-2028 will be reviewed and reconsidered during the budgetary process to ensure that the revenue implications of capital expenditure are accurately reflected in the revenue budget and that the capital expenditure plans of the Council remain affordable, prudent and sustainable. The provisional Capital programme totals £68m over the next 4 years and this remains a significant commitment for the Council.
- 9.5. Schemes already included in the indicative programme will be reviewed in respect of timing and their continued alignment to strategic objectives. Schemes that are not time critical may be deferred to focus capacity on the delivery of priority schemes, or to allow capital receipts to be released to aid in meeting wider Council service redesign.
- 9.6. Construction and material inflation impacts the capital programme in terms of managing and maintaining the Council's assets. These include cost increases on goods/services which are yet to be approved or delivered, contractors willingness to tender for works, their lack of capacity, and the pricing of risk into contracts. Funding may not keep up with such increases, so the risk of affordability is significant unless costs are reduced elsewhere, or the number of projects undertaken is reduced.
- 9.7. Our existing borrowing that supports capital projects already completed is at fixed rates. However, given a significant future borrowing requirement to fund the indicative programme, there remains a significant risk of increased costs from heightened interest rates. Whilst the

market view is that rates may fall back as inflation subsides, it is not expected to return to previous historically low levels.

- 9.8. A review of the Councils asset base is being undertaken as part of the updated Asset Management Strategy, which will assess how our assets contribute to the delivery of services and support the strategic objectives of the Community & Corporate Plan. There will be an enhanced focus on disposal or alternative use, and working with existing partnerships to maximise opportunities for co-location of services.

## 10. Budget Process and Timetable

- 10.1. In the context of all the above, setting a balanced budget for 2024/25 will be significantly challenging and will involve difficult decisions that will allow Cabinet to align and deliver the aims and aspirations set out in its revised Corporate and Community plan, and within the confines of available funding. The work required needs to involve Members and Monmouthshire communities as early in the process as possible.

- 10.2. The proposed milestone dates in developing the budgetary process for 2024/25 is as follows:

Refresh of budget modelling using updated assumptions & data	September 2023
Budget workshops – SLT/Cabinet/Groups/Officers	October 2023
High level pressure & saving mandates produced for Cabinet scrutiny	November 2023
Report on budget process and timetable - Cabinet	15th November 2023
Final pressure & saving mandates to be produced	December 2023
Budget assumptions, pressures and savings to undergo further Cabinet scrutiny	December 2023
Consideration of Welsh Government Provisional settlement	20th December 2023
Set Council tax base - ICMD	20th December 2023
Consideration of draft revenue & capital budget proposals - Cabinet	17th January 2024
Scrutiny of Proposals - Select Committees	January 18th to 17th February 2024
Public Consultation for 2024/25 budget	January 18th to 17th February 2024
Consideration of scrutiny, consultation, final pressures, savings & assumptions	20th February 2024
Consideration of Welsh Government Final settlement	27th February 2024
Final budget proposals - Cabinet	28th February 2024
Formal Council Tax Resolution & Budget Proposals	29th February 2024

- 10.3. **Appendix 2** identifies the detailed timetable that covers the complete process. The process is supported by appropriate senior finance officers providing the necessary input to support the proper production of the business cases, including equality impact assessments where appropriate, and to facilitate robust review and scrutiny throughout the process.

- 10.4. Welsh Government intends to publish the draft provisional funding settlement for local authorities on the 20th of December 2023. This will allow us to understand whether or not the Council will receive any additional funding over and above the indicative average uplift for 2024/25 as was set out in the 2023/24 settlement. Welsh Government Ministers have been clear in their messaging that it is extremely unlikely that additional funding will be

forthcoming and have pointed to the impact inflation has had on the Welsh Government Budgets.

- 10.5. Where necessary up-front engagement with key stakeholders will take place ahead of draft budget proposals being released for consultation.
- 10.6. The underlying budget modelling will also be updated to include new information as it becomes available, specifically information from Welsh Government on the settlement. The modelling will also inform the medium-term financial strategy that will be presented to Council in December 2023.
- 10.7. Formal scrutiny of the draft budget proposals will take place through the normal scrutiny committee cycle in January and February, including if necessary one overall scrutiny meeting to consider the budget proposals as a whole.
- 10.8. Public consultation will also take place subsequent to the special Cabinet meeting in January 2024 and will run until the 17th February 2024. Feedback from the 2023/24 exercise highlighted that virtual and online consultation was welcomed and these options will again be explored to ensure that nobody is disproportionately disadvantaged in their ability to respond during the budget consultation period.
- 10.9. Final budget proposals will be presented back to Cabinet on 28th February 2024 after consideration of consultation feedback. The budget will then go to Council on the 29th February 2024 in order to meet the statutory requirement to set a Council Tax for the following year. This presents a challenge for setting next year's budget, as Welsh Government intends to only release final settlement information shortly before this date on 27th February 2024. This date may change, but where necessary may involve the final budget proposals containing potential options to mitigate the potential for any adverse final settlement revision.
- 10.10. The scale of the financial challenge facing the Council is considerable. Whilst the Council will do all that it can to protect jobs, as a significant percentage of the Council's gross expenditure is on employee costs, the need to reduce costs on such a significant scale will inevitably affect employee budgets and the shape of the workforce.
- 10.11. Through the Council's Joint Advisory Group with trade unions and separate Trade Union partnership meetings, trade unions will be briefed on the scale of the 2024/25 budget gap and will continue to be consulted in advance of wider public consultation on any budget proposals and their likely impact on employees, particularly where posts are at risk of redundancy. Under the law relating to unfair dismissal, all proposals to make redundancies must involve reasonable consultation with the affected employees and their trade unions. Given the size of the budget gap, it is likely that there will be redundancies within the Council's workforce in the lead up to, and during the financial year commencing 1st April 2024, notwithstanding every effort being made to avoid them.
- 10.12. Where the number of employees likely to be made redundant exceeds certain thresholds, the law specifically sets out a minimum length of time and minimum content for the consultation with the trade unions, including ways of avoiding, reducing or mitigating the consequences of the numbers of employees being made redundant. As the Head of Paid Service, the Chief Executive is responsible for all staffing matters and has the authority to implement all necessary consultation in relation to proposed redundancies (statutory or otherwise) and make associated staffing decisions.