

SUBJECT:	DRAFT REVENUE AND CAPITAL BUDGET PROPOSALS 2024/25
MEETING:	CABINET
DATE:	17th January 2024
DIVISION/WARDS AFFECTED:	All

1 PURPOSE:

- 1.1 To set out draft revenue and capital budget proposals for financial year 2024/25.
- 1.2 To commence a period of consultation on draft budget proposals for a four-week period ending 15th February 2024.

2 RECOMMENDATIONS:

- 2.1 That Cabinet approves the release of its draft revenue budget proposals for 2024/25 for consultation to run until 15th February 2024.
- 2.2 That Cabinet approves the release of its draft capital budget proposals for 2024/25 and indicative capital budgets for 2025/26 to 2027/28 as set out in **appendix 4** for consultation to run until 15th February 2024.
- 2.3 That Cabinet notes the adverse implications and current uncertainties arising out of the provisional budget announcement of Welsh Government as outlined in this report and agrees the response outlined at **appendix 3**.
- 2.4 That Cabinet recommends the use of £2.8m of capital receipts to fund revenue costs associated with organisational change that support the draft revenue budget proposals.

3 Budget context and summary

- 3.1 Councils across the UK are continuing to face significant financial challenges. It is widely acknowledged that local government funding has not kept pace with increased service demand and inflationary pressures. 2024/25 will be no different.
- 3.2 The Council has seen continuing financial headwinds which are having a severe impact upon the service operating environment:
 - The Inflationary drivers impacting pay and supplies and services continue to far outstrip available resources;
 - Demand led pressures continue to increase in the areas of Homelessness, Social Care, Children's additional learning needs, and Transport;
 - Interest rates have risen sharply to combat inflation, significantly above economic forecasts;

- The Council continues to deal with a shortage of staff resources due to the ongoing labour market challenges that requires more costly temporary solutions to be used;
- Supply chain issues continue which requires more costly alternative or expedited arrangements;
- The cost of living crisis has continued to have a significant impact on our communities, and will be further exacerbated over the medium term by weak growth forecast in the UK economy that impacts public sector spending, and the recent sharp interest rate rises that will impact housing costs as we move through the year.

3.3 All the above results in a growing need for supportive Council services, a reduced demand for income generating services, increased risks around debt recovery, and a continued high-cost operating environment.

4 Provisional Local Government Settlement

4.1 On the 20th December 2023, the Minister for Finance and Local Government announced the Provisional Settlement for 2024/25.

4.2 The headlines of the Settlement are:

- On average, Welsh Local Authorities will receive a 3.1% increase in general revenue funding next financial year.
- Individual Authority Settlements range from +2.0% to +4.7%.
- Floor protection is in place, with additional funding of £1.3 million provided to ensure that no Local Authority received a settlement increase of less than 2%.

4.3 Monmouthshire will receive a 2.3% increase in Aggregate External Finance (AEF) in 2024/25. In cash terms this equates to £2.68m after taking into account taxbase adjustments.

4.4 The below average settlement for Monmouthshire is linked to data underpinning the settlement, notably distributional increases linked to population and free school meal eligibility. These are partially offset by increases in Monmouthshire's distribution relating to pupil numbers and benefits.

4.5 There is currently no indicative date for receipt of the Final Settlement, although it is anticipated that this would be no sooner than the publication date of the Welsh Government (WG) final budget which is due on 27th February 2024. This will mean a limited amount of time between the announcement of Final Settlement and the Council's budget-setting meeting (29th February 2024). Whilst this has also been the case in recent years, timing may prove more problematic than usual for 2024/25, due to uncertainties regarding specific grants and other funding as outlined below.

4.6 The Welsh Government's recent review of local government finance aims to reduce administrative burdens on Local Authorities and offer greater funding flexibility. Several specific grants are expected to transfer into the wider Revenue Support Grant in 2024/25, but no specific grant transfers have been made at Provisional Settlement. It is assumed that all transfers will now be announced as part of Final Settlement. As there is currently little visibility

over what will transfer, the timing of the changes effectively curtails any funding flexibility for 2024/25.

4.7 The Provisional Settlement provides some details on specific revenue grants. However, information is at an all-Wales level and incomplete at this stage, with grants totalling more than £25 million yet to be confirmed, including the Sustainable Waste Management Grant (£16 million).

4.8 The information made available indicates significant changes and reductions that will be difficult to manage in several key service areas. At an all-Wales level, specific grants (excluding those that are yet to be confirmed) will reduce by £92.6m next financial year.

4.9 £51.7m of grants are indicated to cease after the current year, including:

- Teachers Pay (£21.3m) – Local Authorities were made aware that WG would not be continuing with this funding into 2024/25 which will increase the pressure on school's reserves;
- Free school meal holiday provision (£8.9m) – this reflects cessation of the scheme that commenced during the Covid-19 pandemic;
- Childcare Offer (£20 million) – no longer being administered by Local Authorities

4.10 Significant reductions to grants include:

- **Retail, Leisure and Hospitality Rates Relief Grant:** a reduction of £50.8 million, reflecting the decision to reduce the level of relief from 75% to 40%. Whilst classed as a Local Government grant stream, this should not have an impact on Monmouthshire funding. It would be offset by increased NDR from the affected businesses, payable to the all-Wales pool.
- **Social Service Workforce Grant:** a reduction of £10m or 22% from £45 million to £35 million. This will have a significant impact for Monmouthshire given it is a key funding stream supporting core Social Services expenditure. Extrapolating the all-Wales percentage decrease allocation suggests an estimated reduction of £250k for Monmouthshire. This grant reduction will be in addition to the expected tapering of the Regional Integration Fund, which is another key funding stream for Social Services and therefore a further significant challenge for this area to manage in 2024/25.
- **Homelessness:** No One Left Approach: a reduction of £5m or 33.3%; and Discretionary Homelessness Prevention: a reduction of £6.5m or 52%. This implies that additional sums allocated for 2023/24 will not be continued next financial year. This will be difficult to manage given the demand increases in this area over recent years.
- **Communities for Work+:** a reduction of £10.5m or 38%, from £27.3m to £16.8m. This grant was previously part of Children and Communities Grant before becoming a standalone grant in 2023/24. Whilst a level of reduction was anticipated for 2024/25, the indicative reduction is greater than anticipated.

- 4.11 There are no materially significant increases to grants for 2024/25.
- 4.12 As set out above, the picture in relation to specific grants is challenging and uncertain. Additional clarity will be sought in coming weeks to clarify and understand the impact on service delivery and the ability for services to manage the reductions.
- 4.13 General Capital Funding at an all-Wales level will be £180m for 2024/25, of which Monmouthshire will receive £4.9m. This funding is not specific to individual capital schemes and will aid in supporting Monmouthshire's overall capital investment plans for 2024/25, as outlined later in this report.
- 4.14 The Council's response to the Minister's statement is outlined at **appendix 3**.

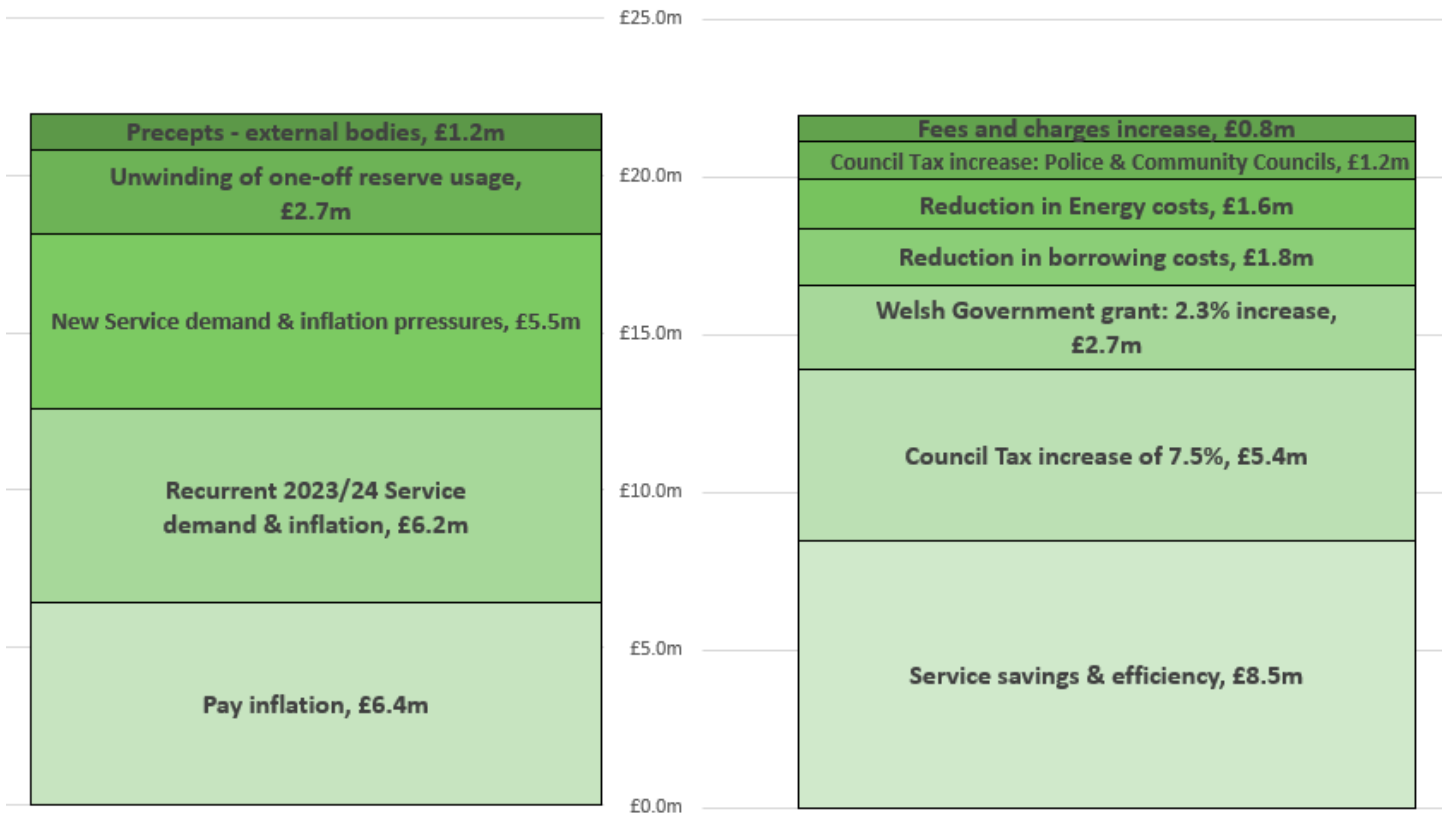
5 Draft Revenue budget

- 5.1 Cabinet outlined its budget principles for 2024/25 in their report of 15th November 2023 which recognised that the outlook in years ahead is even more challenging, and that the budget for 2024/25 therefore needs to be responsible and sustainable.
- 5.2 The work undertaken in the current year to address the in-year overspend through a budget recovery plan and strengthened governance arrangements carries itself through to the budget proposals for 2024/25.
- 5.3 In order to conserve an appropriate and prudent level of financial resilience, the draft budget for 2024/25 removes any dependency on the one-off use of revenue reserves to support core revenue expenditure.
- 5.4 Any budget setting means making choices about how and where the Council's resources are spent. This year, the choices are stark: our funding will not cover all the services we provide in their current form.
- 5.5 The absolute choice for the proposals is to protect and sustain for now and for the future the services which we know are important to the residents of Monmouthshire without compromising the financial stability of the Council.
- 5.6 Continuing the policy intent to mitigate the impact of the budget proposals on those most in need holds primacy in the draft budget proposals that follow.
- 5.7 This is highlighted through the identification of, and investment made to address pressures in Social care, Homelessness, and Children's additional learning needs. When implementing savings in these areas, careful consideration has been given to minimising impact, and prioritising support for those in greatest need. Service offers have evolved and adapted to ensure the best possible outcomes for individuals in these critical areas.

- 5.8 Whilst hard choices have had to be made to protect services, the services that are available to residents this year will be available in 2024/25. Waste collections will remain the same. Leisure centres, recycling centres, libraries and community hubs are all remaining open.
- 5.9 The draft budget increases funding for social care and health by 5.8% and for local schools by 2.5%. However, even these increases will not fully cover the increase in demand and inflationary costs being experienced. So, to fund these services, we are intending to change the way some things operate and also plan to increase income through council tax and charging to cope with the huge pressure on services.
- 5.10 There will continue to be a focus on tackling inequalities and to protect the most vulnerable in our society. This means our support for additional learning needs provision will increase as will the specialist resource bases for disabled children and young people helping them stay in their local schools. Above all we will work with partners and support our communities, providing advice and practical help for those worst hit by the Cost-of-Living crisis, such as community fridges, mental health support, housing and welfare advice.
- 5.11 **Meeting the budget gap**
- 5.12 Cabinet published their budget setting process and timetable at their meeting on the 15th November 2023. This highlighted an initial budget gap of £14.4m, which was made up of gross expenditure pressures of £22.7m or 10%, offset by modelled increases in funding of £8.3m or 4% by way of increased Welsh Government grant, Council tax and fees and charges for services.
- 5.13 This is the second successive year that the Council has needed to tackle gross expenditure pressures of £20m+. Whilst the Council in the past has regularly dealt with financial challenges in the order of £5m - £10m in an annual planning cycle, the scale of the pressure for 2024/25 is challenging, and particularly following a budget cycle for the current financial year which saw significant service change needing to be delivered across the Council which continues to draw on staff capacity and resources.
- 5.14 Work has continued since November to update the range of planning assumptions and variables that impact the Council's budget:
- The impact of the provisional Welsh Government settlement, announced on 20th December 2023;
 - The Council Tax Base for 2024/25 approved by Individual Cabinet Member decision on 20th December 2023;
 - Updated economic forecasts including inflation and the impact of the real living wage announcement in October 2023;
 - Review of pay award assumptions in light of most recent inflation forecasts and the agreement of the 2023/24 NJC pay award;
 - The need to address demand pressures as evidenced through in-year budget monitoring.
- 5.15 Taking account of the above, the updated additional increase in expenditure projected for 2024/25 is £21.9m and is detailed below.

Expenditure pressures for 2024/25 (£21.9m)

How the pressures will be met



5.16 Expenditure pressures for 2024/25

- 5.17 The Council is facing in-year service expenditure pressures of around £6.2m in the current 2023/24 financial year, which have primarily resulted from increasing demand for Council services alongside the increased cost of provision in a high inflation environment.
- 5.18 These are predominantly centred around the service areas of Social care, Transport, Waste, Homelessness, and Children’s additional learning needs. The assessment of these pressures carried out by services indicates that these pressures are expected to remain throughout 2024/25.
- 5.19 Alongside this, services have indicated that a further £5.5m of new demand and inflationary led service pressures are expected to materialise in 2024/25, primarily in those same services experiencing pressure in the current year.
- 5.20 Both the recurrent and newly identified service pressures are outlined in paragraphs 5.35 to 5.40, and in further detail in **appendix 1**.
- 5.21 Pay inflation for 2024/25 has been modelled using all-Wales data including evidence provided by the Welsh Local Government Association and feedback from national employers and is anticipated to introduce further budgetary pressure of £6.4m.

- 5.22 The use of reserves to support the 2023/24 budget will not be maintained for 2024/25 and, when set alongside other reserve movements, introduces additional budgetary pressure of £2.7m.
- 5.23 The precept that the Council collects and pays over on behalf of the Office of Police and Crime Commissioner for Gwent and Community Councils is currently forecast to increase by £1.2m.
- 5.24 **How the pressures will be met**
- 5.25 Cabinet has looked at every mechanism available to meet the funding shortfall including the flexibilities within the grant support from Welsh Government, savings from service efficiencies and redesign, a review of borrowing costs, and additional income through raising fees and charges and through council tax increase.
- 5.26 The provisional settlement from Welsh Government received on 20th December 2023 provided a funding increase of 2.3%, significantly below the 3.1% all-Wales average and the increase of 3% used in the original budget modelling. Whilst the 2.3% increase introduces additional income of £2.68m to the Council, this needs to be considered against £21.9m of expenditure pressures the Council is facing.
- 5.27 The Council has undertaken a review of its borrowing costs and will bring forward a recommendation to reprofile the amount it sets aside to meet future debt repayments that will result in lower costs for the current year and 2024/25 totalling £1.8m.
- 5.28 The Council's energy costs are projected to reduce by £1.6m compared to the current year. Work continues to reduce consumption and work towards Cabinet's objective of reducing carbon emissions and making a positive contribution to addressing the climate and nature emergency.
- 5.29 It is proposed that additional income of £0.8m for 2024/25 will be generated through increases in discretionary fees & charges for services.
- 5.30 The remaining sum of £13.8m can only be met through a combination of service efficiencies, service reductions and through council tax increases.
- 5.31 Striking the right balance between council tax rises and the reduction of services that support the most vulnerable in our community is not easy and involves inherent choice.
- 5.32 The draft budget proposes a council tax increase of 7.5% introducing additional income of £5.4m. This equates to an increase of £2.26 per week for a Band D property. We anticipate that 64% of households will meet this charge in full, with the remaining 36% benefiting from a dispensation. The final level of Council Tax will only be decided following the consultation process as part of the final budget proposals.
- 5.33 The remaining shortfall of £8.5m will be met by service savings proposals which are set out in paragraph 5.40 and with further information attached at **appendix 1**. An assessment of their cumulative impact is provided at **appendix 2**.
- 5.34 We will continue to utilise capital receipts up to a maximum of £2.8 million to meet qualifying revenue expenditure that looks to generate longer term organisational change that enables delivery of services more efficiently and effectively.

Figure 1: High level budget summary

2024/25 Draft budget proposals (£000's)										
Net Expenditure Budgets	Adjusted Base Budget 2023/24	Service saving	Service pressure	Pay increase	Reserve / Corporate Adjustments	Energy costs	Fees and charges	Grant income	Council Tax Income	Draft Budget 2024/25
Children and Young People	62,482	(1,617)	1,611	2,432		(820)	(70)			64,018
Social Care and Health	64,094	(4,685)	7,410	1,488		(102)	(388)			67,817
Communities & Place	25,470	(746)	1,305	1,167	9	3	(332)			26,877
Monlife	8,353	(615)	285	528		(437)	(27)			8,087
Resources	8,381	(375)	290	329	(79)	(220)				8,326
Chief Executive's unit	3,181	(86)	47	146						3,288
Law & Governance	2,667	(33)	135	125						2,894
Corporate Costs & Levies	30,517	(200)	641	185	(2,845)				1,163	29,462
Sub Total	205,147	(8,357)	11,724	6,399	(2,914)	(1,576)	(817)	0	1,163	210,769
Borrowing Costs	9,170				(1,796)					7,374
Contributions to Earmarked reserves	63								625	688
Contributions from Earmarked reserves	(4,681)				4,386					(295)
Total Expenditure	209,699	(8,357)	11,724	6,399	(324)	(1,576)	(817)	0	1,788	218,536
Funding Budgets										
Aggregate External Financing (AEF)	(122,675)							(2,680)		(125,355)
Council Tax (MCC)	(66,955)								(5,425)	(72,380)
Council Tax (MCC Premium)	0								(753)	(753)
Council Tax (Gwent Police)	(15,505)								(1,163)	(16,668)
Council Tax (Community Councils)	(3,381)									(3,381)
Council Fund Contribution	(1,184)				1,184					0
Total Funding	(209,699)	0	0	0	1,184	0	0	(2,680)	(7,341)	(218,536)
Total Budget	0	(8,357)	11,724	6,399	860	(1,576)	(817)	(2,680)	(5,553)	0

5.35 Service Pressures

5.36 Service specific spending pressures have been subject to rigorous review with the total of £11.724m needing to be considered as part of the draft budget. A summary table of these pressures is provided below with more detail provided in **appendix 1**.

Pressures by Directorate	Recurrent 2023/24 Pressure	New pressure	Total 2024/25 Pressure
	£000	£000	£000
Children & Young People	650	961	1,611
Social Care & Health	4,116	3,294	7,410
Communities & Place	1,146	159	1,305
Monlife	145	140	285
Resources	0	290	290
Chief Executives Unit	0	47	47
People & Governance	135	0	135
Corporate Costs & Levies	0	641	641
Totals	6,192	5,532	11,724

5.37 The most significant areas of pressure are:

School transport	£745,000	The transport budget is facing pressure from the expenses of contractors. They are charging more because of the current market conditions and high fuel costs. Some of the transport budget helps pupils with additional learning needs to get to a school / specialist placement that can meet their needs. The number of pupils going to placements outside the county is going down but the cost of the existing contracts is going up a lot. Also, some pupils who stay in Monmouthshire schools still need to be taken to Monmouthshire specialist resources bases.
Additional learning provision (ALP)	£542,000	£100,000 for schools to provide short-term intensive support for pupils with additional learning provision (ALP) who are facing a crisis situation. £375,000 to provide adequate ALP for children/young people with additional learning needs (ALN) who require a local authority led IDP. £67,000 to create increased capacity in the Vulnerable Learner Lead role to meet the high/ increasing demand.
King Henry 3-19 school	£324,000	£125,000 to meet the costs of increased rates on the new building. £199,000 for additional management costs for the new specialist resource base.
Social care provider fees	£2,760,000	A budget pressure is expected from the review of care provider fees across Childrens and Adults social care as part of the yearly fee negotiations. Care providers face various costs and pressures, such as the rise of the real living wage, inflation, fuel, insurance, and non-care staff pay.
Social care demand & inflation	£4,116,000	£3,909,000 - Adult services remain in a highly volatile operating position with risks associated with demand levels, complexity of demand, inflationary pressures, and labour shortages. £207,000 - Children's services have an estimated pressure due to increasing costs of staffing, provider fees and inflation. The service has implemented an ambitious savings plan to review placements, but still faces challenges in recruiting and retaining child protection social workers.
Social care workforce grant reduction	£250,000	Welsh Government have announced a 22% reduction in this grant for 2024/25 that is supporting core expenditure within social care.
Foster carer allowances	£185,000	Annual review of allowances ahead of Welsh Government's announcement of the 2024/25 fee structure in January 2024.
Waste & Recycling	£1,009,000	Recycling market pressures, contract inflation and recurrent pressures from 2023/24.

Transport	£296,000	£200,000 due to the rising costs of fuel, hire, parts and maintenance for the transport fleet. £50,000 for the annual uplift of home to school contracts. £46,000 due to the Green Car Scheme income target shortfall.
MonLife income	£176,000	£100,000 from a shortfall in income for the Borough Theatre, and £45,000 on Markets income. Grant funding shortfalls to support the costs of the Youth service (£25,000) and the Blue badge scheme (£6,000)
Contact centre / Hubs	£99,000	Pressures as a result of increased telephony licencing costs (£69,000) and service staffing (£30,000).
Welsh Language	£30,000	Increased demand for Welsh language translations.
Members Allowances	£135,000	Cost of members allowances and associated on-costs will exceed available budget. This is made up of the recurring pressure already reported in 2023/24 plus the effect of the potential pay awards for 2024/25.
Resources	£290,000	£108,000 for permanent leadership capacity within landlord services to enable faster progress in delivering against the Council's policy objectives. £54,000 to reflect increased contributions to the shared revenues & benefits service with Torfaen. £128,000 to reflect the increased administration of Council tax premiums that will be funded from additional income generated.
Corporate costs and levies	£641,000	£200,000 to reflect the expected increase in Insurance premiums as a result of market pressures and claims experience. The remainder relates to an increase in non-controllable costs of precepts, levies, and charges in relation to the Fire service, Coroner service, and external audit fees.

5.38 Service savings and efficiencies

5.39 The draft budget proposals bring forward service budget savings of £8.357m. A summary of saving proposals by service area is shown below with further details outlined in **appendix 1**.

Savings proposals by Directorate	2024/25
	£000
Children & Young People	(1,617)
Social Care & Health	(4,685)
Communities & Place	(746)
Monlife	(615)
Resources	(375)
Chief Executives Units	(86)
People & Governance	(33)
Corporate Costs & Levies	(200)
Totals	(8,357)

5.40 The notable savings proposals are:

Schools funding	£835,000	Investment in schools remains a high priority for the Council and funding will increase by 2.5% for 2024/25. Cabinet have carefully considered the allocation to schools, mindful of the pressures faced and the volatility of individual school budgets through factors such as pupil numbers and increasing numbers of pupils with additional learning needs. The Council will not be able to fully fund schools for all inflationary related pressures, in so far there will still be a requirement for schools to make efficiency savings that contribute to meeting the wider budget challenge faced by the Council for 2024/25.
Additional learning needs	£534,000	A reduction in the cost of out-of-county and independent specialist placements for pupils with ALN by investing in the quality and capacity of local, community schools and specialist resource bases (SRBs)
Education Achievement Service	£35,000	A reduction in the core contribution to the Education Achievement Service of 10%
Gwent Music	£39,000	A reduction in subsidy with hardship fund being maintained
Before school clubs	£70,000	An increase in the charge for the childcare element of before school clubs from £1 to £2
Adult social care	£1,494,000	Staffing review - consolidating existing vacancies within direct care, ceasing the in-house residential respite provision for adults with learning disabilities, reorganising the My Day, My Life and Individual Support Service, and replacing some social workers with social care assessors.
Adult social care	£1,130,000	Practice change agenda – Implementing strategies to manage demand, strengthen oversight, control costs, generate savings and enable practice change in adult social care. These include applying consistent eligibility criteria, reviewing current care packages, pursuing health contributions, re-commissioning services, expanding reablement and direct payments, and aligning with community and housing support.
Adult social care	£578,000	An increase from £100 to £120 per week for clients receiving non-residential care. This proposal looks at what additional income would be obtained should the cap increase following all-Wales negotiations with Welsh Government. The amount that people are charged for their care would remain subject to an individual financial assessment.
Children's services	£1,300,000	Placement and practice change - reviewing children's care plans in high-cost placements and developing appropriate services and placements to support their long-term needs.
Social care	£388,000	An increase in a range of fees and charges across social care and health as outlined within the consolidated fees and charge schedules. All fees and charges are subject to an individual financial assessment.
Garden Waste collection	£75,000	The charge for the garden waste collection service has been increased by 10% in line with the Cabinet decision taken in January 2023 to ensure the service undertakes full cost recovery.
Food waste bag provision	£50,000	Stop the free provision of food waste bags, make bags available for purchase at cost price at outlets across Council buildings and at some local independent stores within Monmouthshire.
Council car	£8,000	Removal of the Council Car.
Home to school transport	£93,000	To undertake a review of the home to school contracts that utilise vehicles that have 8 seats or fewer with a view to bringing service delivery in-house for the high-cost contracts.
Home to school transport	£3,000	To increase the cost of concessionary seats on home to school transport by 10% to generate additional income and offset the rising transport cost.
Planning	£98,000	Reflects a request to the Welsh Government from all 25 Local Planning Authorities and the WLGA to increase statutory planning application fees by 25% to help towards covering the full costs of providing the planning service.
Car parking	£66,000	To increase car parking charges and charges for permits by 10%.
Trade waste	£30,000	Fees & Charges - Increase in Trade waste fees, sale of bags & bins

Homelessness	£400,000	To reduce the number of people in unsuitable and costly temporary accommodation and move towards a more sustainable model of housing provision.
Museums	£40,000	Realign the museums services by closing two museums for an additional day per week and reviewing business support.
Attractions	£10,000	Close Old Station Tintern for one day a week on Mondays from 1st April 2024, except for four bank holidays.
Countryside & Culture	£10,000	Withdraw the MCC contribution to Abergavenny Tourist Information Centre. The service is run by Bannau Brycheiniog National Park Association (BBNPA) in partnership with Abergavenny Town Council.
Outdoor adventure	£70,000	Move to a more sustainable model for the outdoor adventure service, which is part of the MonLife directorate based at Gilwern.
Leisure centres	£140,000	Leisure centres - Change closing times: Weekday closure 21:30, Weekend closure 16:30
MonLife	£120,000	Introduce a phased area management structure within Monlife.
Commercial & Investment properties	£308,000	Reflection of the forecast improvement in rental income across the portfolio as a result of revised tenancies agreed.

5.41 Council Tax rate, base and premiums

5.42 A Council tax increase of 7.5% is proposed for 2024/25. For a current Band D property this will equate to a charge of £1,682.01 (Council only element excluding Community council or Police levy) and would illustratively be an additional £117.35 a year or £2.26 a week for 2024/25.

Illustrative weekly impact of a 7.5% increase in Council tax rate									
Bands	A	B	C	D	E	F	G	H	I
Increase per week	£1.50	£1.76	£2.01	£2.26	£2.76	£3.26	£3.76	£4.51	£5.27

5.43 Overall, the Council Tax base calculated for 2024/25 has risen by 1.4% compared to 2023/24. This increase takes into account the anticipated changes in dwellings and the introduction of council tax premiums.

5.44 Any income generated from council tax premiums (net of administration expenditure) will be transferred to an earmarked reserve to be used in future to further the Council's progress in addressing housing issues in the County.

5.45 The estimated total additional income as a result of Council tax base changes, net of premiums and changes to CTRS (Council Tax Reduction Scheme), is £402,000.

5.46 Budgetary Risk and uncertainty

5.47 **Service budget savings** - The budget process for 2024/25 is challenging. The initial budget gap identified of £14.4m resulted in services being asked to deliver a level of savings which will once again require significant service change. Given the capacity constraints across the Council, this clearly presents a significant budgetary risk in 2024/25.

5.48 This will be particularly acute within Social Care where savings totalling £4.7m will be expected to be delivered within a service which has a trend of significant over-spends, continues to experience challenging levels and complexity of demand, coupled with significant workforce pressures.

- 5.49 **Pay awards** - Uncertainty will remain around the pay awards for local government staff and teaching staff. Actual pay awards will not be confirmed nationally by independent pay bodies until later in 2024 and therefore further consideration might need to be given in-year to adjust pay budgets at that time. Whilst the pay award assumptions factored into the budget are set at a level which is seen as prudent, there remains an unknown risk of the effect of the wider economic and political landscape as we move through 2024.
- 5.50 **Funding** - The Provisional Settlement provides some details on specific revenue grants. However, information is at an all-Wales level and with grants totalling more than £25m yet to be confirmed, including the Sustainable Waste Management Grant (£16m).
- 5.51 **Pension costs** - The impact of the latest actuarial review of the Teacher's Pension Scheme (TPS) will take effect from 1st April 2024, with Employer's contributions due to increase by 5 percentage points to 28.6% of pensionable pay. This is a 21.1% increase to the level of pension contributions currently paid.
- 5.52 The estimated impact for Monmouthshire is approximately £1.5m. However, this is not currently accounted for in the Council's draft budget, as there is an assumption that the UK Government will fund the increase to the TPS. It is expected that there will be consequential funding for Wales, but the timing of this confirmation is uncertain. The Welsh Government minister has expressed intentions to press the UK Treasury for assurances on this matter. Recent announcements about the timing of the Spring Budget suggest that confirmation may not be received until the date of that announcement, which is anticipated to be on 7th March 2024.
- 5.53 Increases to unfunded pension schemes could also affect the level of the Council's contribution to the South Wales Fire and Rescue Service. Confirmation of the pension contribution rate change is being sought from the Treasury, but it is still uncertain, and therefore at this stage is excluded from the draft budget.
- 5.54 **Reserves and Capital Receipts strategy**
- 5.55 Cabinet were clear in their budget strategy framework for 2024/25 that there is a need to progress the Council on a path towards financial sustainability including conserving an appropriate and prudent level of financial resilience.
- 5.56 Reliance on revenue reserves to fund core revenue expenditure should be avoided because they are a finite resource. This means that using reserves in this way immediately creates a gap in the budget for the following year.
- 5.57 The draft budget for 2024/25 eliminates the use of revenue reserves to fund core expenditure. The budget does include total revenue reserve usage of £0.5m which is being used to support one-off expenditure that is required to progress the Local Development Plan, and, drawing on previously allocated funding to support Ukrainian refugees.
- 5.58 The draft budget continues to include the use of £2.8m of capital receipts to fund the one-off revenue costs associated with organisational change. This approach will need to be reviewed over the medium-term in part or in full as receipt generation reduces. Drawing on capital receipts in this way reduces the balance available to fund any capital expenditure which may consequently increase the Council's need to borrow to fund the expenditure.

6 **Draft Capital budget**

- 6.1 The capital budget strategy was updated and approved by Council in March 2023. Whilst an updated capital strategy for 2024/25 will be considered by Council alongside the treasury strategy at its meeting on 7th March 2024, the underlying principles of the strategy remain fit for purpose and have been used in preparing the draft capital budget proposals.
- 6.2 The capital strategy requires the capital programme to be financially sustainable without leading to borrowing levels that are unaffordable, unsustainable and imprudent.
- 6.3 The draft capital budget proposals for 2024/25 continue to support the priorities of the Council and are wholly aligned with the priorities set out in the Community and Corporate Plan. Notably this includes ensuring that resources are aligned to meet the plans for tackling the longer-term challenges that communities and public sector organisations are facing.
- 6.4 The existing capital programme is very much dominated by the investment in the new Abergavenny 3-19 school which involves total investment of £69.3m in creating the first operationally Net Zero Carbon 3-19 School in Wales, alongside the completion of the new Crick Road care home.
- 6.5 Aside from this investment, the current four-year capital programme very much represents a consistent investment into maintaining the Council's infrastructure base through planned investment in:
- Property and county farms maintenance
 - Highways infrastructure & transports schemes
 - Disabled facilities grants & access for all
 - Match funding to leverage external grant opportunities to invest in infrastructure
 - Investment in the Cardiff capital city region deal
 - Funding of eligible revenue costs associated with service reform, to support the draft revenue budget
 - ICT investment
- 6.6 Whilst the current planned investment in the Council's asset infrastructure goes a long way in meeting the requirement to maintain the existing estate, there still remains a considerable number of backlog pressures that sit outside of the core capital programme, and this has significant risk associated with it and is being closely monitored. This will be considered more fully in the next iteration of the capital strategy.

7 Capital funding

- 7.1 The provisional settlement outlines that the Council's unencumbered capital allocation will be £4.931m, which represents a £6,000 increase over 2023/24. This will be the second successive year of higher capital funding, following an increase of £818k seen in 2023/24.
- 7.2 Welsh Government have however indicated that capital funding in 2025/26 will be reduced back to levels more in line with previous indicative settlements, and the Council will need to align its forward capital plans accordingly to make allowance for this.
- 7.3 Clarification is also required on specific capital grant funding streams where there are initial indications from Welsh Government that these are being removed or consolidated, or that the criteria are being tightened and that may impact on some of the pressures and bids being considered. This may also need further consideration in the final budget proposals.

- 7.4 This will present future challenges to the Council as it looks to maintain its assets and consider future capital investment that responds to the needs of communities and in allowing the Council to pursue the goals set out in the Community and Corporate plan.
- 7.5 The Council has limited recourse to internal resources in the form of capital reserves and receipts, and any resultant borrowing required to support the capital programme directly impacts on the revenue budget.
- 7.6 In light of the current pressures on the Council's medium-term revenue budget, and the principles on which any prudential borrowing must be taken of affordability, prudence and sustainability, the use of further prudential borrowing will need to be carefully assessed.
- 7.7 The level of capital receipts anticipated over the next 4-year window has not been increased as the Council awaits the conclusion of the replacement Local Development Plan.
- 7.8 The Council continues to use the benefit of Welsh Government guidance that allows the Council to make flexible use of capital receipts to meet revenue expenditure associated with service reform.
- 7.9 The 2024/25 revenue budget proposals include the proposed use of capital receipts for this purpose of £2.8m. It is accepted that this is not a sustainable long term means by which to support the revenue budget but is seen as necessary given the current financial challenges.
- 7.10 The table below illustrates the forecast balance on the useable capital receipts reserve over the period 2023/24 to 2027/28 taking into account current capital receipts forecasts provided by Landlord Services and revised balances drawn to finance forward indicative budgets.

Forecast Useable Capital Receipts	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Balance as at 1st April	12,446	8,080	6,390	5,427	3,965
Less: capital receipts used for financing	(4,043)	(1,158)	(1,058)	(1,058)	(1,058)
Less: capital receipts used to support capitalisation directive	(3,008)	(3,111)	(508)	(508)	(508)
Less: Reserve cover for redundancies	(1,000)	0	0	0	0
Capital receipts Received	1,043	0	0	0	0
Capital receipts Forecast	2,642	2,578	603	103	103
Forecast Balance as at 31st March	8,080	6,390	5,427	3,965	2,503

- 7.11 The core capital programme does not generally include specific grant funded schemes as a consequence of such funding announcements and grant awards not being confirmed in time to feature in the final budget proposals. These are added to the capital programme during the year.

8 Capital cost pressures

- 8.1 The current Capital programme is impacted by the same external factors impacting upon the revenue budget and outlined in detail earlier in this report. Inflation, supply chain issues and internal resourcing capacity is meaning that current capital budgets are being delayed or deliver less for the same amount of budget.
- 8.2 The indicative capital programme will be reviewed prior to final budget setting to establish the suitability of the brought forward indicative capital schemes, and principally:

- Whether the schemes are still relevant to current Council priorities;
- Are current budgets allocated still workable given factors such as inflation, supply chain issues and internal capacity to deliver;
- Are there any more urgent schemes coming forward, either from the backlog list of pressures or otherwise that need to displace existing schemes;
- Whether there are any further external funding opportunities;
- Does the capital programme remain prudent and affordable in light of the wider economic pressures and revenue budget gap;
- Does potential slippage from the 2023/24 capital budget provide opportunities to re-purpose existing budgets to allow one-off investment in immediate capital risks.

8.3 Draft Capital budget

8.4 The draft capital budget for 2024/25 and indicative medium-term programme is shown at **appendix 4**.

8.5 At draft budget stage, a number of immediate capital cost pressures have been identified by services, principally within the areas of urgent health and safety works, and legal and regulatory obligations.

8.6 An initial scrutiny exercise has been carried out of the proposed cost pressures which has resulted in a small number of cost pressures being endorsed for inclusion in the draft budget for 2024/25.

8.7 There remain a number of areas of further development of the remaining proposals to establish the capacity of the Council to deliver the works during 2024/25 and the affordability of funding the proposals in light of the associated impact on the revenue budget. These will be progressed over the coming weeks as better information becomes available on the progress of the current year's capital budget, and any flexibility that maybe offered from delays or under spends on existing schemes of work.

8.8 The schedule of immediate capital cost pressure is shown below with an indication of the decision made on investment at draft budget stage:

Capital cost pressure	Priority category	£000's	Draft budget decision
Rights of Way bridges - emergency closure orders / bridge removal	Health & Safety, Legal and regulatory	70	Fund from £6k additional settlement & unsupported borrowing
Rights of Way priority bridge replacement programme	Health & Safety, Legal and regulatory	80	Fund from unsupported borrowing
Depot Health & Safety improvements	Health & Safety, Legal and regulatory	350	Further development required
Highways & Structures	Health & Safety, Legal and regulatory	3,377	Further development required
Transport Depot - South of County	Deliver community & corporate plan priorities	300	Further development required

Decarbonisation surveys	Deliver community & corporate plan priorities	100	Further development required
New Authority Website	Deliver community & corporate plan priorities	250	Further development required
Total		4,527	

8.9 The consequence of the draft budget proposals is an increase in unsupported borrowing of £144,000 for 2024/25. Whilst this will have a negligible impact on the revenue budget for 2024/25, the overall affordability of borrowing will be considered further by Members in setting an affordable and balanced annual revenue budget at final budget setting stage.

8.10 This will be complimented by the Treasury Management Strategy Statement that will be presented to full Council on the 7th March 2024, which will incorporate a range of prudential indicators that look to ensure that the Council's level of borrowing remains prudent, proportionate and sustainable.

9 Budget consultation & engagement

9.1 The information contained in this report constitutes the draft budget proposals that are now made available for formal public consultation and member scrutiny, including the requirement to consult businesses. The formal consultation period will run for a period of four weeks ending on 15th February 2024.

9.2 Cabinet are interested in consultation views on the draft proposals and the underlying budget strategy adopted. This is the opportunity for Members, the public, community groups, and other key stakeholders (e.g. town and community councils) to consider the budget proposals and make comments on them. Cabinet will not however, be prepared to recommend anything to Council on 29th February that has not been subject to a Future Generations Assessment and Equality Impact Assessment, and therefore a deadline to receive alternative proposals has been set as 15th February 2024.

9.3 The Council will look to purposefully engage via:

- **Face to face and virtual engagement events – Countywide and targeted**
- **Special Budget page on Council website**
- **Online survey and social media campaign**
- **Council Scrutiny meetings – Jan-Feb 2024**

9.4 Given the nature and extent of the budget challenge faced for 2024/25 and the range and extent of the budget savings proposals, it is important that the Council reaches out, engages and listens to feedback. This will in turn inform the final budget proposals that are to be considered in February.

9.5 Further information on consultation events will be made available on the Council website [here](#), along with ways for people to engage in and respond during the consultation process.

9.6 Final budget proposals following consultation and receipt of the final settlement will go to the Cabinet meeting on 28th February 2024 and approval of Council Tax and final budget proposals will take place at full Council on 29th February 2024.

10 OPTIONS APPRAISAL:

- 10.1 Directorates are required to consider and outline the options that have been considered for each of the budget savings proposals and pressures identified in this report. The detail is contained in separate working papers and summarised under **appendix 1**.
- 10.2 The means of assessing whether the final budget proposals for 2024/25 have been successfully implemented is undertaken throughout the year via regular budget monitoring and periodic reports to Cabinet and then to Select committee for scrutiny.
- 10.3 Alongside the Community and Corporate Plan, the Council continues to develop and monitor the performance of the Council against service business plans. Taken together these arrangements enable the Council to evaluate its success and progress against its longer-term plans within the resources available.

11 REASONS:

- 11.1 To agree the draft budget proposals for 2024/25 for consultation purposes.

12 RESOURCE IMPLICATIONS:

- 12.1 As identified in the report and appendices.

13 WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING and CORPORATE PARENTING):

- 13.1 An initial impact assessment has been produced for the draft proposals and is attached as **appendix 2**. This enables us to assess the overall potential impact of the budget on people within our communities. We recognise that the proposals will affect different groups of people in different ways. We evaluate the impact on those people who possess protected characteristics. We also look at the cumulative financial impact of the proposals on households at different income levels. Finally, assessment also looks at the budget through the lens of sustainable development principle established by the Well-being of Future Generations Act.
- 13.2 Given the scale of the budget challenge for 2024/25, it is inevitable that this has identified some negative impacts on some groups of people. The nature of the services we provide means that almost any change to a council service will have a socio-economic impact. We know, for example, that disabled people will be more likely to use social services and people on lower incomes will be more affected by increased fees and charges.
- 13.3 Conducting the assessment alongside the development of the budget has allowed us to identify actions that mitigate the potential negative effects of our proposals on vulnerable people and households on the lowest incomes. It also highlights the anticipated positive effects of increasing expenditure on certain groups. This helps to offset some of the effects. The assessment will be updated to take account of feedback received during the budget consultation.

CONSULTEES:

Strategic Leadership Team
Cabinet

APPENDICES:

Appendix 1	2024/25 Draft revenue budget proposals
Appendix 2	Cumulative Future Generations Evaluation
Appendix 3	Response to Welsh Government's Local Government provisional settlement
Appendix 4	Draft Capital budget summary 2024/25 to 2027/28

BACKGROUND PAPERS

List of full Future Generations Evaluations for budget pressures and savings

AUTHORS:

Peter Davies
Deputy Chief Executive (S151 Officer)

Jonathan Davies
Head of Finance (Deputy S151 Officer)

CONTACT DETAILS:

Tel: 01633 644294 / 07398 954828

E-mail: peterdavies@monmouthshire.gov.uk

Tel: 01633 644114

E-mail: jonathandavies2@monmouthshire.gov.uk