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Date: 17th January 2024

To Whom It May Concern,

A multi-locational meeting of the **Joint Scrutiny Committee** will be held in Penallta House and via Microsoft Teams on **Tuesday, 23rd January, 2024 at 5.00 pm** to consider the matters contained in the following agenda. Councillors and the public wishing to speak on any item can do so by making a request to the Chair. You are also welcome to use Welsh at the meeting, both these requests require a minimum notice period of 3 working days. A simultaneous translation will be provided on request.

Members of the public or Press may attend in person at Penallta House or may view the meeting live via the following link: <https://civico.net/caerphilly>

This meeting will be live-streamed and a recording made available to view via the Council's website, except for discussions involving confidential or exempt items. Therefore the images/audio of those individuals speaking will be publicly available to all via the Council website at www.caerphilly.gov.uk

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Christina Harrhy', enclosed within a large, thin, hand-drawn oval.

Christina Harrhy
CHIEF EXECUTIVE

A G E N D A

1 To receive apologies for absence.

Pages

A greener place Man gwyrddach



2 Declarations of Interest.

Councillors and Officers are reminded of their personal responsibility to declare any personal and/or prejudicial interest(s) in respect of any item of business on this agenda in accordance with the Local Government Act 2000, the Council's Constitution and the Code of Conduct for both Councillors and Officers.

To receive and consider the following reports: -

- | | | |
|---|-------------------------------------|---------|
| 3 | Update on Reserves. | 1 - 20 |
| 4 | Draft Budget Proposals for 2024/25. | 21 - 46 |

Circulation:

Councillors M.A. Adams, Mrs E.M. Aldworth, A. Angel, C. Bishop, A. Broughton-Pettit, M. Chacon-Dawson, R. Chapman, Mrs P. Cook, D. Cushing, C.J. Cuss, D.T. Davies, E. Davies, N. Dix, G. Ead, C. Elsbury, G. Enright, K. Etheridge, M. Evans, A. Farina-Childs, Mrs C. Forehead, J.E. Fussell, A. Gair, C.J. Gordon, D.C. Harse, T. Heron, A. Hussey, D. Ingram-Jones, M.P. James, L. Jeremiah, G. Johnston, Ms J.G. Jones, S. Kent, A. Leonard, C.P. Mann, A. McConnell, B. Miles, B. Owen, T. Parry, L. Phipps, M. Powell, D.W.R. Preece, Mrs D. Price, H. Pritchard, J.A. Pritchard, J. Rao, J. Reed, J.E. Roberts, R. Saralis, J. Scriven, J. Simmonds, S. Skivens, J. Taylor, C. Thomas, A. Whitcombe, L.G. Whittle, S. Williams, W. Williams, J. Winslade, K. Woodland and C. Wright

And Appropriate Officers

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JOINT SCRUTINY COMMITTEE – 23rd JANUARY 2024

SUBJECT: UPDATE ON RESERVES

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To present the Joint Scrutiny Committee with details of the usable reserves held by the Authority and endorse recommendations to Cabinet for movements on reserves.

2. SUMMARY

- 2.1 The report provides details of the usable reserves held by the Authority. Details are provided of balances held as at the 31st of March 2023, along with updates to reflect in-year movements and recommended movements on reserves.

3. RECOMMENDATIONS

- 3.1 Members of the Joint Scrutiny Committee are asked to note the content of the report and endorse recommendations to Cabinet to: -
1. Release the following uncommitted reserves to the General Fund to support the 2024/25 Budget: -
 - a. £1.419m from Capital Earmarked Reserves
 - b. £3.769m from Other Earmarked Service Reserves
 - c. £0.017m from Over/Under Reserves
 - d. £2m from the Insurance Reserve.
 2. Transfer 100% of the Net 2023/24 underspend position, forecast at £3.656m as at October 2023 to the General Fund to support the 2024/25 revenue budget.
 3. Allocate £0.791m from the Education Over/Underspend Reserve to a specific Earmarked Reserve for the 2023/24 Schools Additional Teachers Pay Award.
 4. Repurpose £0.108m from Private Sector Housing Staff Capacity Reserve to Empty Homes Teams Reserve to increase funding so that the team can be extended for two years.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Joint Scrutiny Committee is provided with details of the usable reserves held by the Authority and to endorse recommendations to Cabinet for movements on reserves.

5. THE REPORT

- 5.1 Local Authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium, and longer-term.
- 5.2 One of the key tools available to Authorities in managing their financial affairs is the creation and use of both general and earmarked reserves to assist them in delivering services over a period of longer than one financial year.
- 5.3 Reserves are an essential part of good financial management. They help Councils cope with unpredictable financial pressures, help them smooth the impact of known spending requirements over time, and help to fund any in-year overspending. The level, purpose, and planned use of reserves are important factors for Elected Members and Officers to consider in developing medium-term financial plans and setting annual budgets.
- 5.4 The definitions and related accounting treatment of reserves are governed by the requirements of accounting standards. In summary, reserves: -
- can be established for any purpose and at whatever point the Authority determines (although the purpose, usage and basis of transactions should be clearly established);
 - can be held for both revenue and capital purposes; and
 - can be used at the Authority's discretion (except that capital receipts and capital grants cannot be used to fund revenue expenditure. However, under the flexible use of capital receipts directive, expenditure can be funded through capital receipts flexibility if it is forecast to generate ongoing savings).
- 5.5 Reserves are classified in specific categories. These are generally accepted classifications used by Local Authorities as follows: -

General Reserves – These apply separately in respect of the Council Fund (General Fund) and Housing Revenue Account (HRA), and essentially represent a combination of a working balance to cushion the impact of uneven cash flows, to avoid unnecessary temporary borrowing and to provide a contingency to cushion the impact of unexpected events or emergencies.

Earmarked and Specific Reserves – These are established to meet known or predicted requirements or are established by statute.

Ring-fenced Reserves – These reserves are set-aside for specific service areas (e.g. schools) and are not available for general Council use.

Unusable Reserves – These arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile requirements driven by reporting standards to statutory requirements. These reserves are not backed by resources (i.e. not cash backed) and cannot be used for any other purpose.

- 5.6 The balance on the Council's usable reserves at the 31st of March 2023 was £220.32m as per the table below: -

| Description | Balance as at 31/03/2023 £m |
|-----------------------------------|--------------------------------------|
| General Fund | 35.016 |
| Housing Revenue Account (HRA) | 28.179 |
| Schools Earmarked Reserves | 11.316 |
| Capital Earmarked Reserves | 48.806 |
| Usable Capital Receipts | 11.719 |
| Capital Grants Unapplied | 16.749 |
| Insurance Earmarked Reserves | 5.918 |
| Service Over/Underspend Reserves | 3.882 |
| Direct Service Earmarked Reserves | 0.086 |
| Other Earmarked Reserves | 58.361 |
| Total: - | 220.032 |

- 5.7 The following paragraphs provide a detailed commentary on the balances held.

5.8 General Fund

- 5.8.1 The General Fund balance as at the 31st of March 2023 was £35.016m. As approved by Council on the 23rd of February 2023, £15.345m of reserves will be released from the General Fund to support the 2023/24 budget. In addition, £1.050m was approved for release in lieu of Council tax surplus to also support the 2023/24 budget. At its meeting on the 26th of September 2023, Council also approved the use of General Fund balances totalling £3.455m to fund the additional in-year cost of the 2023/24 NJC pay award, and to underwrite 2022/23 revenue budget outturn deficits for General Fund and Private Housing and the Economy & Environment Directorate. This takes the General Fund current balance to £15.166m.
- 5.8.2 The Joint Scrutiny Committee is asked to endorse a recommendation to Cabinet to transfer 100% of the 2023/24 net projected service revenue budget underspend to the General Fund. Based on the October 2023 revenue budget monitoring report this is forecast to be £3.656m. Previously services retained 50% of any underspend in Service Under/Over Reserves, however due to the Council's challenging financial position it is recommended this is changed for the 2023/24 financial year.
- 5.8.3 Members will be aware that the 2024/25 Draft Budget Proposals endorsed by Cabinet on the 17th of January 2024 include the proposed one-off use of reserves totalling £11.394m as a temporary measure to help balance the 2024/25 budget and also a £1.050m Budget Strategy Contribution as in previous financial years. This will be the second year the Council has used reserves in this manner and set a transitional budget. This is to provide the space and time to identify, approve and implement a range of permanent savings, through the Mobilising Team Caerphilly programme to address an anticipated net funding gap of £46.7m for the two-year period 2025/26 to 2026/27. A comprehensive review of reserves has been undertaken in 2023/24 and a total of £7.205m reserves have been identified as uncommitted. The Joint Scrutiny Committee is asked to endorse a recommendation to Cabinet to release these reserves to the General Fund. Earmarked Reserves have been profiled across the next three financial years and the details of this will be highlighted throughout the rest of this report.

5.8.4 These proposals will reduce the General Fund balance to £13.583m, which equates to 3% of the Council's draft 2024/25 net revenue budget. This is the minimum level recommended by the Section 151 Officer and is in line with best practise.

5.8.5 The table below summarises the current position in respect of the General Fund: -

| | £m | £m |
|--|---------|---------------|
| Opening Balance 01/04/2023 | | 35.016 |
| 2023-24 Budget Strategy Contribution | | (1.050) |
| One-off Contribution to support 2023/24 Budget | | (15.345) |
| Use of Funds Previously Agreed by Council: | | |
| Funding of General Fund Housing Deficit | (0.802) | |
| Funding of Private Housing Deficit | (0.200) | |
| Funding of Economy & Environment Deficit | (0.494) | |
| In-year Impact of 2023/24 NJC Pay Awards | (1.959) | |
| | | (3.455) |
| Current General Fund Balance | | 15.166 |
| Funds to be Transferred into General Fund : | | |
| 2023/24 Forecast Outturn Position as at October 2023 | | 3.656 |
| <i>Release from Earmarked Reserves</i> | | |
| Other Ear Marked Reserves review | 3.769 | |
| Over/Underspend Reserves | 0.017 | |
| Capital Earmarked Reserves | 1.419 | |
| Insurance Reserve | 2.000 | |
| | | 7.205 |
| Use of Funds to be agreed: | | |
| One-off Contribution to support 2024/25 Budget | | (11.394) |
| 2024/25 Budget Strategy Contribution | | (1.050) |
| Forecast Balance 01/04/2024 | | 13.583 |

5.9 Housing Revenue Account (HRA)

5.9.1 £28.179m of the usable reserves are Housing Revenue Account (HRA) funds that must be ring-fenced and cannot be transferred into General Fund balances. This funding is available to help maintain the Welsh Housing Quality Standard (WHQS), to part fund the Post Asset Management Strategy (PAMS), and the new build programme moving forward.

5.10 Schools Earmarked Reserves

5.10.1 There is a total sum of £11.316m in reserves relating to net overall retained underspends ring-fenced to schools.

5.11 Capital Reserves

5.11.1 Capital Reserves totalling £77.274m are ring-fenced for the Authority's Capital Programme. Capital Earmarked Reserves have been reviewed and £5.320m has been identified as uncommitted, these budgets were originally funded through a revenue budget contribution to capital and so can be used for revenue purposes. It is proposed £1.419m of the uncommitted Capital Earmarked Reserves are released to the General Fund to help support the 2024/25 revenue budget, the remainder will remain in the Capital Programme as uncommitted and will be available for future projects subject to approval.

5.11.2 The table below summarises the current position in respect of the Capital Earmarked Reserves by Directorate and a full breakdown by project is shown in Appendix 1: -

| Directorate | Balance as at 31/03/2023 £m | New Approvals £m | Commitments £m | Release to General Fund £m | Forecast Balance 31/03/2024 £m |
|-------------------------------|--------------------------------------|------------------------|-------------------|----------------------------------|---|
| Corporate Services | 22.509 | 0.058 | (19.800) | (1.419) | 1.348 |
| Economy & Environment | 7.527 | 6.943 | (0.024) | - | 14.446 |
| Education | 15.610 | 9.813 | - | - | 25.423 |
| Social Services | 2.945 | - | - | - | 2.945 |
| Housing Revenue Account | 0.215 | - | - | - | 0.215 |
| Total Capital Reserves | 48.806 | 16.814 | (19.824) | (1.419) | 44.377 |

5.11.3 A full review of the Capital Programme is currently being undertaken to profile projects and funding across financial years, to ensure a robust and deliverable Capital Strategy and Programme.

5.11.4 The Useable Capital Receipts balance as at the 31st of March 2023 is £11.719m, of which £4.051m relates to the HRA and is ringfenced for HRA purposes and programmed as part of the HRA Business Plan. £7.668m relates to General Fund disposals of which £4.206m is currently uncommitted. Capital Receipts cannot be used for Revenue purposes, the only exception to this is if they are used under the flexible capital receipts directive, which requires ongoing savings to be generated.

5.12 Insurance Earmarked Reserves

5.12.1 £5.918m is held in reserve for our self-insurance facility and risk management initiatives. The Authority's insurance excess for the majority of cover is £250k and claims below this level are funded through the reserve. The level of the reserve is reviewed by our Insurance Brokers (Marsh) to ensure that it is sufficient to meet potential liabilities and following the latest review it is proposed that £2m can be released to the General Fund to support the 2024/25 budget.

5.13 Service Over/Underspend Reserves

5.13.1 Cabinet has previously agreed a policy whereby service areas retain 50% of reported underspends at the financial year-end. Conversely, any service based overspends are carried forward by the service areas responsible for generating the overspend. This approach has worked well as there is full ownership and accountability by budget holders in respect of delivering a balanced budget. The October 2023 2023/24 revenue budget monitoring report forecast a net underspend position for the Council of £3.656m. Due to the Council's challenging financial position and setting a transitional budget for the second year, which will include the use of reserves to balance, it is recommended the Joint Scrutiny Committee endorse a recommendation to Cabinet that 100% of the reported net underspend at the financial year-end is transferred to the General Fund.

5.13.2 £17k has been identified from the existing Over/Under Reserves as no longer required, it is proposed this is released to the General Fund to support the 2024/25 revenue budget.

5.13.3 The table below summarises the current position in respect of the retained underspend reserves held by each Directorate: -

| Directorate | Balance as at 31/03/2023 £m | New Approvals £m | Release to General Fund £m | Forecast Balance 31/03/2024 £m | Forecast Balance 31/03/2025 £m | Forecast Balance 31/03/2026 £m |
|---|--------------------------------------|------------------------|----------------------------------|---|---|---|
| Corporate Services | 0.161 | 0.097 | - | 0.258 | 0.258 | 0.258 |
| Economy & Environment | (0.478) | 0.495 | (0.017) | - | - | - |
| Education | 1.486 | (0.626) | - | 0.860 | 0.860 | 0.860 |
| Social Services | 2.713 | - | - | 2.713 | 2.713 | 2.713 |
| Total Service Over/Underspend Reserves | 3.882 | (0.034) | (0.017) | 3.831 | 3.831 | 3.831 |

5.13.4 As part of the reserves review some reserves have been allocated in year, in-line with specific approvals or using officer delegated powers. In addition to these, the Joint Scrutiny Committee is asked to endorse a recommendation to Cabinet to transfer £0.791m from the Education Over/Underspend Earmarked Reserve to Education Other Earmarked Reserves to create a specific reserve to support the impact of the additional 1.5% teachers' pay award in schools from September 2023. This will reduce the forecast balance as at the 31st of March 2024 for the Education Over/Underspend Reserve to £0.069m and the total to £3.040m.

5.14 Direct Service Earmarked Reserves

5.14.1 £86k is held in reserves in respect of retained cash surpluses for Network Contracting Services (NCS) work arising from the Sirhowy Enterprise Way PFI contract.

5.15 Other Earmarked Reserves

5.15.1 The balance on Other Earmarked Reserves as at the 31st of March 2023 totalled £58.361m. A full review has been undertaken in 2023/24 and £3.769m has been identified as uncommitted and is proposed to be released to help balance the 2024/25 revenue budget.

5.15.2 The table below summarises the current position in respect of the Other Earmarked Reserves held by each Directorate and the full detail at reserve level is provided in Appendix 2: -

| Directorate | Balance as at 31/03/2023 £m | New Approvals £m | Commitments £m | Release to General Fund £m | Forecast Balance 31/03/2024 £m | Forecast Balance 31/03/2025 £m | Forecast Balance 31/03/2026 £m |
|---------------------------------------|--------------------------------------|------------------------|-------------------|----------------------------------|---|---|---|
| Corporate Services | 36.549 | 2.237 | (6.699) | (2.797) | 29.290 | 24.324 | 21.506 |
| Economy & Environment | 5.503 | 3.474 | (2.013) | (0.610) | 6.354 | 4.991 | 3.862 |
| Education | 8.018 | 0.443 | (2.295) | (0.362) | 5.804 | 5.303 | 3.412 |
| Social Services | 8.291 | 0.095 | (2.750) | - | 5.636 | 3.733 | 3.287 |
| Total Other Earmarked Reserves | 58.361 | 6.249 | (13.757) | (3.769) | 47.084 | 38.351 | 32.067 |

5.15.3 As detailed in paragraph 5.13.4, the Joint Scrutiny Committee is asked to endorse a recommendation to Cabinet to transfer £0.791m from the Education Over/Underspend Reserve to Education Other Earmarked Reserves to create a specific reserve to support the impact of the additional 1.5% teachers' pay award in schools from September 2023. This will increase the forecast balance as at the 31st of March 2024 for Education Earmarked Reserves to £6.595m and the Total Other Earmarked Reserves to £47.875m.

5.15.4 Cabinet are also requested to repurpose £0.108m Private Sector Housing reserve that was set up for fixed-term staff capacity to the Empty Homes Teams reserve to increase funding so

that the Empty Homes Team can be extended for two years. Both reserves are included within Corporate Services so there is no impact on the total balances shown above.

5.16 Conclusion

5.16.1 Reserves are an essential part of good financial management. They help Councils cope with unpredictable financial pressures, help them smooth the impact of known spending requirements over time, and help to fund any in-year overspending.

5.16.2 This report provides details of the usable reserves held by the Authority as at the 31st of March 2023. Details are also provided of reserves totalling £7.205m that are proposed for release to support the 2024/25 revenue budget, full details are provided in Appendix 3. A change in policy regarding the forecast 2023/24 net revenue budget underspend of £3.656m has also been included proposing that 100% of the underspend is transferred to the General Fund to support the 2024/25 Budget. This will be the second year the Council has used reserves in this manner and set a transitional budget. This is to provide the space and time to identify, approve and implement a range of permanent savings through the Mobilising Team Caerphilly programme, to address an anticipated net funding gap of £46.7m for the two-year period 2025/26 to 2026/27.

6. ASSUMPTIONS

6.1 There are no assumptions within this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 The proposals in this report do not have a negative impact on those with protected characteristics and the majority of recommendations support the 2024/25 Draft Budget proposals which are subject to separate Budget Impact Assessments and Integrated Impact Assessments where required.

8. FINANCIAL IMPLICATIONS

8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

9.1 There are no direct personnel implications arising from this report.

10. CONSULTATIONS

10.1 There are no consultation responses that have not been reflected in this report.

11. STATUTORY POWER

11.1 The Local Government Acts 1998 and 2003.

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Appendices:

Appendix 1 – Capital Earmarked Reserves
Appendix 2 – Other Earmarked Reserves
Appendix 3 – Reserves Released to Support 2024/25 Budget

Background Papers:

[Council \(23/02/23\) – Budget Proposals for 2023/24 and Medium-Term Financial Outlook](#)
[Council \(27/09/23\) – Provisional Revenue Budget Outturn for 2022/23](#)
[Cabinet \(17/01/24\) – Draft Budget Proposals for 2024/25](#)

Appendix 1 – Capital Earmarked Reserves Forecast as at 31/03/2024

| Service | Capital Project | Amount £m |
|---|--|---------------|
| Corporate | | |
| Corporate | Digital Community Engagement Platform | 0.058 |
| Corporate | Uncommitted Capital Reserve | 1.290 |
| Economy & Environment | | |
| Business Enterprise & Renewal Team | Longbridge Baths Risca | 0.013 |
| Business Enterprise & Renewal Team | Car Park Pontymister | 0.047 |
| Business Enterprise & Renewal Team | Monmouth Brecon Canal Adventure Triangle | 0.032 |
| Business Enterprise & Renewal Team | Cwm Ifor Solar Farm | 1.180 |
| Business Enterprise & Renewal Team | CEF Grants | 0.150 |
| Business Enterprise & Renewal Team | TiryBusiness Enterprise Renewal Team Portacabins | 0.095 |
| Business Enterprise & Renewal Team | ERDF Lawns Industrial estate Rhymney match funding | 0.202 |
| Community & Leisure Services | Caerphilly Wellbeing Centre | 4.553 |
| Community & Leisure Services | BLG Cleaning | 0.244 |
| Community & Leisure Services | Leisure Refurbishment | 0.198 |
| Community & Leisure Services | Morgan Jones Storage Container | 0.006 |
| Community & Leisure Services | Gelli Lane Off Street Parking | 0.026 |
| Infrastructure | Lower RV Relief Road | 0.130 |
| Infrastructure | A468 Bedwas Bridge | 0.300 |
| Infrastructure | Caerphilly Interchange | 0.580 |
| Infrastructure | A460 Troedyrhiwfwch | 1.079 |
| Infrastructure | Connect 2 Replacement Bus | 0.055 |
| Infrastructure | Oakdale Car Park | 0.060 |
| Infrastructure | Wattsville Car Park | 0.057 |
| Infrastructure | Cwmcarn Footbridge | 0.120 |
| Placemaking | Pentrebane Street Redevelopment | 0.250 |
| Placemaking | New Market | 0.950 |
| Property | Demolition Plif & Oakale School | 0.719 |
| Property | Ty Penallta Heating System | 0.385 |
| Public protection | Ty Llwyd landfill Site | 0.200 |
| Public protection | Electric Vehicle Charge Points | 0.180 |
| Public protection | CCTV Replacement | 0.024 |
| Economy & Environment | Uncommitted Capital Reserve | 2.611 |
| Education | | |
| Education | Cwm Gwyddon Cwmcarn | 5.132 |
| Education | Trinity Fields Refurbishment | 0.172 |
| Education | Trinity Fields Band B 21st Century Schools | 1.381 |
| Education | Centre for Vulnerable Learners | 3.526 |
| Education | Llanfabon 21st Century Schools | 1.400 |
| Education | Plasyfelin Primary 21st Century Schools | 3.150 |
| Education | Ysgol y Llawnt/ Upper Rhymney | 6.052 |
| Education | Trinity Field-Cruyff Court | 0.045 |
| Education | Education Repairs & Maintenance | 2.310 |
| Education | Virginia Park Youth Hub | 0.375 |
| Education | Rhymney Library Refurbishment | 0.134 |
| Education | Ysgol Trelyn Demountable | 0.120 |
| Education | Unallocated 21st Century School Funding | 1.056 |
| Education | Expansion of Glanynant | 0.270 |
| Education | Crumlin Institute | 0.300 |
| Social Services | | |
| Social services | New Respite Facility | 2.213 |
| Social services | Minor Works | 0.682 |
| Social services | Springfield Resource Centre | 0.050 |
| Housing Revenue Account | | |
| Housing Revenue Account | Housing Revenue Account | 0.215 |
| Total Capital Earmarked Reserves | | 44.377 |

Appendix 2 – Other Earmarked Reserves

| Other Earmarked Reserves | Balance as at 31 March 2023 £m | New Approvals £m | Commitments 2023/24 £m | Release to General Fund 2023/24 £m | Forecast Balance as at 31 March 2024 £m | Forecast Balance as at 31 March 2025 £m | Forecast Balance as at 31 March 2026 £m |
|--|--------------------------------------|---------------------|------------------------------|---|--|--|--|
| Corporate Services | | | | | | | |
| Car Park Lost Income | 0.063 | - | - | (0.063) | - | - | - |
| Cleaning & Greening | 0.192 | - | (0.192) | - | - | - | - |
| Community Coordinators | 0.207 | - | - | (0.207) | - | - | - |
| Cost of Living Disc Scheme 2021/22 | 0.233 | - | (0.233) | - | - | - | - |
| Cost of Living Hardship Fund | 2.886 | - | (1.328) | - | 1.558 | - | - |
| Decarbonisation Strategy | 0.444 | - | (0.223) | - | 0.221 | 0.073 | - |
| Digital Transformation | 1.054 | - | (0.300) | - | 0.754 | 0.454 | - |
| IT Support for Transformation (Schools) | 0.176 | 0.605 | (0.267) | - | 0.514 | 0.214 | - |
| Municipal Mutual Insurance Future Liabilities | 0.391 | - | - | (0.391) | - | - | - |
| Teachers Pay @ 1.75% | 0.358 | - | - | - | 0.358 | 0.358 | 0.358 |
| Teachers' Pension Grant Allocation 2019/20 | 2.434 | - | - | - | 2.434 | 1.623 | - |
| Waste Management Dry Recycling | 0.060 | - | - | (0.060) | - | - | - |
| Apprenticeship Scheme 2020/21 | 0.560 | - | (0.150) | - | 0.410 | 0.210 | - |
| Community Empowerment Fund | 0.155 | - | (0.155) | - | - | - | - |
| Corporate Match Funding Apprentice Budget | 0.065 | - | - | (0.065) | - | - | - |
| Corporate Services Miscellaneous | 0.308 | - | (0.105) | (0.076) | 0.127 | 0.054 | 0.039 |
| Corporate Services Resources | 1.554 | 0.605 | (0.849) | (0.171) | 1.139 | 0.688 | 0.674 |
| Council Tax Reduction Scheme | 0.494 | - | - | (0.494) | - | - | - |
| Discretionary Housing Payments | - | 0.665 | (0.665) | - | - | - | - |
| Education Contribution to ESF | 0.323 | - | - | (0.323) | - | - | - |
| External Asbestos Surveys | 0.100 | - | (0.050) | - | 0.050 | - | - |
| Finance Service System Upgrades and Replacements | 0.280 | - | (0.118) | (0.105) | 0.057 | 0.009 | 0.009 |

Appendix 2 – Other Earmarked Reserves

| Other Earmarked Reserves | Balance as at 31 March 2023 £m | New Approvals £m | Commitments 2023/24 £m | Release to General Fund 2023/24 £m | Forecast Balance as at 31 March 2024 £m | Forecast Balance as at 31 March 2025 £m | Forecast Balance as at 31 March 2026 £m |
|--|--------------------------------------|---------------------|------------------------------|---|--|--|--|
| Flexible Working Reserve | 0.396 | - | (0.396) | - | - | - | - |
| IT Service Edtech | 0.338 | - | - | (0.338) | - | - | - |
| IT Service System Updates, Improvements and Developments | 0.740 | 0.358 | (0.495) | (0.127) | 0.476 | 0.082 | 0.033 |
| IT Support for Transformation | 0.468 | - | (0.130) | - | 0.338 | - | - |
| License to Innovate 2020/21 | 0.169 | - | (0.019) | (0.150) | - | (0.075) | (0.150) |
| Members Services | 0.071 | - | - | (0.071) | - | - | - |
| Occupational Health | 0.129 | - | (0.020) | - | 0.109 | 0.049 | - |
| Voluntary Sector Grants (GTVS) | 0.106 | - | - | (0.056) | 0.050 | 0.050 | 0.050 |
| Homeless Prevention | 0.147 | - | (0.079) | - | 0.068 | 0.048 | 0.048 |
| Ty Croeso Renewal Fund | 0.240 | - | - | (0.050) | 0.190 | 0.190 | 0.190 |
| Ty Fesen Renewal Fund | 0.200 | - | - | (0.050) | 0.150 | 0.150 | 0.150 |
| Empty Homes Team | 0.131 | - | (0.059) | - | 0.072 | 0.041 | - |
| Home Loans | 0.004 | - | (0.004) | - | - | - | - |
| Private Sector Housing Fixed Term Staff Capacity | 0.109 | - | - | - | 0.109 | - | - |
| Corporate PC Replacement | 0.818 | - | - | - | 0.818 | 0.818 | 0.818 |
| Electoral Admin | 0.519 | - | - | - | 0.519 | 0.519 | 0.518 |
| Health & Safety Initiatives | 0.263 | - | - | - | 0.263 | 0.263 | 0.263 |
| Interest Equalisation | 10.101 | - | - | - | 10.101 | 10.101 | 10.101 |
| Invest To Save | 0.862 | - | (0.862) | - | - | - | - |
| Home Loan | 0.016 | 0.004 | - | - | 0.020 | 0.020 | 0.020 |
| PFI Equalisation Roads | 1.196 | - | - | - | 1.196 | 1.196 | 1.196 |
| PFI Equalisation Schools | 7.189 | - | - | - | 7.189 | 7.189 | 7.189 |
| Total Corporate Services | 36.549 | 2.237 | (6.699) | (2.797) | 29.290 | 24.324 | 21.506 |

Appendix 2 – Other Earmarked Reserves

| Other Earmarked Reserves | Balance as at 31 March 2023 £m | New Approvals £m | Commitments 2023/24 £m | Release to General Fund 2023/24 £m | Forecast Balance as at 31 March 2024 £m | Forecast Balance as at 31 March 2025 £m | Forecast Balance as at 31 March 2026 £m |
|--|--------------------------------------|---------------------|------------------------------|---|--|--|--|
| Economy & Environment | | | | | | | |
| Catering - Free School Meal Payments 2023 | - | 0.900 | (0.877) | (0.023) | - | - | - |
| Economy & Environment Miscellaneous | 0.186 | - | (0.153) | (0.033) | - | - | - |
| Economy & Environment Resources | 0.208 | 0.071 | (0.055) | (0.103) | 0.121 | 0.093 | 0.063 |
| Regeneration Project Board Funds | 2.121 | 0.116 | - | - | 2.237 | 2.236 | 2.236 |
| Rhymney High Street | 0.050 | - | - | (0.050) | - | - | - |
| Ash Dieback | 0.274 | - | (0.274) | - | - | - | - |
| Waste Strategy Route Map | - | 2.347 | (0.348) | - | 1.999 | 0.999 | - |
| Canal Refurbishment | 0.100 | - | - | - | 0.100 | - | - |
| Emporium Car Park Repairs | 0.099 | - | (0.099) | - | - | - | - |
| Winter Maintenance | 0.419 | - | - | - | 0.419 | 0.420 | 0.420 |
| LDP Revision & Update | 0.331 | - | - | - | 0.331 | 0.192 | 0.092 |
| Asset Management Projects | 0.109 | - | - | (0.109) | - | - | - |
| Cwmcarn Tracks and Trails Project | - | 0.040 | (0.040) | - | - | - | - |
| Valleys Task Force Crowd Funding | 0.073 | - | (0.073) | - | - | - | - |
| Cashless Catering Upgrade & Staff | 0.269 | - | - | (0.269) | - | - | - |
| Software Upgrade Public Protection | 0.115 | - | (0.020) | - | 0.095 | - | - |
| Area Forum | 0.025 | - | (0.002) | (0.023) | - | - | - |
| Carbon Trust Fund Grant Match Funding for Energy Efficiency Measures | 0.324 | - | - | - | 0.324 | 0.324 | 0.324 |
| Cemeteries Maintenance | 0.337 | - | - | - | 0.337 | 0.337 | 0.337 |
| Community Infrastructure Levy | 0.463 | - | (0.072) | - | 0.391 | 0.390 | 0.390 |
| Total Economy & Environment | 5.503 | 3.474 | (2.013) | (0.610) | 6.354 | 4.991 | 3.862 |

Appendix 2 – Other Earmarked Reserves

| Other Earmarked Reserves | Balance as at 31 March 2023 £m | New Approvals £m | Commitments 2023/24 £m | Release to General Fund 2023/24 £m | Forecast Balance as at 31 March 2024 £m | Forecast Balance as at 31 March 2025 £m | Forecast Balance as at 31 March 2026 £m |
|--|--------------------------------------|---------------------|------------------------------|---|--|--|--|
| Education | | | | | | | |
| Ed Psychology | 0.326 | - | (0.326) | - | - | - | - |
| Ed Tech Sustainability | 1.619 | - | - | - | 1.619 | 1.619 | - |
| Education Service Miscellaneous | 0.079 | 0.072 | (0.030) | (0.049) | 0.072 | 0.072 | 0.072 |
| Education Service Resources | 0.777 | 0.148 | (0.370) | (0.040) | 0.515 | 0.201 | 0.148 |
| Education Service Specific Repairs and Renewals | 0.540 | - | (0.435) | (0.010) | 0.095 | 0.095 | - |
| Energy Meters in Primary School Kitchens | 0.050 | - | - | (0.050) | - | - | - |
| ESF Projects - Bridges into Work 2, Working Skills for Adults 2, Inspire to Work | 0.213 | - | - | (0.213) | - | - | - |
| Libraries - IT Renewals | 0.075 | - | (0.067) | - | 0.008 | - | - |
| School Condition and Site Surveys | 0.238 | 0.100 | (0.219) | - | 0.119 | - | - |
| School Improvement - Additional funding to support schools causing concern | 0.050 | - | (0.050) | - | - | - | - |
| Teachers Pay Shortfall for Sept 2022 in FY 2023/24 | - | 0.123 | (0.123) | - | - | - | - |
| VER Contributions Schools | 0.245 | - | (0.061) | - | 0.184 | 0.123 | - |
| Local Management of Schools | 2.228 | - | (0.614) | - | 1.614 | 1.615 | 1.614 |
| PFI Schools Earmarked | 1.578 | - | - | - | 1.578 | 1.578 | 1.578 |
| Total Education | 8.018 | 0.443 | (2.295) | (0.362) | 5.804 | 5.303 | 3.412 |

Appendix 2 – Other Earmarked Reserves

| Other Earmarked Reserves | Balance as at 31 March 2023 £m | New Approvals £m | Commitments 2023/24 £m | Release to General Fund 2023/24 £m | Forecast Balance as at 31 March 2024 £m | Forecast Balance as at 31 March 2025 £m | Forecast Balance as at 31 March 2026 £m |
|---|--------------------------------------|---------------------|------------------------------|---|--|--|--|
| Social Services | | | | | | | |
| Beatrice Webb (103 care hrs. + 63 night care less sleep-in) | 0.219 | - | (0.130) | - | 0.089 | - | - |
| Caerphilly Cares/Buddy Scheme | 0.411 | - | (0.091) | - | 0.320 | 0.189 | 0.050 |
| Care Home Energy Payments | - | 0.521 | (0.521) | - | - | - | - |
| Development of the Safeguarding Hub. | 0.058 | - | (0.058) | - | - | - | - |
| DoLS Referrals Backlog | 0.125 | - | - | - | 0.125 | 0.126 | 0.125 |
| Expansion of MyST Intensive Fostering Service | 0.576 | - | (0.375) | - | 0.201 | - | - |
| Family Aid for Parents with Learning Disabilities | 0.395 | - | (0.150) | - | 0.245 | 0.044 | - |
| Family Contact Area Updates | 0.044 | - | - | - | 0.044 | - | - |
| Finance IT System | 0.117 | - | (0.117) | - | - | - | - |
| Home Care Monitoring System Upgrade | 0.200 | - | (0.112) | - | 0.088 | 0.070 | 0.049 |
| Laptop and Mobile Replacement | 0.096 | - | (0.043) | - | 0.053 | 0.028 | - |
| Mitigate Potential Withdrawal of ICF Grant Funding | 0.500 | - | - | - | 0.500 | - | - |
| Social Care Travel Costs | 0.595 | (0.521) | (0.030) | - | 0.044 | 0.014 | - |
| Social Services Miscellaneous Reserves | 0.015 | - | (0.015) | - | - | - | - |
| Social Services Resources | 1.179 | 0.095 | (0.604) | - | 0.670 | 0.294 | 0.147 |
| Social Work Qualification | 0.107 | - | (0.052) | - | 0.055 | - | - |
| Childrens Homes Staff Supernumerary | 0.402 | - | (0.402) | - | - | - | - |
| Ty Clyd (103 care hrs + 63 night care less sleep-in) | 0.336 | - | (0.050) | - | 0.286 | 0.052 | - |
| Social Services Commercial Activities | 0.048 | - | - | - | 0.048 | 0.048 | 0.048 |
| Social Services Partnership | 2.868 | - | - | - | 2.868 | 2.868 | 2.868 |
| Total Social Services | 8.291 | 0.095 | (2.750) | - | 5.636 | 3.733 | 3.287 |
| | | | | | | | |
| Total Other Earmarked Reserves | 58.361 | 6.249 | (13.757) | (3.769) | 47.084 | 38.351 | 32.067 |

Appendix 3 – Reserves Released to Support 2024/25 Budget

| | Release to General Fund Reserve |
|--|--|
| Reserves | |
| Corporate Services | £m |
| Car Park Lost Income | 0.063 |
| Community Coordinators | 0.207 |
| Municipal Mutual Insurance Future Liabilities | 0.391 |
| Waste Management Dry Recycling | 0.060 |
| Corporate Match Funding Apprentice Budget | 0.065 |
| Corporate Services Miscellaneous | 0.076 |
| Corporate Services Resources | 0.172 |
| Council Tax Reduction Scheme | 0.494 |
| Education Contribution to ESF | 0.322 |
| Finance Service System Upgrades and Replacements - E Claims and Income Management System Upgrade | 0.105 |
| IT Service Edtech | 0.338 |
| IT Service System Updates, Improvements and Developments | 0.127 |
| Licence to Innovate 20-21 | 0.150 |
| Members Services | 0.071 |
| Vol Sector Grants (GTVS) | 0.056 |
| Ty Croeso Renewal Fund | 0.050 |
| Ty Fesen Renewal Fund | 0.050 |
| Economy & Environment | |
| Catering - Free School Meal Payments 2023 | 0.023 |
| Economy & Environment Miscellaneous | 0.033 |
| Economy & Environment Resources | 0.103 |
| Rhymney High Street | 0.050 |
| Asset Management Projects | 0.109 |
| Cashless Catering Upgrade & Staff | 0.269 |
| Area Forum Reserve | 0.023 |
| Education | |
| Education Service Miscellaneous | 0.049 |
| Education Service Resources | 0.040 |
| Education Service Specific Repairs and Renewals - Drainage | 0.010 |
| Energy Meters in Primary School Kitchens | 0.050 |
| ESF Projects - Bridges into Work 2, Working Skills for Adults 2, Inspire to Work | 0.213 |
| Total Other Earmarked Reserves | 3.769 |
| Service Over/Underspend Reserves | |
| Economy & Environment | |
| Building Consultancy | 0.017 |
| Regeneration | 0.000 |
| Total Service Over/Under Reserves | 0.017 |
| Total Capital Unallocated Reserve | 1.419 |
| Total Insurance Reserve | 2.000 |
| Total | 7.205 |

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JOINT SCRUTINY COMMITTEE – 23RD JANUARY 2024

SUBJECT: DRAFT BUDGET PROPOSALS FOR 2024/25

REPORT BY: HEAD OF FINANCIAL SERVICES AND SECTION 151 OFFICER

- 1.1 The attached report details the Draft Budget Proposals for 2024/25 and will be considered by Cabinet at its meeting on 17 January 2024.
- 1.2 The Joint Scrutiny Committee is asked to consider and comment upon the content of the report prior to Final Budget Proposals being presented to Cabinet and Council on 27 February 2024.

Author: J Lloyd, Committee Services Officer

Appendices:

Appendix Report to Cabinet 17th January 2024.

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CABINET – 17TH JANUARY 2024

SUBJECT: DRAFT BUDGET PROPOSALS FOR 2024/25

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To present Cabinet with details of the draft budget proposals for the 2024/25 financial year to allow for a period of consultation prior to a final decision by Council on 27 February 2024.

2. SUMMARY

- 2.1 The report provides details of draft budget proposals based on the Welsh Government (WG) Provisional Local Government Financial Settlement for 2024/25.
- 2.2 The report also provides details of a range of cost and service pressures that require funding, details of proposed savings and the use of reserves, along with a proposed increase of 6.9% in Council Tax to enable the Council to set a balanced budget for the 2024/25 financial year.
- 2.3 An updated indicative Medium-Term Financial Plan (MTFP) is also appended to the report showing a potential savings requirement of £46.700m for the two-year period 2025/26 to 2026/27.

3. RECOMMENDATIONS

- 3.1 Cabinet is asked to: -
 - 3.1.1 Endorse the 2024/25 draft budget proposals, including the proposed permanent and temporary savings totalling £30.984m and the proposed one-off use of reserves of £11.394m.
 - 3.1.2 Endorse the proposed increases in charges for school meals in secondary schools, Meals Direct, and the Hive Restaurant along with the proposed increase in the fee for MOT testing as detailed in paragraph 5.4.5.
 - 3.1.3 Agree that 100% of the net projected underspend on the Council's 2023/24 revenue budget will be transferred into General Fund balances as outlined in paragraph 5.5.2.
 - 3.1.4 Support the proposal to increase Council Tax by 6.9% for the 2024/25 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,446.37).

3.1.5 Agree that the draft budget proposals should now be subject to consultation prior to final 2024/25 budget proposals being presented to Cabinet and Council on 27 February 2024.

3.1.6 Note the indicative potential savings requirement of £46.700m for the two-year period 2025/26 to 2026/27.

4. REASONS FOR THE RECOMMENDATIONS

4.1 Council is required annually to approve proposals to set a balanced budget and agree a Council Tax rate.

4.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

5. THE REPORT

5.1 Background and Economic Context

5.1.1 The continuing impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, are major influences in determining the 2024/25 Draft Budget Proposals and the medium-term financial outlook.

5.1.2 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

5.1.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for Consumer Prices Index (CPI) inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

5.1.4 Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half of 2025 and into 2026.

5.1.5 ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

5.1.6 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

5.1.7 The current economic situation and increases in demand for services (particularly in Social Care) means that the Council (along with all others) continues to face unprecedented financial

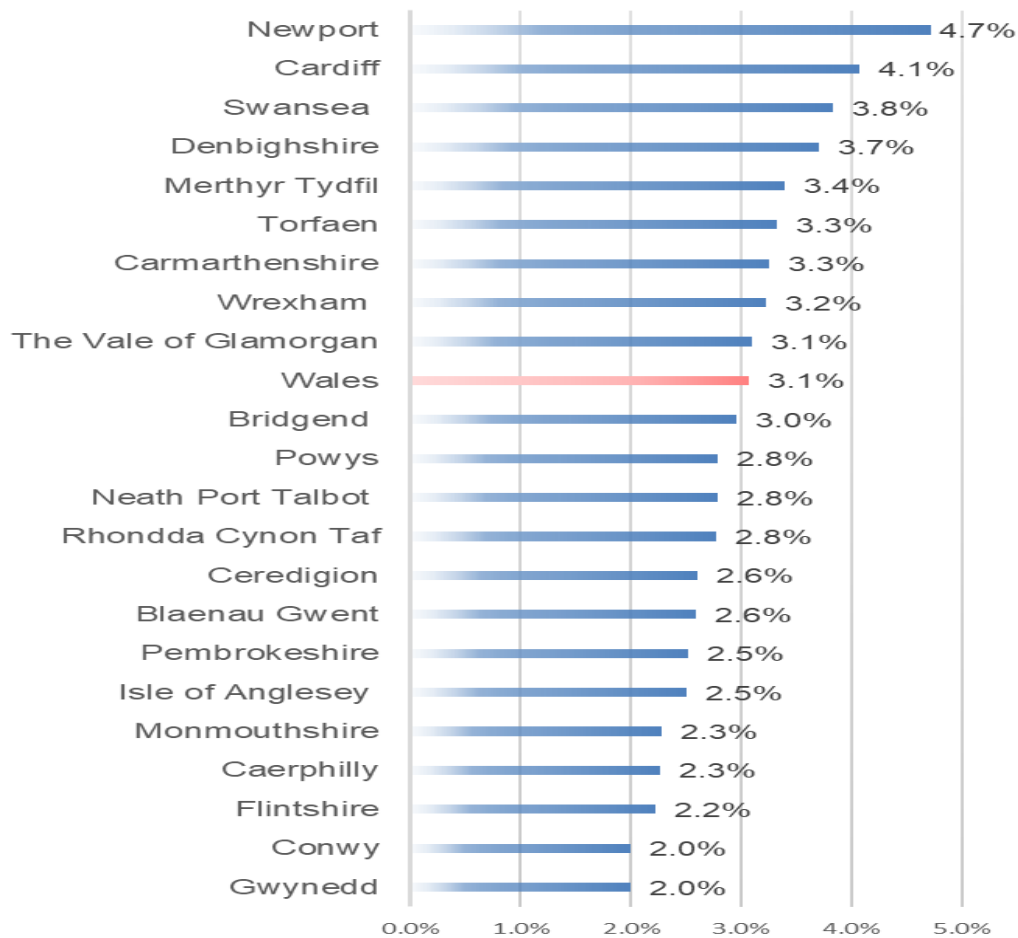
challenges. The seriousness of this situation is evidenced by a number of Councils issuing Section 114 Notices in recent years (Croydon, Slough, Northumberland, Thurrock, Birmingham, and Nottingham), which effectively means that these Councils were serving notice that they were unable to deliver balanced budgets. It is anticipated that a number of other Councils will issue Section 114 Notices moving forward.

- 5.1.8 Due to austerity, between 2008/09 and 2023/24 Caerphilly CBC has already delivered savings in excess of £111m to address reductions in funding and inescapable cost pressures. However, the details set out in this report show a savings requirement of £42.378m for 2024/25 alone, and due to the temporary nature of many of the measures proposed to balance the budget for 2024/25, it is currently anticipated that total permanent savings of £46.700m will be required for the two-year period 2025/26 to 2026/27.
- 5.1.9 The scale of the financial challenge facing the Council cannot be underestimated. Clearly, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever, as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst operating with significantly reduced funding, a whole council and a whole county borough holistic approach is needed, and this is being defined and developed through the Council's Mobilising Team Caerphilly Transformation Programme.
- 5.1.10 During the last twelve months significant work has been undertaken during the discovery phase of Mobilising Team Caerphilly to identify a wide range of projects that will help the Council balance its budget moving forward. We are now moving into the delivery stage with numerous projects being defined in detail in readiness for approval and implementation. A change programme of the scale being considered will require significant resources to be deployed and will inevitably take time to fully deliver. With this in mind, the draft budget proposals for 2024/25 effectively provide a transitional budget which is partially supported through the one-off use of reserves and a number of temporary savings measures. This will provide the time needed to deliver the range of prioritised projects under Mobilising Team Caerphilly.
- 5.1.11 Given the scale of the financial challenge faced by the Council, it is inevitable that some difficult decisions will need to be made at pace to ensure that balanced budgets can be delivered in the forthcoming years.

5.2 Welsh Government (WG) Provisional Local Government Financial Settlement for 2024/25

- 5.2.1 The Local Government Financial Settlement received from WG on an annual basis is referred to as Aggregate External Finance (AEF). This consists of a Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates (business rates). Details of the Provisional Local Government Financial Settlement are usually announced by WG in early October each year. However, in recent years due to economic uncertainty the announcement has been delayed until December and details of the Provisional Local Government Financial Settlement for 2024/25 were not released until 20 December 2023.
- 5.2.2 On an All-Wales basis there is an increase in Aggregate External Finance (AEF) of £170m or 3.1% on a like-for-like basis. Table 1 below shows the range around the average of 3.1% driven by the funding formula. This is largely a reflection of data movements in population and pupil numbers and an analysis of the components of change in the funding formula is set out in the suite of tables published alongside the settlement. The lowest increases are in Gwynedd and Conwy with 2.0%, and the highest is Newport with an increase of 4.7%. The Minister has implemented a floor mechanism at 2% which benefits the two authorities at the bottom and is funded from outside the settlement at a cost of £1.3m. The increase for Caerphilly CBC is 2.3%.

Table 1 - Changes to AEF by Local Authority (2023/24 to 2024/25)



5.2.3 Overall core revenue funding rises to £5.69bn in 2024/25. As this is the last year of the current Spending Review period there is no forward indication of settlements beyond the work that has been done by Wales Fiscal Analysis.

5.2.4 In terms of public sector pay, there is specific reference in the Minister’s letter that accompanied the settlement to teachers pay. This confirms that this will have to be funded from within the settlement envelope: -

“I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2024/25 teachers’ pay deal. Authorities’ budget planning must therefore accommodate these costs.

5.2.5 Further on in the Minister’s letter there is also reference to the funding of the teachers’ and firefighters’ pension contributions: -

“The Chancellor’s Autumn Statement referred to the changes to the SCAPE rate, which has implications for the costs of employers’ contributions to teachers and fire-fighter pensions. This in turn has implications for Local Authority budgets. Funding for this is expected to be provided by UK Government but not until 2024/25. I will be writing to the Chief Secretary to the Treasury to press for assurances on the level and timing of this funding. My officials will keep your officers informed.

5.2.6 In cash terms, the 2.3% increase for Caerphilly CBC provides additional funding of £7.766m for 2024/25. Whist this is of course welcomed, the increase needs to be considered in the context

of the financial challenge being faced by the Council, with cost pressures totalling £56.079m for 2024/25 alone.

5.2.7 Changes to other pass-ported grants in the Provisional Settlement result in a net reduction of £202k for Caerphilly CBC in relation to the tapering of WG funding for Private Finance Initiative (PFI) Schemes.

Specific Revenue Grants

5.2.8 On a like-for-like basis, specific revenue grants will decrease on an All-Wales basis by circa 6.3% or around £92m. Education grants will go to local authorities from 2024/25 rather than the regional consortia and significantly many education grants will consolidate into 4 new grants: -

- Local Authority Education Grant (Schools Standards) £160m.
- Local Authority Education Grant (Equity) £155m.
- Local Authority Education Grant (Reform) £54m.
- Local Authority Education Grant (Cymraeg) £10m.

5.2.9 Some of the larger and more significant reductions in 2024-25 include: -

- Retail, Leisure, and Hospitality Rates Relief reduces from £130m to £79m.
- Social Care Workforce Grant reduces from £45m to £35m.
- Communities for Work+ reduces from £27m to £17m.
- Bus Emergency Scheme reduces from £42m to £39m.

5.2.10 There are increases in several grant schemes, some of the larger and more significant include:

- Substance Misuse Action Fund increases from £39m to £41m.
- Universal Free Primary School Meals increases from £63m to £94m.

5.2.11 Heads of Service are currently working with Finance Managers to fully assess the impacts of reductions in grant funding, but the working assumption is that services will need to manage within the reduced funding allocations.

Capital Funding

5.2.12 The capital allocations available to Caerphilly CBC in the RSG and from the General Capital Grant have decreased from £9.772m in 2023/24 to £9.709m for 2024/25. An updated Capital Programme will be presented to Cabinet and Council on 27 February 2024.

5.3 2024/25 Draft Budget Proposals

5.3.1 The proposals contained within this report will deliver a balanced budget for 2024/25 on the basis that Council Tax is increased by 6.9%. Table 2 provides a summary: -

Table 2 – 2024/25 Draft Budget Proposals Summary

| | £m |
|--|---------------|
| Cost Pressures: - | |
| • General Fund Services inflationary pressures (pay and non-pay) | 11.934 |
| • General Fund inescapable service pressures | 13.655 |
| • Schools cost pressures | 8.283 |
| • Reinstatement of 2023/24 temporary budget measures | 22.207 |
| Total: - | 56.079 |
| Funded By: - | |
| • 2.3% uplift in Provisional Settlement | 7.766 |

| | |
|---|---------------|
| • 6.9% proposed increase in Council Tax | 5.935 |
| • Permanent savings proposals | 19.534 |
| • Temporary savings proposals | 11.449 |
| • One-off use of reserves | 11.394 |
| Total: - | 56.079 |

5.3.2 Whilst the proposals in this report present a balanced financial position for 2024/25, a significant element of this is being achieved through one-off temporary measures i.e. £11.449m of temporary savings and £11.394m through the use of reserves. These temporary one-off measures totalling £22.843m will only support the budget for 2024/25 financial year and they effectively allow a transitional budget to be presented that provides the time needed to deliver the range of prioritised projects under the Mobilising Team Caerphilly Transformation Programme.

5.3.3 The 2024/25 General Fund Services inflationary cost pressures totalling £11.934m are set out in Table 3 below: -

Table 3 – General Fund Services Inflationary Cost Pressures

| | £m |
|--|---------------|
| National Joint Council (NJC) Pay Award | 8.869 |
| Increase in Employer Pension Contributions (NJC Staff) | 1.245 |
| Non-Pay Inflation | 2.673 |
| Non-Pay Inflation (Fees and Charges) | (0.853) |
| TOTAL: - | 11.934 |

5.3.4 **National Joint Council (NJC) Pay Award** – The 2023/24 budget approved by Council in February 2023 assumed a NJC pay award of 5% from April 2023. However, the final approved pay award was an uplift of £1,925 across all pay scales (average net increase of 6.51%), which required additional funding of circa £2.3m to be identified. This is being funded in 2023/24 through a one-off contribution from reserves, and the additional cost has also now been factored into the base budget for 2024/25. In addition to this, a further pay award of 4% is assumed from April 2024. The assumed 4% uplift will be held corporately in the first instance and released to budgets once the actual pay award for 2024/25 has been determined.

5.3.5 **Increase in Employer Pension Contributions (NJC Staff)** – The Greater Gwent (Torfaen) Pension Fund is subject to an independent triennial valuation of its assets and liabilities. The outcome of the most recent valuation in 2022 requires a 1% increase in the employer's contribution for 2024/25, with a further increase of 0.5% for 2025/26. Any increase for 2026/27 will be determined by the next triennial valuation.

5.3.6 **Non-Pay Inflation** – The Consumer Prices Index (CPI) inflation rate peaked at 11.1% during 2022. The most recent published data for the 12 months to November 2023 showed CPI at 3.9%, down from 4.6% in the previous month. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half of 2025 and into 2026. For budget setting purposes an inflation rate of 3% is assumed for 2024/25. The figure of £2.673m does not include any uplift for independent sector Social Care providers as the full cost of these increases is included in inescapable service pressures.

5.3.7 **Non-Pay Inflation (Fees and Charges)** - A generic increase of 5% is assumed for Fees and Charges.

5.3.8 Table 4 provides a summary of the 2024/25 General Fund Services inescapable service pressures totalling £13.655m. These pressures have been subject to a detailed review and have been incorporated into the 2024/25 Draft Budget Proposals on the basis that they are essential. Full details are provided in Appendix 1 for Members' consideration.

Table 4 – Summary of General Fund Inescapable Service Pressures

| Service Area | £m |
|-----------------------|---------------|
| Corporate Services | 0.252 |
| Miscellaneous Finance | 1.950 |
| Social Services | 10.448 |
| General Fund Housing | 1.004 |
| TOTAL: - | 13.655 |

5.3.9 The 2024/25 Schools cost pressures totalling £8.283m are set out in Table 5 below -

Table 5 – Schools Cost Pressures

| | £m |
|---|--------------|
| Teachers' Pay Award | 5.951 |
| National Joint Council (NJC) Pay Award (School-Based Staff) | 0.724 |
| Increase in Employer Pension Contributions (NJC Staff) | 0.188 |
| Non-Pay Inflation | 0.826 |
| Other Service Pressures | 0.594 |
| TOTAL: - | 8.283 |

5.3.10 **Teachers' Pay Award** – The teachers' pay awards in September 2022 and September 2023 were both 1.5% higher than the budgeted levels, and one-off grant funding was provided by the Welsh Government to meet the in-year costs relating to the September 2022 pay award only. WG has now confirmed that no further funding will be provided to meet the recurring additional cost of these pay awards, and that this must be funded from within the average 3.1% uplift in the 2024/25 Provisional Financial Settlement. A further pay award of 4% is currently assumed from September 2024 and this again must be funded from within the settlement.

5.3.11 **National Joint Council (NJC) Pay Award (School-Based Staff)** – The 2024/25 Draft Budget proposals include budgetary growth to fully fund the full-year impact of the 2023/24 pay award, along with additional budget provision for an assumed pay award of 4% from April 2024.

5.3.12 **Increase in Employer Pension Contributions (NJC Staff)** – As mentioned in paragraph 5.3.5, the outcome of the most recent triennial valuation of the pension fund in 2022 requires a 1% increase in the employer's contribution for 2024/25, with a further increase of 0.5% for 2025/26. Any increase for 2026/27 will be determined by the next triennial valuation.

5.3.13 **Non-Pay Inflation** - As detailed in paragraph 5.3.6 a CPI inflation rate of 3% is assumed for 2024/25.

5.3.14 **Other Schools Service Pressures** – These consist in the main of the following: -

- School floor area related changes.
- Expansion of Trinity Fields Special School.
- Demand pressures linked to Specialist Resource Bases (SRB's) or Specialist Satellite provision.

5.3.15 The Chancellor's Autumn Statement referred to changes to the 'Superannuation Contributions Adjusted for Past Experience' (SCAPE) rate from April 2024, which has implications for the costs of employers' pension contributions for teachers, which in turn has implications for Local Authority budgets. Funding for this is expected to be provided by the UK Government but not until 2024/25. The estimated cost of the proposed changes for Caerphilly schools is circa £4.8m, which presents a significant financial risk if this is not fully funded on a recurring basis.

5.4 2024/25 Draft Savings Proposals

5.4.1 Draft savings proposals have been identified for the 2024/25 financial year totalling £30.984m. These are summarised in Table 6 with further details being provided in Appendix 2.

Table 6 – 2024/25 Draft Savings Proposals

| Service Area | Permanent Savings £m | Temporary Savings £m | Total Savings £m |
|-------------------------------|---------------------------------|---------------------------------|-----------------------------|
| Corporate Services | 1.187 | 0.658 | 1.845 |
| Miscellaneous Finance | 5.305 | 5.499 | 10.805 |
| Economy & Environment | 1.558 | 1.713 | 3.271 |
| Social Services | 0.526 | 2.545 | 3.071 |
| Education & Lifelong Learning | 0.284 | 1.034 | 1.319 |
| Schools | 3.000 | 0.000 | 3.000 |
| All Directorates | 7.673 | 0.000 | 7.673 |
| TOTAL: - | 19.534 | 11.449 | 30.984 |

5.4.2 The savings proposals have been split into 2 categories, those that are permanent and those that are temporary (i.e. not sustainable in the medium to longer-term). Savings of a temporary nature are not ideal, but they do provide a window of opportunity to identify, approve and implement permanent savings in readiness for the 2025/26 and 2026/27 financial years.

5.4.3 Members will note that there is a proposed saving of £3m for schools. As outlined in Table 5, schools cost pressures totalling £8.283m have been identified for 2024/25. It is proposed that the Individual Schools Budget (ISB) will be uplifted by £5.283m, which means that schools will need to identify cost efficiencies of £3m. Finance staff will work closely with schools to identify opportunities to reduce costs wherever possible.

5.4.4 The permanent savings proposals include an initial 2024/25 in-year savings target of £5m for the Mobilising Team Caerphilly transformation programme. This will be delivered through projects that are currently “in flight” and there is an expectation that further significant savings will be delivered in subsequent financial years once further projects have been prioritised for development and delivery.

5.4.5 In addition to the savings proposals outlined in Table 6, it is proposed to increase the charges for school meals in secondary schools, Meals Direct and the Hive Restaurant in Ty Penallta by 7.5%. These increases will generate additional income of circa £57k above the 5% fees and charges increase already assumed in the 2024/25 draft budget proposals. It is also proposed to increase the charge for MOT testing undertaken in the Council's workshop from the current charge of £45 to the statutory fee of £54.85, which will generate additional revenue of circa £6k per annum. These above 5% increases are proposed by the relevant Heads of Service to help address budgetary pressures in the respective service areas and as such the additional revenue will not be available to support the 2024/25 savings requirement. The additional increases will instead be used to assist in managing expenditure within existing budgets.

5.5 Proposed Use of Reserves

5.5.1 To achieve a balanced budget for 2024/25 it will be necessary to utilise reserves totalling £11.394m as a further one-off measure. This again provides a short window of opportunity to develop sustainable solutions to address the projected budget deficit for 2025/26 and 2026/27.

5.5.2 It is proposed that the reserves in Table 7 are released to support the budget for 2024/25.

Table 7 – Proposed Use of Reserves

| Description | £m | |
|--|-------|---------------|
| Service Reserves: - | | |
| • Corporate Services | 2.697 | |
| • General Fund Housing | 0.100 | |
| • Economy and Environment | 0.610 | |
| • Education and Lifelong Learning | 0.362 | |
| • Building Consultancy | 0.017 | 3.786 |
| | | |
| Insurance Reserve | | 2.000 |
| Projected Surplus General Fund Balance | | 4.189 |
| Uncommitted Capital Earmarked Reserves | | 1.419 |
| TOTAL: - | | 11.394 |

5.5.3 Members will note the proposed use of the projected surplus balance on the General Fund (i.e. the balance in excess of the minimum 3% recommended by the Section 151 Officer). This is based on a 100% take to the General Fund from the projected overall net underspend on the 2023/24 revenue budget as at period 7. Historically, services have retained 50% of underspends but given the scale of the financial challenge we currently face this will be postponed for the 2023/24 financial year. The projected General Fund surplus will be reviewed and adjusted as necessary for the final budget report that will be presented to Cabinet and Council on 27 February 2024, as period 9 projections will be available at that time.

5.5.4 A Joint Scrutiny Committee has been scheduled for 23 January 2024 to consider the 2024/25 Draft Budget Proposals. An Update on Reserves report will also be presented at this meeting for Members' consideration.

5.6 Council Tax Implications 2024/25

5.6.1 The draft budget proposals within this report include a proposed increase of 6.9% in Council Tax for the 2024/25 financial year. This will increase the Caerphilly CBC Band D precept from £1,353.01 to £1,446.37 i.e. an annual increase of £93.36 or weekly increase of £1.80.

5.6.2 The proposed increase of 6.9% for 2024/25 will result in the following totals for the Caerphilly CBC element of the Council Tax (the Police & Crime Commissioner and Town/Community Council precepts will be added to these totals when confirmed at a later date): -

Table 8 – 2024/25 Council Tax (CCBC Element) at 6.9% Increase

| Band | Council Tax (CCBC Element) £ | Weekly Increase £ |
|------|------------------------------------|-------------------------|
| A | 964.25 | 1.20 |
| B | 1,124.95 | 1.40 |
| C | 1,285.66 | 1.60 |
| D | 1,446.37 | 1.80 |
| E | 1,767.78 | 2.19 |
| F | 2,089.20 | 2.59 |
| G | 2,410.61 | 2.99 |
| H | 2,892.74 | 3.59 |
| I | 3,374.86 | 4.19 |

5.6.3 The proposed increase in Council Tax of 6.9% results in weekly increases ranging from £1.20 for Band A properties to £4.19 for Band I properties. 75.73% of properties in the county borough are in bands A to C. The Council Tax Reduction Scheme (CTRS) mitigates against the socio-economic impacts on the most vulnerable households. 16,098 households currently receive

support with their Council Tax payments from the scheme, representing 19.93% of all households in the county borough. 17.18% (13,874 households) receive the maximum 100% level of support.

5.7 Financial Outlook for Future Years

5.7.1 Due to the unprecedented levels of inflation in recent years, the current economic outlook, and the range of temporary measures that are proposed for the 2024/25 financial year, it is clear that the Council will continue to face significant financial challenges moving forward. With this in mind the Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a further potential savings requirement of £46.700m for the two-year period 2025/26 to 2026/27. Details are provided in Appendix 3 and the following is a summary of the key assumptions: -

- An uplift in WG funding of 1% for both financial years.
- An indicative increase of 4.9% in Council Tax for 2025/26 and 3.9% for 2026/27.
- 3.5% for pay inflation in 2025/26 and 3% for 2026/27 (covering all staff including teachers).
- 0.5% uplift in 2025/26 for NJC employer pension contributions.
- Non-pay inflation at 2% for 2025/26 and 2026/27 in line with the Bank of England target.

5.7.2 In addition to the above, significant work has been undertaken with Directors and Heads of Service to identify further potential service cost pressures that will need to be considered in future years. These are currently estimated at £5.627m for 2025/26 and £5.761m for 2026/27. This is work in progress and the figures will be subject to change moving forward.

5.7.3 The temporary measures in the 2024/25 Draft Budget Proposals totaling £22.843m can be used for one year only. Whilst the temporary savings and the prudent use of our reserves provide an opportunity to smooth the path to major reform and transformation, we have only one chance to do this. As Members are acutely aware reserves can only be used once and therefore do not offer a sustainable long-term solution to bridging the budget gap of this and future years.

5.7.4 Given the unprecedented scale of the challenge that we collectively face, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever. To ensure we are able to meet the needs of the most vulnerable residents in our communities, whilst operating with reduced finances, a whole council and a whole county borough holistic approach is needed.

5.7.5 The Council's emerging Mobilising Team Caerphilly transformation programme will be a key element in driving forward the significant changes required to ensure that we are able to address the financial challenges that we face. The programme has been under development over a number of months and has now moved beyond the initial discovery phase. Over 150 ideas and projects have been identified and organised into a portfolio, and resources have been brought into the programmes from across the organisation to begin implementation.

5.7.6 The transformation programme is built on Agile Programme Management principles, 'working in the open', and will deliver results at a faster pace and scale than previously possible. This working arrangement requires a high degree of trust between decision-makers and project teams as well as a more flexible approach to governance. There are two core objectives that have underpinned this work from the outset. This work must improve the customer experience while reducing the organisation cost of meeting the needs of our residents.

5.7.7 The full organisational narrative for the transformation programme was adopted by Cabinet on 15 November 2023 and is as follows: -

"We are committed to delivering sustainable services that meet the present and future needs of our communities. We know we must adapt to meet the challenges we face, but this isn't simply

about cutting services; it's about flexibility and finding different ways to deliver what our communities need, when they need it.

This includes using fewer buildings, being more business-minded, and making our services more accessible. As we work to meet the needs of our communities more efficiently, we'll explore other ways to deliver services when it makes sense to do so.

We must engage with our communities to understand the needs of our residents and provide the right support to meet those needs as simply as possible. Where residents need services that we don't provide we will signpost them to the most appropriate partners to access the support they need.

We understand that some roles may need to change, and we expect there to be a reduction in staff numbers. We will look at voluntary departure options and as colleagues move on to new opportunities or retire, we will carefully assess how their roles can be managed going forward.

By working together, we can create a better future for all our residents.”

5.7.8 The essence of this organisational narrative has been distilled down into a series of transformation principles that have also been adopted by Cabinet: -

When delivering transformation, the Council will: -

- *focus on flexibility and finding different ways to deliver what our communities need, when they need it;*
- *engage with our communities to understand the needs of our residents and provide the right support to meet those needs as simply as possible;*
- *deliver channel shift across our Council services moving from more expensive, face to face or telephone channels to online services where appropriate;*
- *explore alternative delivery models when it makes sense to do so;*
- *look at voluntary departure options and as colleagues move on to new opportunities or retire, carefully assess how roles can be managed going forward;*
- *use our reserves to help balance the budget in the short-term whilst change programmes are fully developed and implemented; and*
- *use our reserves on an invest to save basis to fund one-off costs to deliver changes where required.*

5.7.9 The Mobilising Team Caerphilly transformation work has been organised into a portfolio. This is essentially a collection of programmes, which in turn are collections of sub-programmes and projects as follows: -

Figure 1 - Mobilising Team Caerphilly Portfolio

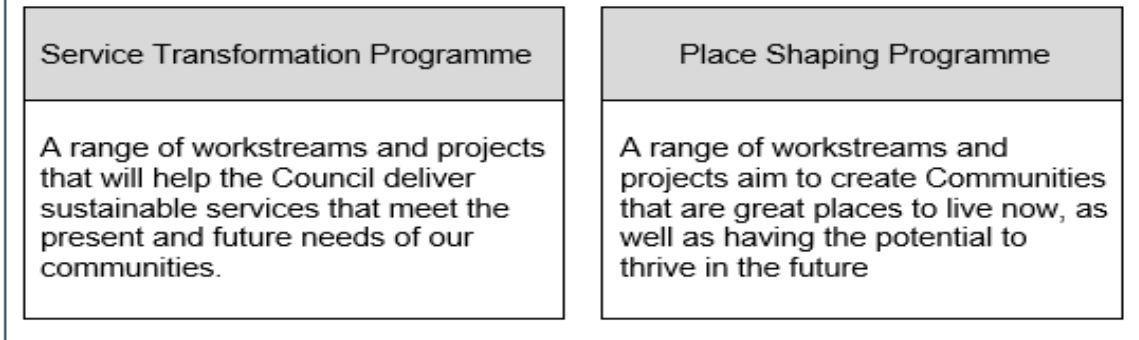


Figure 2 – Service Transformation Programme

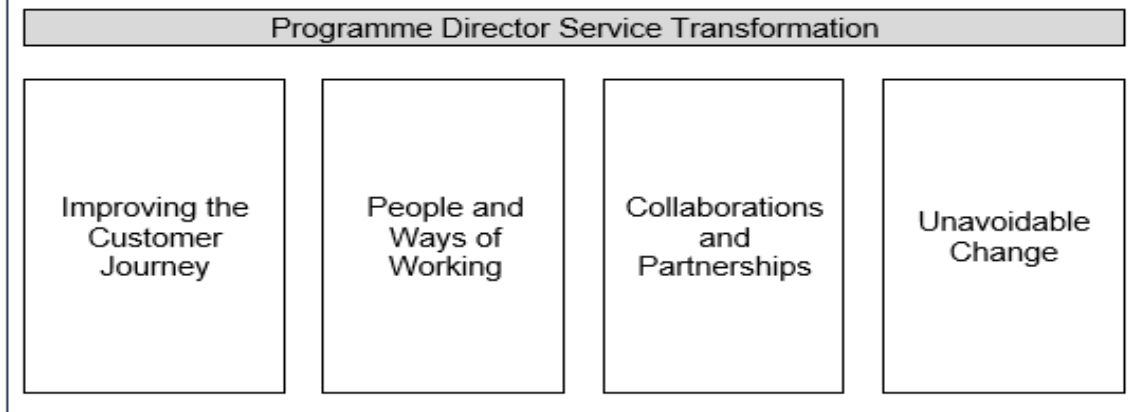


Figure 3 – Place Shaping Programme



5.7.10 As already mentioned, over 150 ideas and projects have been identified as part of the discovery phase of the service transformation programme. Some of these projects are now “in flight” and are being further defined and developed into firm change proposals. These “in flight” projects are being prioritised as the first change programmes to meet an initial £5m in-year savings target that has been proposed for Mobilising Team Caerphilly for the 2024/25 financial year. The initial projects under development include the following: -

- Review of the customer journey – Council Tax.
- Review of the customer Journey – Housing Repairs Service.
- Development of the Waste Management Strategy.
- Review of the Fleet Service.
- Asset management review including the implementation of a corporate landlord model.
- Improving spend controls and centralising/automating invoice processing.
- Community Asset Transfers.

- 5.7.11 In the medium to longer-term, a number of other change projects will need to be developed, defined, approved, and implemented to ensure that a significant contribution is made to the additional savings requirement of £46.700m for the 2025/26 and 2026/27 financial years. The scale of the financial gap will inevitably mean that some very difficult decisions will need to be made but this is unavoidable in the current financial environment for local authorities. We will need to strike the right balance between “needs” and “wants” and a holistic, whole-authority approach will be required with all services contributing to the savings requirement. We will also need to consider alternative service delivery models and explore opportunities to work collaboratively with our partners. It is inevitable that the Authority will be smaller moving forward and service levels in many areas will need to be reduced, or even removed.
- 5.7.12 Over the coming months further transformation projects will be prioritised in line with the Mobilising Team Caerphilly narrative and agreed principles, and firm proposals will be brought forward for scrutiny and subsequent decision-making. It is vital that these proposals are developed at pace and that decisions are made early, in advance of the annual budget setting process.
- 5.7.13 The placeshaping element of the transformation programme will identify investment projects, the financial resources required, and the associated funding strategy. As capital resources are finite, choices will need to be made to agree what priority projects can be delivered. A report will be prepared for Cabinet consideration in the coming months.

5.8 Conclusion

- 5.8.1 This report provides details of the Draft Budget Proposals for 2024/25 based on the WG Provisional Local Government Financial Settlement.
- 5.8.2 A balanced budget can be delivered for 2024/25 based on a combination of permanent and temporary savings totalling £30.984m, the one-of use of reserves totalling £11.394m and an increase of 6.9% in Council Tax.
- 5.8.3 The report also provides details of the updated Medium-Term Financial Plan (MTFP), which currently shows a potential savings requirement of £46.700m for the two-ear period 2025/26 to 2026/27.
- 5.8.4 The unprecedented scale of the financial challenge facing the Council requires new approaches to service delivery and this will be driven through the Mobilising Team Caerphilly transformation programme. It is vital that service change proposals are developed at pace, and that decisions are made early to ensure that the projected savings requirement for 2025/26 and 2026/27 can be delivered.

6. ASSUMPTIONS

- 6.1 A range of assumptions have been made throughout the report in respect of pay and non-pay inflationary increases, inescapable service pressures, and the level of funding settlements moving forward.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 Where it is anticipated that there will be an organisational or public impact arising from specific savings proposals, budget impact assessments are required. Due to the late notification of the Provisional Settlement the budget impact assessments and integrated impact assessments (where required) are currently in draft form. These will be refined over the coming weeks and supplemented by the outcomes of the public consultation, which will not conclude until 13 February 2024. All budget impact assessments and associated integrated impact assessments will be finalised for the reports to Cabinet and Council on 27 February 2023.

7.2 Draft impact assessments can be found on the following dedicated webpages: -

Budget Impact Assessments 2024/25

[Link to Budget Impact Assessments 2024/25 – Eng](#)

[Link to Budget Impact Assessments 2024/25 – Cym](#)

Integrated Impact Assessments 2024/25

[Link to Integrated Impact Assessments 2024/25 – Eng](#)

[Link to Integrated Impact Assessments 2024/25 – Cym](#)

8. FINANCIAL IMPLICATIONS

8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

9.1 Where staffing reductions are required as a consequence of savings proposals the Council will firstly try to achieve this through 'natural wastage' and not filling vacancies. However, where this is not possible the Council will utilise agreed HR policies and compulsory redundancies will only be considered as a last resort after all other options have been fully exhausted.

9.2 The Trade Unions will be consulted on the 2024/25 Draft Budget Proposals and will also be fully engaged in proposals to reshape services moving forward.

10. CONSULTATIONS

10.1 Through the Council's cyclical engagement programme 'The Caerphilly Conversation', residents have, and continue to give their views on which Council services are of particular importance to them and where they feel the Council should prioritise its budget spend.

10.2 The next phase of this engagement work, subject to Cabinet endorsement, will launch on 22 January 2024 and run until 13 February 2024.

10.3 Views will be sought on the specific draft proposals highlighted within this report where there is potential impact upon members of the public. This work will build upon the budget impact assessments and where relevant, integrated impact assessments (IIAs) developed for specific proposals. The engagement programme will once again include further extensive face-to-face engagement, a survey, a high-profile presence on the Council's digital engagement platform and targeted stakeholder engagement, particularly focussing on groups identified through the development of IIAs.

10.4 A Joint Scrutiny Committee meeting is scheduled for 23 January 2024, which will provide an opportunity for all elected members to consider and comment upon the 2024/25 draft budget proposals.

10.5 Key findings and responses through the engagement activity will help shape the final draft budget report for Members' consideration on 27 February 2024.

11. STATUTORY POWER

11.1 The Local Government Acts 1998 and 2003.

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Appendices: -

Appendix 1 – 2024/25 General Fund Inescapable Service Pressures

Appendix 2 – 2024/25 Draft Savings Proposals

Appendix 3 – Updated Medium-Term Financial Plan

Background Papers: -

[Link to - Cabinet \(15/11/23\) – Mobilising Team Caerphilly Governance Arrangements](#)

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2024/25 General Fund Inescapable Service Pressures

| Directorate | Service Area | Details | 2024-25 Growth |
|---------------------|-----------------------|---|-------------------|
| | | | (£) |
| Corporate Services | Digital Services | Migration of Schools Information Management System (SIMS) to Cloud platform. | 76,734 |
| Corporate Services | Digital Services | Migration of Pay 360 income management system to Cloud platform. | 48,311 |
| Corporate Services | Digital Services | New Fleet Management Software (Chevin). | 48,480 |
| Corporate Services | Legal & Governance | Additional budget provision for increase in Members' Allowances from April 2024. | 78,860 |
| Sub-Total: - | | | 252,385 |
| Corporate Services | Miscellaneous Finance | 33.26% increase in the Coroner's Levy. | 132,546 |
| Corporate Services | Miscellaneous Finance | 1.19% increase in the Levy for Glamorgan Archives. | 1,180 |
| Corporate Services | Miscellaneous Finance | 2.70% increase in the Levy for Gwent Archives | 4,169 |
| Corporate Services | Miscellaneous Finance | 4.12% increase in the Fire Service Levy. | 428,008 |
| Corporate Services | Miscellaneous Finance | The Authority is required to fund a Council Tax Reduction Scheme (CTRS). This replaced Council Tax Benefit a number of years ago and is a means-tested benefit that assists in full or part towards a resident's Council Tax bills. The additional liability arises from the proposal to increase Council Tax by 6.9% in 2024/25. | 1,177,082 |
| Corporate Services | Miscellaneous Finance | Contract price increases are being experienced in respect of both public bus services and home to school transport. It is proposed that a contingent sum of £409k is held corporately pending a review of commitments moving forward. | 409,000 |
| Corporate Services | Miscellaneous Finance | Adjustment required to reflect the net reduction in the Provisional Financial Settlement of £202k in relation to the tapering of WG funding for Private Finance Initiative (PFI) Schemes. | (202,000) |
| Sub-Total: - | | | 1,949,985 |
| Social Services | Children's Services | Increased demand and complexity of Children's placements. | 585,000 |
| Social Services | Children's Services | Anticipated increases in fees for independent sector providers in relation to the Real Living Wage and wider inflationary pressures. | 1,210,000 |
| Social Services | Adult Services | Increased demand for care packages for vulnerable adults. | 2,171,000 |
| Social Services | Adult Services | Anticipated increases in fees for independent sector providers in relation to the Real Living Wage and wider inflationary pressures. | 6,482,000 |
| Sub-Total: - | | | 10,448,000 |
| Social Services | General Fund Housing | Temporary Accommodation - Further significant increase in Bed & Breakfast placements. | 1,004,175 |
| Sub-Total: - | | | 1,004,175 |
| TOTAL: - | | | 13,654,545 |

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2024/25 Draft Savings Proposals

| Reference Number | Directorate | Service Area | Details | 2024-25 Permanent Savings | 2024-25 Temporary Savings |
|---------------------|-----------------------|--------------------------------------|--|---------------------------|---------------------------|
| | | | | (£) | (£) |
| CS1 | Corporate Services | All | Adjustment to gross pay budgets to incorporate vacancy management. | 734,501 | |
| CS2 | Corporate Services | All | Reduction in mileage budgets to reflect new flexible working models. | 7,612 | |
| CS3 | Corporate Services | All | 20% reduction in staff training budgets. | 39,878 | |
| CS4 | Corporate Services | Chief Executive | Budget realignment on various non-pay budgets. | 4,215 | |
| CS5 | Corporate Services | Director | Budget realignment on various non-pay budgets. | 5,558 | |
| CS6 | Corporate Services | Corporate Finance | Head of Corporate Finance - Budget realignment on various non-pay budgets. | 2,818 | |
| CS7 | Corporate Services | Corporate Finance | Internal Audit - Minor restructuring of Team. | 54,280 | |
| CS8 | Corporate Services | Corporate Finance - Housing Benefits | Housing Benefits - Deletion of vacant 0.81 FTE Benefits Assessor post. | 28,963 | |
| CS9 | Corporate Services | Digital Services | Digital Services Manager post temporarily funded through the Housing Revenue Account (HRA) and reserves. | | 93,310 |
| CS10 | Corporate Services | Digital Services | IT Public Sector Broadband Aggregation (PSBA) saving - Temporary until outcomes of analogue switch off confirmed. | | 50,000 |
| CS11 | Corporate Services | Digital Services | IT fixed telephone lines. | 20,000 | |
| CS12 | Corporate Services | Customer Services | Cash in Transit (no longer required). | 5,000 | |
| CS13 | Corporate Services | Customer Services | Photocopying (no longer required). | 5,000 | |
| CS14 | Corporate Services | Customer Services | Customer Service Centres - Premises cleaning (temporary until decision on buildings). No impact on cleaning staff as sites are currently closed. | | 2,280 |
| CS15 | Corporate Services | Customer Services | Saving in National Non-Domestic Rates (NNDR). | 1,000 | |
| CS16 | Corporate Services | Procurement | Rebate income from Food Procurement Framework. | | 50,000 |
| CS17 | Corporate Services | Legal & Governance | Deletion of vacant Grade 5 Administrative Assistant post. | 36,200 | |
| CS18 | Corporate Services | Legal & Governance | Deletion of vacant Grade 6 Complaints Officer post. | 40,095 | |
| CS19 | Corporate Services | Legal & Governance | Reduction in postage budget. | 5,000 | |
| CS20 | Corporate Services | Legal & Governance | Additional grant income. | 5,000 | |
| CS21 | Corporate Services | Human Resources | Deletion of MeUS Leadership Programme budget. | 68,250 | |
| CS22 | Corporate Services | Human Resources | Deletion of vacant Grade 12 Human Resources Manager post. | 71,792 | |
| CS23 | Corporate Services | Human Resources | Apprenticeship Budget - 2024/25 costs to be funded from reserves. | | 262,500 |
| CS24 | Corporate Services | Business Improvement Services | Reduction in the budget for external Welsh Language Translation | 20,000 | |
| CS25 | Corporate Services | General Fund Housing | Private Sector Housing - Budget realignment to reflect historical underspends. | 32,000 | |
| CS26 | Corporate Services | General Fund Housing | Private Sector Housing - One-off contribution from agency fee income. | | 200,000 |
| Sub-Total: - | | | | 1,187,162 | 658,090 |
| MF1 | Corporate Services | Miscellaneous Finance | Additional investment income due to increases in the Bank of England Base Rate. | 3,224,628 | |
| MF2 | Corporate Services | Miscellaneous Finance | No revenue contribution to Capital Programme for 2024/25 only. | | 3,452,148 |
| MF3 | Corporate Services | Miscellaneous Finance | Uncommitted free school meals grant transferred into the financial settlement in previous years - reflects historical financial position. | 322,250 | |
| MF4 | Corporate Services | Miscellaneous Finance | Former Authorities pension contributions budget realignment. | 150,000 | |
| MF5 | Corporate Services | Miscellaneous Finance | City Deal Debt Charges - Temporary saving to reflect no requirement to borrow in 2024/25. | | 757,306 |
| MF6 | Corporate Services | Miscellaneous Finance | Deletion of uncommitted Targeted Rate Relief budget. | 247,751 | |
| MF7 | Corporate Services | Miscellaneous Finance | Temporary saving on IT Replacement Strategy budget pending assessment of ongoing need. | | 148,644 |
| MF8 | Corporate Services | Miscellaneous Finance | Deletion of the Matched Funding for Community Schemes budget. | 16,783 | |
| MF9 | Corporate Services | Miscellaneous Finance | Deletion of Miscellaneous Items budget - no call on budget. | 94,899 | |
| MF10 | Corporate Services | Miscellaneous Finance | Budget realignment on the Council Tax Reduction Scheme (CTRS) budget to reflect current commitments. | 250,000 | |
| MF11 | Corporate Services | Miscellaneous Finance | Temporary reduction in debt charges budget due to there being no requirement to borrow in the 2024/25 financial year. | | 1,141,168 |
| MF12 | Corporate Services | Miscellaneous Finance | Clawback of part of the energy growth approved in the 2023/24 budget following a review of actual costs being incurred in-year. | 999,000 | |
| Sub-Total: - | | | | 5,305,311 | 5,499,266 |
| EE1 | Economy & Environment | All | Adjustment to gross pay budgets to incorporate vacancy management. | 811,261 | |
| EE2 | Economy & Environment | All | Reduction in mileage budgets to reflect new flexible working models. | 13,300 | |
| EE3 | Economy & Environment | All | 20% reduction in staff training budgets. | 41,847 | |
| EE4 | Economy & Environment | Regeneration | Business Enterprise and Renewal Team budget realignments. | 34,000 | |
| EE5 | Economy & Environment | Regeneration | Business Support and Funding - Increased rental income from industrial portfolio. | 30,000 | |
| EE6 | Economy & Environment | Regeneration | Reduction in tourism venue subsidies. | 30,000 | |
| EE7 | Economy & Environment | Regeneration | Community Projects budget realignments. | 3,182 | |
| EE8 | Economy & Environment | Regeneration | Temporary reduction in Caerphilly Enterprise Fund budget to be funded through grant. | | 50,912 |
| EE9 | Economy & Environment | Regeneration | Temporary reduction in the Events budget to be funded through grant. | | 91,511 |
| EE10 | Economy & Environment | Regeneration | Close Coffi Vista and lease building to private sector (possible additional income with the lease). Staff to be redeployed. | 78,044 | |

2024/25 Draft Savings Proposals

| Reference Number | Directorate | Service Area | Details | 2024-25 Permanent Savings | 2024-25 Temporary Savings |
|---------------------|-----------------------|------------------------------|--|---------------------------|---------------------------|
| | | | | (£) | (£) |
| EE11 | Economy & Environment | Regeneration | Mothball the Winding House while a Community Asset Transfer (CAT) is explored. Staff will temporarily transfer to alternative buildings. The engine will continue to be run by volunteers on a monthly basis as it does at present. | | 93,000 |
| EE12 | Economy & Environment | Planning | Additional income from charging for specialist heritage advice. | 2,000 | |
| EE13 | Economy & Environment | Planning | Introduction of new fee for street naming and numbering. | 2,000 | |
| EE14 | Economy & Environment | Infrastructure | Temporary reduction in the Infrastructure budget. | | 922,000 |
| EE15 | Economy & Environment | Corporate Property | Property Rationalisation Phase 1 - Consolidation of staff onto Tredomen campus and the closure of a number of back office satellite sites. The savings relate to the reduced running costs relating to the closure of offices and rental income realised as a result. | 175,000 | |
| EE16 | Economy & Environment | Corporate Property | Temporary 20% reduction in non-essential Building Maintenance budgets - The main council buildings have been invested in previously and are capable of sustaining a further year of delayed maintenance. This would consist of non-urgent or non-essential works being delayed for future years when the funding is available. This saving has been made this year and at the time of writing the saving has caused minimal disruption, it should however be noted that key proactive maintenance tasks will still need to be performed in future years. | | 150,000 |
| EE17 | Economy & Environment | Corporate Property | FM Maintenance Savings 20% - Buildings managed by the facilities management team have been invested in previously and are capable of delayed maintenance. This would consist of non-urgent or non-essential works being delayed for future years when the funding is available. This saving has been made this year and at the time of writing the saving has caused minimal disruption, it should however be noted that key proactive maintenance tasks will still need to be performed in future years. | | 150,000 |
| EE18 | Economy & Environment | Corporate Property | Commercial Property income - Rent reviews on key commercial buildings to bring income in line with market terms. | 150,000 | |
| EE19 | Economy & Environment | Corporate Property | Energy savings - The installation of a new heat pump at Ty Penallta will generate financial savings alongside further schemes on council buildings which will be developed in the coming months. | 150,000 | |
| EE20 | Economy & Environment | Public Protection | Hold 2 vacant Community Safety Warden posts pending the outcome of a wider enforcement review. | | 80,000 |
| EE21 | Economy & Environment | Community & Leisure Services | Temporary reduction in RDP match-funding budget to be funded by grant. | | 135,381 |
| EE22 | Economy & Environment | Community & Leisure Services | Tapered reduction of 4 hours in the subsidy for Caretaker costs in Community Centres over a three-year period from October 2023 (approved as part of 2023/24 budget). | 17,167 | |
| EE23 | Economy & Environment | Community & Leisure Services | Tapered withdrawal of the subsidy for Markham Community Leisure Centre over a three-year period from April 2023 (approved as part of 2023/24 budget). | 3,334 | |
| EE24 | Economy & Environment | Community & Leisure Services | Increase fees for the use of outdoor sports pitches (rugby, football and cricket) to generate 20% additional income. | 12,750 | |
| EE25 | Economy & Environment | Community & Leisure Services | Increase fees for Knotweed and other invasive species treatment plans from £360 to £500. | 4,600 | |
| EE26 | Economy & Environment | Community & Leisure Services | Temporary reduction in the Cemeteries Maintenance Budget. | | 40,000 |
| Sub-Total: - | | | | 1,558,485 | 1,712,804 |
| SS1 | Social Services | Children's Services | Balance of budget for an Administrative Assistant role in the Safeguarding & Review Team that is no longer required following a previous restructure. | 8,735 | |
| SS2 | Social Services | Children's Services | Budget for 0.50 FTE Administrative Assistant in the Secretariat Team no longer required following re-deployment of postholder. | 16,742 | |
| SS3 | Social Services | Children's Services | Budget for 0.50 FTE Clerical Assistant in the Complaints and Information Team that is no longer required following a part-time appointment to a full-time role. | 16,410 | |
| SS4 | Social Services | Children's Services | Management, Fieldwork and Administration vacancy savings target temporarily increased from 4.5% to 9% to reflect current staff turnover and recruitment difficulties. | | 485,643 |
| SS5 | Social Services | Adult Services | Management, Fieldwork and Administration vacancy savings target temporarily increased from 4.5% to 9% to reflect current staff turnover and recruitment difficulties. | | 419,075 |
| SS6 | Social Services | Adult Services | Minor Works of Adaptation costs to be temporarily funded from grant for a period of 2 years. | | 243,370 |
| SS7 | Social Services | Adult Services | Temporary reduction in contribution to Gwent Frailty Pooled Fund, reflecting recurrent underspends in previous years. | | 55,000 |
| SS8 | Social Services | Adult Services | Additional client contributions following increased occupancy levels in Own Residential Care. | 400,000 | |
| SS9 | Social Services | Adult Services | Budget realignment on Supported Employment contract. | 8,000 | |
| SS10 | Social Services | Adult Services | Temporary adjustment to Home Assistance and Reablement budget to reflect current difficulties in recruiting carers and securing care packages. | | 1,050,000 |
| SS11 | Social Services | Adult Services | 10% increase in hourly charge for Home Care. | 26,000 | |
| SS12 | Social Services | Adult Services | Budget realignment for contribution to the Learning and Development Pooled Budget. | 25,000 | |

2024/25 Draft Savings Proposals

| Reference Number | Directorate | Service Area | Details | 2024-25 Permanent Savings | 2024-25 Temporary Savings |
|---------------------|-------------------------------|-------------------------------------|---|---------------------------|---------------------------|
| | | | | (£) | (£) |
| SS13 | Social Services | Service Strategy & Business Support | Reduction in contribution to the Regional Partnership Team. | 25,000 | |
| SS14 | Social Services | Service Strategy & Business Support | A number of posts in the Caerphilly Cares Team to be temporarily funded through grants. | | 291,887 |
| Sub-Total: - | | | | 525,887 | 2,544,975 |
| ELL1 | Education & Lifelong Learning | All | Vacancy management/staff turnover in Central Education. | | 180,000 |
| ELL2 | Education & Lifelong Learning | All | Reduction in mileage budgets in Central Education to reflect new flexible working models. | 4,000 | |
| ELL3 | Education & Lifelong Learning | All | 20% reduction in training budgets across Central Education. | 1,600 | |
| ELL4 | Education & Lifelong Learning | 21st Century Schools | 50/50 Building maintenance (LA/Schools). Temporary savings proposal, recommendation to fund (to this value) from earmarked LMS Contingency balances in 2024/25. | | 346,320 |
| ELL5 | Education & Lifelong Learning | Adult Education | Adult Education - Additional income generation linked to economies of scale/shared costs with project to 31 March 2025. Short-term reduction in premises maintenance costs due to recent investment. | | 60,000 |
| ELL6 | Education & Lifelong Learning | Libraries | Book funding reduction. | | 57,000 |
| ELL7 | Education & Lifelong Learning | Administration | Restructure in Administration Team. | 30,450 | |
| ELL8 | Education & Lifelong Learning | Early Years | Rising 3's budget (reduction based on recent spend/trends). Spend driven by requests from families for places. | | 20,000 |
| ELL9 | Education & Lifelong Learning | Early Years | Early Years Central Team - Some posts being funded by grant. | | 150,000 |
| ELL10 | Education & Lifelong Learning | Youth Service | Reduction in service budget (temporary saving) - Rationalisation with regards to premises; in-year savings linked to staff turnover/vacancies; maximising efficiencies linked to service resources and external grants. | | 125,000 |
| ELL11 | Education & Lifelong Learning | School Improvement | Education Improvement Grant (EIG) match funding. This reduction has no impact for schools and reflects an in-year underspend in 2023/24. The Authority's match funding commitment is fully met after this reduction. | 32,000 | |
| ELL12 | Education & Lifelong Learning | School Improvement | Education Achievement Service (EAS) - 10% reduction in core contribution to Regional Consortia. | 88,260 | |
| ELL13 | Education & Lifelong Learning | Inclusion & ALN | Vacant Post (Hours) - Behaviour Support Team. | 56,700 | |
| ELL14 | Education & Lifelong Learning | Inclusion & ALN | Vacant Post (Hours) - Education Other Than at School (EOTAS) Team. | 15,225 | |
| ELL15 | Education & Lifelong Learning | School Improvement | Local Management of Schools (LMS) Contingency. This budget supports ad hoc in-year school formula issues and recent trends have indicated that this reduction is achievable. Should any issues arise would look to access earmarked LMS Contingency Reserves (subject to appropriate approval). | | 25,000 |
| ELL16 | Education & Lifelong Learning | All | Police Checks (reduction based on recent spend/trends). | | 5,000 |
| ELL17 | Education & Lifelong Learning | All | External Audit Fees (reduction based on recent spend/trends). | 5,000 | |
| ELL18 | Education & Lifelong Learning | All | General Computer Costs (reduce budget). | 10,000 | |
| ELL19 | Education & Lifelong Learning | Post 16 | 14-19 Transport (Post 16). This reduction is linked to an underspend in recent years. | 5,000 | |
| ELL20 | Education & Lifelong Learning | Music Service | Music Service - 10% saving on the service budget, which will impact delivery hours for pupils. | | 41,000 |
| ELL21 | Education & Lifelong Learning | School Improvement | School Improvement - Funding allocated to support schools in difficulty. No schools in a statutory category since beginning of 2023. | | 20,000 |
| ELL22 | Education & Lifelong Learning | All | Vacant Properties (one-off). Costs associated with site security and utility costs. Reduction based on anticipated budget capacity in 2024/25. | | 5,000 |
| ELL23 | Education & Lifelong Learning | Early Years | Childrens Centre - External contract ending in 2023/24. Changes to develop registered childcare provision, funding to be supported through grants. | 36,000 | |
| Sub-Total: - | | | | 284,235 | 1,034,320 |
| ELL24 | Education & Lifelong Learning | Schools | Schools to absorb £3m of 2024/25 projected cost pressures of £8.283m. | 3,000,000 | |
| Sub-Total: - | | | | 3,000,000 | 0 |
| ALL1 | All Directorates | All | Mobilising Team Caerphilly Transformation Programme in-year savings target for 2024/25. | 5,000,000 | |
| ALL2 | All Directorates | All | General Fund Services non-pay inflationary pressures to be absorbed by services. A range of spend control measure are in the process of being developed through the Mobilising Team Caerphilly Transformation Programme to assist budget holders in managing down these inflationary pressures. | 2,673,000 | |
| Sub-Total: - | | | | 7,673,000 | 0 |
| TOTALS: - | | | | 19,534,080 | 11,449,455 |

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Updated Medium-Term Financial Plan

| Description | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|------------------|------------------|------------------|
| Increase in Aggregate External Finance (2.3%, 1%, 1%) | 7,766 | 3,477 | 3,512 |
| Increase in Council Tax (6.9%, 4.9%, 3.9%) | 5,935 | 4,583 | 3,886 |
| Total Funding to Support Budget | 13,701 | 8,061 | 7,398 |
| General Fund Services Inflationary Pressures | | | |
| NJC Pay Award - 4% in April 2024, 3.5% in April 2025 and 2% in April 2026 | 8,869 | 6,065 | 5,400 |
| NJC - Increase in Employer Pension Contributions (1% , 0.5%, 0%) | 1,245 | 644 | 0 |
| Non-Pay Inflation (3%, 2%, 2%) | 2,673 | 3,601 | 3,675 |
| Non-Pay Inflation (Fees and Charges) - (5%, 2%, 2%) | (853) | (358) | (366) |
| Total General Fund Services Inflationary Pressures | 11,934 | 9,952 | 8,710 |
| Inescapable Service Pressures | | | |
| Corporate Services | 252 | 0 | 0 |
| Miscellaneous Finance | 1,950 | 834 | 844 |
| Social Services | 10,448 | 4,173 | 4,352 |
| General Fund Housing | 1,004 | 0 | 0 |
| Inescapable Service Pressures | 13,655 | 5,007 | 5,196 |
| Schools Cost Pressures | | | |
| Teachers Pay Award (5% to Aug 2024, 4.5% from Sep 2023 then 3.5%, 3%) | 5,951 | 3,576 | 3,206 |
| NJC Pay Award - 4% in April 2024, 3.5% in April 2025 and 2% in April 2026 | 724 | 664 | 591 |
| NJC - Increase in Employer Pension Contributions (1% , 0.5%, 0%) | 188 | 98 | 0 |
| Non-Pay Inflation (3%, 2%, 2%) | 826 | 568 | 580 |
| Schools Service Pressures | 594 | 620 | 565 |
| Total Schools Cost Pressures | 8,283 | 5,528 | 4,942 |
| Proposed Savings/Use of Reserves | | | |
| Permanent savings proposals | 19,534 | 21 | 0 |
| Temporary savings proposals | 11,449 | 243 | 0 |
| Use of reserves | 11,394 | 0 | 0 |
| Proposed Savings/Use of Reserves | 42,378 | 264 | 0 |
| Reinstatement of Temporary Savings Proposals and Use of Reserves | 22,207 | 22,843 | 243 |
| Annual Shortfall | 0 | 35,006 | 11,694 |
| Cumulative Shortfall | 0 | 35,006 | 46,700 |

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