



## CABINET – 27<sup>TH</sup> FEBRUARY 2024

**SUBJECT: BUDGET PROPOSALS FOR 2024/25**

**REPORT BY: DEPUTY CHIEF EXECUTIVE**

### 1. PURPOSE OF REPORT

- 1.1 To seek Cabinet endorsement of the 2024/25 budget proposals contained within this report prior to final determination by Council on 27 February 2024.

### 2. SUMMARY

- 2.1 At its meeting on 17 January 2024, Cabinet endorsed the 2024/25 Draft Budget Proposals based on the Welsh Government (WG) Provisional Local Government Financial Settlement for 2024/25.
- 2.2 The report provided details of a range of cost and service pressures that require funding, proposed permanent and temporary savings, the proposed one-off use of reserves, and a proposed increase of 6.9% in Council Tax to enable the Authority to set a balanced budget for the 2024/25 financial year.
- 2.3 Following a period of consultation this report now presents Final Budget Proposals for the 2024/25 financial year. The report also contains additional information for Cabinet consideration in respect of movements on the General Fund, and the proposed Capital Programme for the three-year period 2024/25 to 2026/27.
- 2.4 An updated indicative Medium-Term Financial Plan (MTFP) is also appended to the report showing a potential savings requirement of £45.213m for the two-year period 2025/26 to 2026/27.

### 3. RECOMMENDATIONS

- 3.1 Prior to consideration and determination at the Council meeting on 27 February 2024, Cabinet is asked: -
  - 3.1.1 To endorse the revenue budget proposals for 2024/25 of £449.190m as detailed throughout the report and summarised in Appendix 1.
  - 3.1.2 To 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 5.5.5.

- 3.1.3 To 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 5.7.3.
- 3.1.4 To note the movements on the General Fund in Appendix 4 and the projected balance as at 31 March 2024 of £14.126m.
- 3.1.5 To endorse the proposed Capital Programme for the period 2024/25 to 2026/27 as set out in Appendix 5.
- 3.1.6 To 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).
- 3.1.7 To note the indicative potential savings requirement of £45.213m 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 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 February 2024, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%.
- 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 4.0% in January 2024. 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, and a further contraction of 0.3% is estimated between October and December 2023 which effectively indicates a period of recession. The BoE forecasts GDP will likely stagnate through 2024 and 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 Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early/mid-2026.
- 5.1.8 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.
- 5.1.9 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 £41.626m 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 further total permanent savings of £45.213m will be required for the two-year period 2025/26 to 2026/27.
- 5.1.10 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.
- 5.1.11 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 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.
- 5.1.12 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.

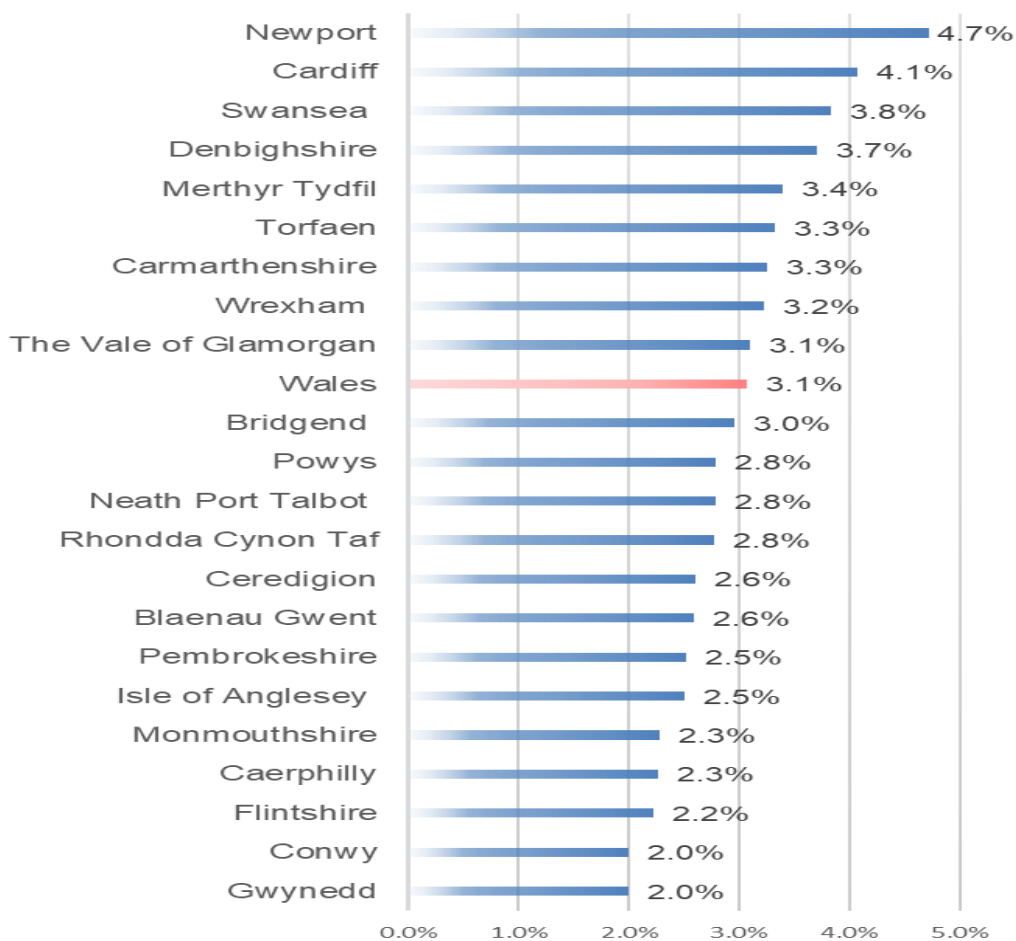
## **5.2 Welsh Government (WG) Provisional Local Government Financial Settlement for 2024/25**

- 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, the Provisional Financial Settlement shows 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. Whilst 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 £56.464m 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, the Provisional Settlement shows that 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 Provisional Settlement shows that 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 Changes to the Provisional Local Government Financial Settlement for 2024/25

- 5.3.1 WG notified Local Authorities on 23 January 2024 of a small anomaly in the Provisional Local Government Revenue and Capital Settlements for 2024/25. This results in an increase of £95 in the revenue funding for Caerphilly CBC, and an increase of £22k in capital funding.
- 5.3.2 On 24 January 2024, the UK Government announced it would increase funding to local authorities in England by £600m and following this WG informed Local Authorities in Wales on 7 February 2024 that there would be a consequential allocation for Wales of around £25m for 2024/25, which will be confirmed at the UK Spring Budget on 6 March 2025.
- 5.3.3 As part of addressing the challenges WG faced in its 2024/25 Draft Budget, the Minister for Health and Social Services reduced the Social Care Workforce Grant by £10.6m i.e. from £45m to £35m on an All-Wales basis. Council Leaders have since expressed concern at this, and it has also been a theme in the Senedd scrutiny sessions on the Draft Budget. As a result of the £25m consequential, the Minister has announced that this grant funding for 2024/25 will now return to the 2023/24 level of £45m.
- 5.3.4 The remaining £14.4m of the consequential funding will be allocated to the Revenue Support Grant in 2024/25. The original funding floor remains and the increased funding in the Financial Settlement will mean that no individual authority will have an increase lower than 2.3%. For Caerphilly CBC there will be additional revenue funding of £835,089 for 2024/25, with the net overall increase in funding now being 2.5%.
- 5.3.5 WG has also notified Local Authorities that the following grants will now be transferring into the Financial Settlement: -

Table 2 – Grants Transferring into the 2024/25 Financial Settlement

Grant	£m
Implementation of the Performance and Improvement Framework	0.040
Delivery of Flood Protection	0.225
Child Burials	0.038
<b>TOTAL: -</b>	<b>0.303</b>

- 5.3.6 As in previous years the grants transferring into the Settlement will be allocated to the relevant service budgets.
- 5.3.7 The consequential funding and grant transfers will be formally allocated in the WG Final Budget on 27 February 2024 and will form part of the Final Local Government Settlement for 2024/25.

### 5.4 2024/25 Draft Budget Proposals

- 5.4.1 In addition to the changes in WG funding outlined in Section 5.3, there are further emerging costs pressures and savings adjustments that will impact on the final budget proposals. These changes are all captured in Table 3: -

Table 3 - Adjustments to the 2024/25 Draft Budget Proposals

Description	£m
<b>Adjustments to funding in 2024/25 Provisional Financial Settlement: -</b>	
• Anomaly notified by WG 23/01/24 and share of consequential funding announced 07/02/24	0.835

• Grants to be transferred into Settlement: -	
- Implementation of the performance and Improvement Framework	0.040
- Delivery of Flood Prevention	0.225
- Child Burials	0.038
<b>Additional Growth Requirements: -</b>	
• Annual contribution to Valleys Regional Park Partnership	(0.030)
• 4.28% increase in contribution to City Deal Programme Office	(0.006)
• Additional licences for rollout of Intranet in schools	(0.006)
• Caerphilly CBC annual contribution to new Learning Management System Consortium (Thinqi)	(0.040)
<b>Transfers Into Settlement Allocated to Relevant Service Budgets</b>	<b>(0.303)</b>
<b>Adjustments to Proposed Savings: -</b>	
• Community Centres caretaker costs saving calculated incorrectly in 2024/25 Draft Budget Proposals report	0.018
<b>Net Increase in Funding Available: -</b>	<b>0.770</b>
<b>Proposed Reduction in Call on Reserves to Balance Budget</b>	<b>(0.770)</b>
<b>NET POSITION: -</b>	<b>0.000</b>

5.4.2 Members will note that the net increase in funding available is £770k, and it is proposed that this is used to reduce the call on reserves to balance the 2024/25 budget. This will also contribute to reducing the projected shortfall for the 2025/26 and 2026/27 financial years.

5.4.3 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 4 provides a summary: -

Table 4 – 2024/25 Budget Proposals Summary

	<b>£m</b>
<b>Cost Pressures: -</b>	
• General Fund Services inflationary pressures (pay and non-pay)	11.934
• General Fund inescapable service pressures	13.737
• Transfers into Settlement	0.303
• Schools cost pressures	8.283
• Reinstatement of 2023/24 temporary budget measures	22.207
<b>Total: -</b>	<b>56.464</b>
<b>Funded By: -</b>	
• 2.5% uplift in Provisional Settlement	8.904
• 6.9% proposed increase in Council Tax	5.935
• Permanent savings proposals	19.552
• Temporary savings proposals	11.449
• One-off use of reserves	10.624
<b>Total: -</b>	<b>56.464</b>

5.4.4 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 £10.624m through the use of reserves. These temporary one-off measures totalling £22.073m will only support the budget for the 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.

5.4.5 The 2024/25 General Fund Services inflationary cost pressures totalling £11.934m are set out in Table 5 below: -

Table 5 – General Fund Services Inflationary Cost Pressures

	<b>£m</b>
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)
<b>TOTAL: -</b>	<b>11.934</b>

5.4.6 **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.

5.4.7 **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.

5.4.8 **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 January 2024 shows CPI at 4.0%. 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.

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

5.4.10 Table 6 provides a summary of the 2024/25 General Fund Services inescapable service pressures totalling £13.737m. These pressures have been subject to a detailed review and have been incorporated into the 2024/25 Budget Proposals on the basis that they are essential. Full details are provided in Appendix 2 for Members' consideration.

Table 6 – Summary of General Fund Inescapable Service Pressures

<b>Service Area</b>	<b>£m</b>
Corporate Services	0.299
Miscellaneous Finance	1.986
Social Services	10.448
General Fund Housing	1.004
<b>TOTAL: -</b>	<b>13.737</b>

5.4.11 The 2024/25 Schools cost pressures totalling £8.283m are set out in Table 7 below -



Table 7 – Schools Cost Pressures

	<b>£m</b>
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
<b>TOTAL: -</b>	<b>8.283</b>

- 5.4.12 **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 2024/25 Financial Settlement. A further pay award of 4% is currently assumed from September 2024 and this again must be funded from within the settlement.
- 5.4.13 **National Joint Council (NJC) Pay Award (School-Based Staff)** – The 2024/25 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.
- 5.4.14 **Increase in Employer Pension Contributions (NJC Staff)** – As mentioned in paragraph 5.4.7, 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.
- 5.4.15 **Non-Pay Inflation** - As detailed in paragraph 5.4.8 a CPI inflation rate of 3% is assumed for 2024/25.
- 5.4.16 **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.
- 5.4.17 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.

## **5.5 2024/25 Savings Proposals**

- 5.5.1 Savings proposals have been identified for the 2024/25 financial year totalling £31.002m. These are summarised in Table 8 with further details being provided in Appendix 3.

Table 8 – 2024/25 Savings Proposals

<b>Service Area</b>	<b>Permanent Savings £m</b>	<b>Temporary Savings £m</b>	<b>Total Savings £m</b>
Corporate Services	1.187	0.658	<b>1.845</b>
Miscellaneous Finance	5.305	5.499	<b>10.805</b>
Economy & Environment	1.576	1.713	<b>3.289</b>
Social Services	0.526	2.545	<b>3.071</b>
Education & Lifelong Learning	0.284	1.034	<b>1.319</b>
Schools	3.000	0.000	<b>3.000</b>
All Directorates	7.673	0.000	<b>7.673</b>
<b>TOTAL: -</b>	<b>19.552</b>	<b>11.449</b>	<b>31.002</b>

- 5.5.2 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.
- 5.5.3 Members will note that there is a proposed saving of £3m for schools. As outlined in Table 7, 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.
- 5.5.4 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. If the £5m target is exceeded, then the savings will be taken as ‘savings in advance’ to help offset the projected funding gap of £45.213m for 2025/26 and 2026/27. Conversely, if the target is not fully achieved then the shortfall will need to be funded through a further in-year call on reserves. Progress will be closely monitored by the Mobilising Team Caerphilly Portfolio Board and through the Council’s established budget monitoring arrangements.
- 5.5.5 In addition to the savings proposals outlined in Table 8, 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 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.

## **5.6 Proposed Use of Reserves**

- 5.6.1 To achieve a balanced budget for 2024/25 it will be necessary to utilise reserves totalling £10.624m 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.
- 5.6.2 It is proposed that the reserves in Table 9 are released to support the budget for 2024/25.

Table 9 – Proposed Use of Reserves

<b>Description</b>	<b>£m</b>	<b>£m</b>
Service Reserves to be Released following Review: -		
• Corporate Services	2.697	
• General Fund Housing	0.100	
• Economy and Environment	0.560	
• Education and Lifelong Learning	0.362	
• Building Consultancy	0.017	3.736
Insurance Reserve		2.000
Contribution from General Fund Balance		4.888
<b>TOTAL: -</b>		<b>10.624</b>

## **5.7 General Fund Balances**

- 5.7.1 Details of the projected movement on General Fund balances are provided in Appendix 4.
- 5.7.2 The current General Fund balance is £15.166m, which reflects the position previously agreed by Council.
- 5.7.3 Based on the 2023/24 month 9 Whole-Authority Revenue Budget Monitoring Report, it is currently anticipated that there will be a net transfer to the General Fund of £4.898m from a projected year-end net underspend across all Directorates. This is based on a 100% take to the General Fund from the projected overall net underspend. Historically, services have retained 50% of underspends but given the scale of the financial challenge we currently face it is recommended that this is postponed for the 2023/24 financial year and kept under review moving forward.
- 5.7.4 As detailed in Table 9 above, following a review of reserves £3.736m will be transferred into the General Fund from Service Reserves and £2m from the Insurance Reserve. It is proposed that these balances will be used as a one-off contribution to support the 2024/25 budget along with a further contribution of £4.888m from the General Fund. This will result in a total one-off contribution from reserves of £10.624m.
- 5.7.5 Cabinet will recall that in previous years the Council Tax surplus has been channelled through the General Fund each year to support the base budget in the following financial year. In normal years this surplus is estimated to be circa £1.050m but Members will be aware that Council Tax collection was adversely impacted during the pandemic and the cost-of-living crisis. It would not be prudent at this stage to assume that the Council Tax surplus for 2023/24 will be at the levels achieved prior to the pandemic. It is therefore recommended that the £1.050m required to support the 2024/25 budget should be funded through a call on the General Fund.
- 5.7.6 After allowing for the above movements the updated projected balance for the General Fund as at 31 March 2024 is £14.126m. The Section 151 Officer usually recommends a minimum General Fund balance of 3% of the Net Revenue Budget which based on the proposals in this report would be £13.476m for 2024/25. Although the current projected balance of £14.126m is £0.650m higher than the 3% minimum recommended balance it is proposed that it is maintained at this level given the significant financial challenges faced by the Council.

## **5.8 Council Tax Implications 2024/25**

- 5.8.1 The 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.

5.8.2 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): -

Table 10 – 2024/25 Council Tax (CCBC Element) at 6.9% Increase

<b>Band</b>	<b>Council Tax (CCBC Element) £</b>	<b>Weekly Increase £</b>
<b>A</b>	964.25	1.20
<b>B</b>	1,124.95	1.40
<b>C</b>	1,285.66	1.60
<b>D</b>	1,446.37	1.80
<b>E</b>	1,767.79	2.19
<b>F</b>	2,089.20	2.59
<b>G</b>	2,410.62	2.99
<b>H</b>	2,892.74	3.59
<b>I</b>	3,374.86	4.19

5.8.3 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.

## 5.9 Capital Programme

5.9.1 The proposed Capital Programme for the three-year period 2024/25 to 2026/27 is detailed in Appendix 5 and summarised in Table 11.

Table 11 – Summary of Capital Programme 2024/25 to 2026/27

<b>Planned Expenditure</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>
Corporate Services	1.697	3.139	3.069
Education and Lifelong Learning	48.570	16.183	4.651
Community and Leisure Services	15.073	17.897	0.230
Business Enterprise & Renewal Team	12.822	0.983	0.098
Infrastructure	4.671	2.572	2.572
Public Protection	0.866	0.493	0.493
Property Services	0.690	0.690	0.690
Social Services	0.340	0.340	0.340
Private Housing	2.167	2.167	2.167
<b>Total Council Fund</b>	<b>86.896</b>	<b>44.464</b>	<b>14.310</b>
<b>Housing Revenue Account</b>	<b>84.133</b>	<b>64.957</b>	<b>25.087</b>
<b>TOTAL PLANNED EXPENDITURE</b>	<b>171.029</b>	<b>109.421</b>	<b>39.397</b>
<b>Funded By: -</b>			

WG Core Grant	4.919	4.919	4.919
Supported Borrowing	4.790	4.790	4.790
Other Specific Grants	72.212	45.557	24.493
Reserves	25.743	12.618	1.098
HRA Borrowing	31.500	24.200	0.000
Revenue Contribution to Capital Outlay (RCCO)	31.796	17.337	4.097
Other	0.069	0.000	0.000
<b>TOTAL FUNDING</b>	<b>171.029</b>	<b>109.421</b>	<b>39.397</b>

## 5.10 Financial Outlook for Future Years

5.10.1 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 £45.213m for the two-year period 2025/26 to 2026/27. Details are provided in Appendix 6 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.

5.10.2 In addition to the above, significant work is ongoing 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 £4.865m for 2025/26 and £5.019m for 2026/27 but these figures will be subject to change moving forward.

5.10.3 The temporary measures in the 2024/25 Draft Budget Proposals totaling £22.073m 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.

5.10.4 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.

5.10.5 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.

5.10.6 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.

5.10.7 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.”*

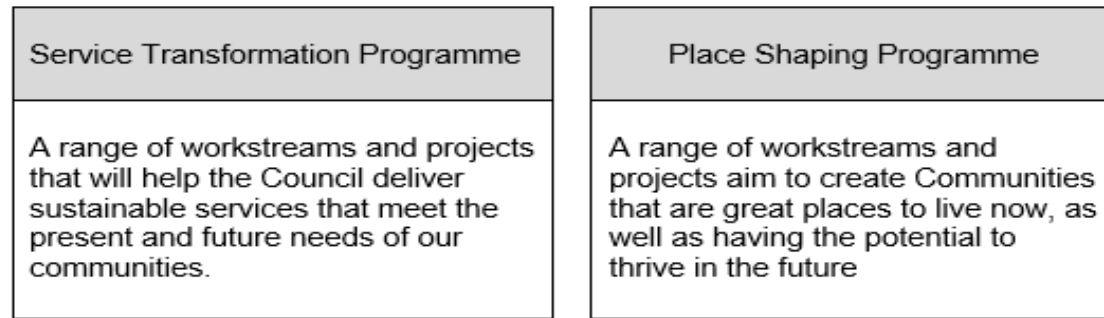
5.10.8 The essence of this organisational narrative has been distilled down into a series of transformation principles that have also been adopted by Cabinet: -

*When delivering transformation, the Council will: -*

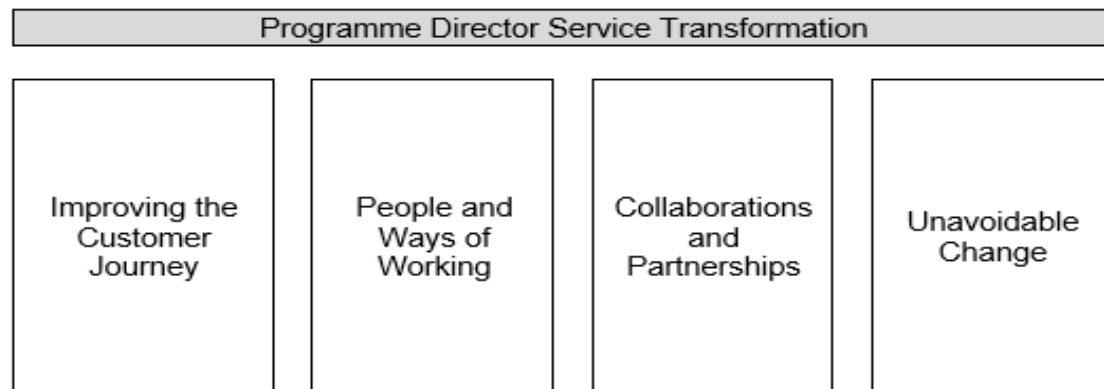
- focus on flexibility and finding different ways to deliver what our communities need, when they need it;*
- engage with our communities to understand the needs of our residents and provide the right support to meet those needs as simply as possible;*
- deliver channel shift across our Council services 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.*

5.10.9 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**



5.10.10 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.

- 5.10.11 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 £45.213m 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.
- 5.10.12 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.
- 5.10.13 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.

## **5.11 Conclusion**

- 5.11.1 This report provides details of the Budget Proposals for 2024/25 based on the WG Provisional Local Government Financial Settlement and subsequent changes that have been notified to date.
- 5.11.2 A balanced budget can be delivered for 2024/25 based on a combination of permanent and temporary savings totalling £31.002m, the one-of use of reserves totalling £10.624m and an increase of 6.9% in Council Tax.
- 5.11.3 The report also provides details of the updated Medium-Term Financial Plan (MTFP), which currently shows a potential savings requirement of £45.213m for the two-year period 2025/26 to 2026/27.
- 5.11.4 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 Budget impact assessments and integrated impact assessments, where required, have been completed and can be accessed through the following links:

### **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](#)

7.2 The budget proposals include a number of areas where a full integrated impact assessment was deemed to be required due to the potential for impact on persons with protected characteristics or due to social-economic disadvantage. Each impact assessment considers the mitigating factors. The recommendations of each of these are provided below.

### **7.3 Council Tax**

7.3.1 The recommendation is to implement the proposed increase in Council Tax of 6.9% in the context of the significant and unprecedented financial pressures facing the Council.

7.3.2 The effect will be negative but will be minimised for the households suffering the most socio-economic disadvantage by support available through the Council Tax Reduction Scheme. 16,098 households receive support with their Council Tax payments representing 19.93% of all households in the county borough. 13,874 of these households (17.18%) receive the maximum 100% level of support.

7.3.3 In addition to the Council Tax Reduction Scheme, the Caerphilly Cares service has been established, initially as a result of the pandemic, but since extended and enhanced to help mitigate the effects of the cost-of-living crisis and economic disadvantage on vulnerable residents. Advice on benefits maximisation and signposting to sources of support is available through this service.

### **7.4 Individual Schools' Budgets**

7.4.1 In 2024/25 the total cost pressures for schools is estimated at £8.283m. The recommendation is for growth of £5.283m to be provided to schools and that schools themselves manage £3m of the estimated pressures. The £8.283m is based on anticipated pay awards, general non-pay related inflationary pressures and pressures linked to service demand (e.g. increased pupil numbers in our special school and special resource bases). Schools are required under their delegated powers to balance their own individual budgets.

7.4.2 The proposal is necessary in the context of limited funding into the Local Authority, financial pressures (linked to pay awards, other inflationary pressures, and particular service pressures in 2024/25), and a requirement to set a balanced budget for 2024/25.

7.4.3 Although challenging we are working closely with schools to support them with financial planning so that the impact on delivery of education to children will be reduced.

### **7.5 7.5% increase in Catering Charges**

7.5.1 For the Meals Direct service, the recommendation is that this proposal has a largely neutral impact. This service is not a statutory service, and with this price increase the service remains competitive in comparison with private sector competitors.

7.5.2 For the secondary school sector, the recommendation is that this proposal has a largely neutral impact on increasing the school meal set meal tariff price by 7.5%. For those experiencing socio-economic disadvantage, any negative impact is mitigated by any eligible pupils who meet the current criteria being able to have a free meal as part of the service provision.

7.5.3 For the Hive staff restaurant at Penallta House, the conclusion reached is that this proposal has a largely neutral impact on increasing the tariff price by 7.5%. For those experiencing socio-

economic disadvantage, any negative impact is mitigated by having a wide range of low and higher priced items that can be purchased to meet individuals' budgets.

## 7.6 **Temporary Reduction in Library Book Fund**

7.6.1 The proposal is a temporary reduction to the Caerphilly Library Service Resource Budget by 20%, equating to a financial reduction of £57,000 for 2024/25.

7.6.2 The temporary saving will be achieved by introducing a number of library service acquisition and operational changes to all new purchased items in all stock categories, by reducing all expenditure lines to meet the savings requirement.

7.6.3 An extensive list of mitigations, where relevant, are highlighted within the Integrated Impact Assessment.

## 7.7 **20% Reduction in Equalities and Welsh Language Training Budget**

7.7.1 The proposal is to implement a 20% reduction to the Equalities and Welsh Language Training Budget. This equates to £3,647 less to spend on training in the coming financial year.

7.7.2 It is a statutory requirement for the Council to deliver equalities and Welsh language training to staff in accordance with the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011, and the Welsh Language (Wales) Measure 2011.

7.7.3 It is inevitable that less training will be delivered with less training money available. However, to manage the reduction, training will be prioritised in line with legislation and focus that training to frontline staff in the first instance. Opportunities will be sought to deliver the most cost-effective training in collaboration with the National Learn Welsh Centre, the Welsh Local Government Association (WLGA) and local authority partners, to ensure that we are meeting our legal requirements.

## 7.8 **10% Increase in Home Care Charge**

7.8.1 The recommendation is that this proposal has a largely neutral impact on protected characteristics identified under the Equality Act 2010 and those experiencing socio-economic disadvantage.

7.8.2 Any negative impact is mitigated by a legal framework for charging set out in the Social Services and Wellbeing (Wales) Act 2014 and its supporting regulations, which requires a financial assessment to be undertaken for each service user to ensure that the actual charge an individual pays is capped at an affordable level, irrespective of the hourly rate set by the local authority.

## 7.9 **Close Coffi Vista and Lease Building to the Private Sector**

7.9.1 The recommendation is to close the Coffi Vista building and to cease the coffee shop operations. The building would then be marketed as an opportunity for the private sector. Allowing the operation to transfer to the private sector would reduce the subsidy burden and would bolster income through any rental agreed with a private operator.

7.9.2 The proposal is a direct response to the need to identify savings to contribute to the achievement of the Council's reduction in budget of circa £65m over the next three years. The closure of Coffi Vista represents a potential reduction in subsidy of £78,000 plus a potential income of £21,000 from letting the premises.

7.9.3 While the proposal has proven an emotive one through the public consultation, in comparison to other services provided by the Council, this is considered to be one with relatively low impact

on the local population. An extensive list of mitigations, where relevant, including alternative public toilet facilities, are highlighted within the Integrated Impact Assessment.

#### **7.10 Mothball the Winding House while a Community Asset Transfer (CAT) is Explored**

7.10.1 The recommendation is to mothball the building and cease operation of the current museum, gallery, shop, and coffee shop while a Community Asset Transfer (CAT) is explored in 2024/25.

7.10.2 In comparison to other services provided by the Council, this is considered to be one with relatively low impact on the local population. While a Community Asset Transfer is explored, people would still be able to enjoy refreshments in the café in the adjacent White Rose Centre. Those benefiting from the museum and associated education provision would be able to continue to enjoy these services as it is anticipated that they would relocate to Llancaiach Fawr Manor.

#### **7.11 Temporarily Hold Two Vacant Community Safety Warden Posts During 2024/25**

7.11.1 To contribute to the corporate need to save money at a time of reduced budgets, it is proposed to temporarily cease to fill two vacant Community Safety Warden posts during 2024/25.

7.11.2 The proposal would see remaining Community Safety Warden colleagues stretched to cover more wards across the County Borough per shift, however the service response to support the more vulnerable members of our communities would continue to be prioritised.

### **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 have been 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 Following endorsement by Cabinet on 17 January 2024 to commence a period of public consultation on the draft savings proposals for 2024/25, the consultation ran from Monday 22 January 2024 until Tuesday 13 February 2024.

10.2 The consultation afforded residents and other stakeholder groups various opportunities to offer feedback on the draft savings proposals, including a survey (available online and in hard copy from libraries across the County Borough), an online presence on the Council's digital engagement platform, a number of face-to-face engagement sessions held across the County Borough and targeted stakeholder engagement.

10.3 The exercise was designed to seek the views of residents and key stakeholders in relation to the three key elements of the draft budget proposals, namely, the use of council reserves at this time, the proposed increase in council tax of 6.9% and a draft list of savings proposals (both temporary and permanent) totalling £30.984m. Residents were asked to focus particularly on

the impact of these proposals on themselves/their families and to consider how else the council may make savings.

10.4 337 responses to the survey were received by the consultation closing date, with further views offered through the various face-to-face engagement opportunities. Further, a number of representations were made on a number of the draft savings proposals from wider stakeholders. The full overview of comments received through the consultation can be found at [Council Budget Setting 2024-2025 | The Caerphilly Conversation](#) (English) and [Pennu cyllideb y Cyngor 2024-2025 | Trafodaeth Caerffili](#) (Welsh).

10.5 The key findings from this consultation programme included: -

- 80% of respondents agreed with the proposed one-off use of Council reserves totalling £11.4m for 2024/25. Where there was disagreement, comments referenced the use of additional reserves being appropriate.
- 85% of survey respondents agreed with the Council's approach to focus wherever possible on savings, both temporary and permanent, that would have no direct impact on the public - for example, budget realignment, deletion of vacant posts and other 'back office' efficiencies.
- When giving views on the proposed council tax increase of 6.9% for 2024/25, 31% supported the proposed increase (or greater) and said that they understood the need to increase council tax to maintain services, 38% supported a lower increase and a further 30% indicate that they did not support any increase in council tax.
- The consultation included a further 17 savings proposals, a combination of temporary or permanent, which if supported would potentially impact upon some members of the public.
- It is evident that in relation to a few proposals e.g. Coffi Vista, and the Winding House, residents across the County Borough have polarised/mixed views. This is also seen in relation to the temporary reduction in infrastructure budget and matched funding for community schemes although there was less strength of view in relation to these proposals.
- There is a greater degree of agreement in relation to other proposals e.g. the increase in charges for specialist heritage advice is largely supported while proposals to increase sports pitch charges and the proposal for schools to absorb £3m of the projected cost pressures are generally not supported.

10.6 On 23 January 2024, a Joint Scrutiny Committee meeting was held to consider the draft budget proposals for 2024/25. The key points raised during the meeting were as follows: -

- A Member raised concerns about the public consultation and suggested stands in local supermarkets for future consultations on the budget. The Member also expressed concerns over a proposed 20% increase for the cost of booking sports pitches. The Member requested that Cabinet consider reducing this proposed increase. Members were provided with information on the consultation survey and various drop-in sessions for residents across the County Borough, it was also highlighted that new ways of consulting were always under consideration but there were limited resources for this process.
- Members were also advised that media reports suggesting that the cost of booking sports pitches was going to be £54.00 an hour were incorrect, the proposal was to charge £54.06 per senior match played. Members were informed of the actual costs of providing a pitch and pavilion for a senior match, which did not include energy costs incurred, with the proposed cost being lower than those charged by some other Local Authorities.
- A Member requested that the Council Leader acknowledge the opposition to the proposal to close "Coffi Vista" in Caerphilly town centre. The Member noted that a video he had posted on social media against the closure had attracted over 1,000 supporting comments. The Council Leader gave assurances that public views were always considered and highlighted the difference between public consultation and a referendum. It was the Leader's view that this facility should be run by the private sector rather than

being subsidised by the Council at a cost of £100,000 a year. Members heard how the views of residents would be listened to within the confines of extremely tight budgets. The Council Leader also highlighted the £66m shortfall in funding over the next three years.

- Discussion followed and the Member highlighted that the facility was more than just a coffee shop as it was also a gallery for local artists, an information centre and it offered public convenience facilities. Another Member requested a full public consultation on this issue. The meeting heard how it would not be practical to consult on every individual proposal. A Member requested clarification on whether it was proposed that the facility would be closed or put out for tender. Members were advised that the proposal was to close the facility with the potential to attract alternative providers in the future.
- A Member sought clarification on the use of grants to pay some of the Caerphilly Cares team. Members were provided with information on a number of grants available through the Regional Partnership Fund, the use of reserves held within social care, and also the cost-of-living reserves.
- A Member queried the impact of increasing the vacancy savings target in the Social Services budget, reducing the contribution to the Gwent Frailty Service and also the subsidy for caretaker costs at Community Centres. Members were advised that the increase in the vacancy factor would have no impact on the level of provision and reflected the recruitment challenges currently being faced. On the issue of the Gwent Frailty Service, Members heard how the reduction in contributions was due to reduced reliance on the service as more functions were being performed in-house instead. Members were advised that the phased reduction in caretaker hours for Community Centres over a 3-year period was a decision agreed as part of last year's budget.
- A Member requested that the decision to close "Coffi Vista" be delayed for 6 months to allow business to build-up at the facility. Members were advised that delaying any of the budget proposals was a matter for Members during discussions at Council. The Council Leader then advised Members that the consultation would not be put on hold.
- A Member queried how despite required savings, the Council was able to invest £21m in gilts and bonds and therefore increase its investment portfolio from £164m to £185m between March and September last year. The Member wished to know where the £21m came from during that period. Members were advised that £21.9m was invested in that period and that none of these investments were in gilts or other long-term investments. Members were further advised that the investments that had been made would all mature in the 2024 calendar year. Members heard that the £21.9m consisted of investments in bonds and fixed-term deposits (£15.6m), an increase in deposits with the HM Treasury Debt Management Office (£9.5m), and a £3.2m reduction in investments with other Local Authorities and Housing Associations. Members heard how the Council had operating costs of over £850m a year, so at different times of the year there would be varying levels of cash available and fluctuations in the level of investments. Members were also advised that Council investments are directly linked to reserves and that currently the investment balance was £160.5m.
- A Member queried why consultation sessions were only taking place at Libraries in Rhymney, Risca and Blackwood. The Member also queried if the Dragons regional rugby club would also face the same increase as local sports clubs for booking pitches. The Member advised that the Dragons used the Sporting Centre of Excellence in Ystrad Mynach. Members were provided with details of eight drop-in sessions across the County Borough, including the Library Hub in Ystrad Mynach. Members also heard about an online version of the survey for those who could not attend in-person sessions. Members were also advised that the Dragons, Coleg y Cymoedd and the Welsh Rugby Union had a contract to use the Sporting Centre of Excellence during daytime hours. Members heard how the Dragons contract was currently being renegotiated, but the fees would be considerably higher than the report proposal under discussion.

- A Member sought clarification on potential savings as a result of the community asset transfer of the Winding House. Members were advised that indications were that the asset transfer would be successful and therefore permanent savings could be made as a result.
- A Member queried the help available to residents who were working but because of low incomes found the current climate challenging. Members were provided with details of the Council Tax Reduction Scheme, the Cost-of-Living Fund and also highlighted the service provided by the Caerphilly Cares team.
- A Member raised concerns over the 6.3% reduction in specific revenue grants and the potential impact on education. The Member also sought clarity on the consolidation of education grants. Members were advised that the Council was still awaiting specific details on the all-Wales reductions which will impact on all service areas. Whilst support would be provided, the working assumption was that service areas would have to absorb the financial impact of these reductions. Members were provided with information on the four new funding streams for education, with more local information to be received from Welsh Government. Additional information regarding the four funding streams, as requested, was to be circulated to Members following the meeting.
- A Member noted concerns over the 'freezing' of Community Safety Warden posts, the proposed 10% reduction of the Music Service, proposed cuts impacting Community Centres and increasing the fee for booking sports pitches. On the proposed closure of "Coffi Vista" the Member asked about future plans for the provision of tourist information. The Leader highlighted to Members that "Coffi Vista" had not been a tourist information centre for some time. The Leader also advised that tourist information was available via digital platforms and smartphones. Members also heard that the provision of Community Safety Wardens was non-statutory, and that the Music Service had achieved Gold Standard. The Leader stressed that alternative budget proposals from the opposition parties are welcomed for consideration.
- A Member sought clarification on the need to increase Council Tax by 6.9%, considering the underspend last year and in previous years. The Member also requested an update report outlining the work of the Mobilising Team Caerphilly transformation programme and the projects under discussion. Members were advised that all underspends in recent years have been reinvested into the Council and were an important part of balancing the budget. Members heard how the forecasted underspend of £3.6m for 2024/25, compared to circa £8.6m for 2022/23, demonstrated the challenging economic situation currently faced. Members were advised that Mobilising Team Caerphilly had a £5m savings target for 2024/25, but as the Council faced a £46.7m savings requirement for the following two years, the programme would be expected to submit significant further savings moving forward. Members were also advised that these projects would be subjected to full scrutiny and consideration by Members as and when the projects are ready. Members were also invited to attend the weekly sessions with Perago, which are held in Ty Penallta and online, and it was also proposed that a Members' Seminar would be held in the next 4 to 6 weeks.
- A Member noted that opposition parties could not ask Officers to prepare an alternative budget for them and also raised concerns on the £3m savings required from schools. The Member also asked about the engagement with schools and the support available to them. Members were advised that Officers did not set the budget for the Council. They provided professional advice and support but responsibility for setting the budget rested with Council. Members were given details of the engagement that had taken place over the savings required and advised that Headteachers had been proactive and largely supportive in the context of the challenging financial environment.
- A Member sought clarification on whether there would be penalties for recalling any investments and requested that Cabinet review the investment portfolio to see if money could be used to support this year's financial budget. Members were advised that there

would be financial penalties for early withdrawal of investments. Members were also advised that all investments were in line with the Council's Investment Strategy which is approved by Council annually as part of the wider Treasury Management Strategy. It was also reiterated that investments were linked to reserves and using them to balance budgets was only a temporary measure that is not sustainable in the medium to longer-term.

- A Member reiterated their request to have an update report on the work of the Mobilising Team Caerphilly transformation programme and the projects under discussion. Members were again advised that there was a weekly update session open to everyone, every Wednesday at 09:30. This was available online or in-person in Penallta House. Members also heard about a proposed Seminar in the coming weeks and a page on the Council's Intranet which outlines the latest developments via video updates and blogs.
- The Head of Financial Services and S151 Officer outlined his views on the scale of the challenges faced. Members heard how some Local Authorities in England had issued Section 114 notices because they cannot balance their budgets. Members also heard how transitional budgets that relied on temporary savings and using reserves were not sustainable, and in the coming years some unpopular decisions will have to be made to address the significant financial gap of £46.7m facing the Council.

10.7 On 6 February 2024, a Special Meeting of the Voluntary Sector Liaison Committee was held to consider the draft budget proposals for 2024/25. The key points raised during the meeting were as follows: -

- A representative of the Voluntary Sector sought clarification and further information on how the budget cuts will affect community groups and projects. In response, the Head of Financial Services and S151 Officer informed the Committee that the Service Level Agreements with GAVO are protected and that those financial contributions will continue in the 2024/25 financial year. However, it was highlighted that there are some proposals that will impact communities, for example the proposed increase in fees for the use of outdoor sports pitches. It was further highlighted that there are savings proposals on some community projects, such as funding that has previously been used to support the Bargoed Ice Rink and Senghenydd Splash Pad.
- Reference was made to the Welsh Government Provisional Local Government Financial Settlement for 2024/25. In response to a query, the Head of Financial Services and S151 Officer clarified that there is no specific funding ringfenced in the Financial Settlement for the Voluntary Sector and that the Authority has discretion as to how the funding is allocated across all services.
- The Committee was informed of a cut of circa £92m in specific grant funding on an All-Wales basis for 2024/25 and was advised that the details of this are being worked through as there will be an impact on a range of services that rely on this grant funding. The Committee was assured that any impact on the Voluntary Sector would be communicated.
- Concerns were raised regarding a number of Councils in England issuing Section 114 Notices in recent years and that it is anticipated a number of other Councils will issue Section 114 Notices moving forward. The Head of Financial Services and S151 Officer explained that a Section 114 Notice effectively means that a Council is unable to deliver a balanced budget. It was highlighted that Councils in Wales are more heavily reliant on Welsh Government support, and although no Section 114 Notices have been issued in Wales, all authorities are facing considerable financial pressures. The Committee was informed that, in terms of Caerphilly County Borough Council, a balanced budget has been delivered by using some of its reserves, but this is not a sustainable approach in the long-term. The Head of Financial Services and S151 Officer assured the Committee that Caerphilly County Borough Council was not in position where a Section 114 Notice is being considered.

- Clarification and further information were sought regarding the proposal to temporarily fund a number of posts in the Caerphilly Cares Team through grants. It was agreed that the Head of Financial Services and S151 Officer would provide a summary of which grants are supporting the Caerphilly Cares Team subsequent to the meeting.
- Reference was made to 100% of the net projected underspend on the Council's 2023/24 revenue budget being transferred into General Fund balances, particularly in relation to the Voluntary Sector. The Head of Financial Services and S151 Officer confirmed that the Grants to the Voluntary Sector budget is ringfenced and that any underspend on the 2023/24 budget will be carried forward to the 2024/25 financial year.
- A query was raised regarding the likelihood of receiving more money from Welsh Government and the scope for changing some of the draft savings proposals, particularly in relation to Community Centre caretaking costs. The Committee was advised that there will be some additional consequential funding due to a recent decision made by the UK Government, and that details are awaited from the Welsh Government. It was highlighted that the reduction in the contribution towards caretaking costs (over a period of 3 years) was a decision made by Council last year.
- A representative of the Voluntary Sector raised further questions in relation to Community Centres, including how many of the Council's Community Centres have made their increased contribution from October as requested. The opportunity for Community Centres to work with Officers to discuss a long-term review was also raised. Concerns were expressed that the Council is duplicating some of the work undertaken in Community Centres and at a far greater cost than the Voluntary Sector is providing. It was highlighted that this might be an area to create savings without removing the service from local users. The Head of Financial Services and S151 Officer advised the Committee that all the comments will be passed to the relevant Director and Officers, and they will also be captured as part of the budget consultation process.
- In conclusion, a Member raised concerns regarding the proposed increase in fees for the use of outdoor sports pitches, which was noted by the Head of Financial Services and Section 151 Officer.

10.8 The 2024/25 Draft Budget Proposals were shared with the Trade Unions and written joint feedback has been received from UNISON, GMB and UNITE. A meeting was also held with the Trade Unions on 15 February 2024. The Trade Unions' feedback and Officer responses (in italics) is attached at Appendix 7.

## 11. STATUTORY POWER

11.1 The Local Government Acts 1998 and 2003.

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Appendices: -

Appendix 1 – Net Revenue Budget 2024/25

Appendix 2 – 2024/25 General Fund Inescapable Service Pressures

Appendix 3 – 2024/25 Savings Proposals

Appendix 4 – Movement on General Fund

Appendix 5 – Capital Programme 2024/25 to 2026/27

Appendix 6 – Updated Medium-Term Financial Plan

Appendix 7 – Draft Budget Proposals 2024/25 Joint Trade Union Feedback

Background Papers: -

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

Cabinet (17/01/24) – [Draft Budget Proposals for 2024/25](#)