



SPECIAL CABINET – 17TH JULY 2024

SUBJECT: PROVISIONAL REVENUE BUDGET OUTTURN FOR 2023/24

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To provide Cabinet with details of the provisional revenue budget outturn for the 2023/24 financial year prior to the completion of the annual external audit of the accounts by Audit Wales.
- 1.2 To seek Cabinet endorsement of proposals for the use of surplus General Fund balances prior to consideration by Council.

2. SUMMARY

- 2.1 In advance of the 2023/24 Draft Financial Statements being audited by Audit Wales, this report provides an overview of the Council's performance against the revenue budget for the 2023/24 financial year.
- 2.2 Members receive detailed budget monitoring reports as part of the Scrutiny process throughout the financial year.
- 2.3 The report also includes specific proposals for the use of surplus General Fund balances.

3. RECOMMENDATIONS

- 3.1 Cabinet is asked to: -
 - 3.1.1 Note the provisional 2023/24 revenue budget outturn position.
 - 3.1.2 Endorse a recommendation to Council to maintain the General Fund balance at £13.476m, representing 3% of the 2024/25 net revenue budget.
 - 3.1.3 Endorse the proposed use of surplus General Fund balances totalling £8.246m as detailed in section 5.10 of the report, prior to consideration by Council on 24 July 2024.
 - 3.1.4 Endorse the proposal that delegated authority on the use of the proposed MTFP Contingency Reserve of £5.266m be granted to the Chief Executive in consultation with the Leader, relevant Cabinet Member and Section 151 Officer.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Cabinet is aware of the provisional revenue budget outturn for the 2023/24 financial year and is supportive of the proposed use of surplus General Fund balances.

5. THE REPORT

5.1 Overview

- 5.1.1 The 2023/24 provisional revenue budget outturn position is attached as Appendix A and is summarised in the table below: -

	(Overspend) Underspend £m
Net Service Directorate Underspends	8.562
Miscellaneous Finance Underspend	4.274
Council Tax Surplus	0.691
Schools Overspend	(6.007)
Housing Revenue Account (HRA) Underspend	1.313
Total: -	8.834

- 5.1.2 As agreed by Council on 27 February 2024, 100% of the net projected underspend on the Council's 2023/24 revenue budget (after adjusting for any service overspends and earmarked reserves) will be transferred into General Fund balances. This is a change from previous financial years where 50% of underspends were carried forward by Directorates to meet service requirements and 50% was transferred to the General Fund. This change was agreed in recognition of the ongoing challenging financial position facing the Council and the requirement to use reserves as a temporary measure to balance the budget.
- 5.1.3 The 2023/24 outturn position will result in £13.546m being transferred into General Fund balances and £1.313m into the HRA working balances reserve. However, £6.007m will be drawn down from schools' balances to cover the schools overspend and £0.018m will be drawn down from the Winter Maintenance reserve to cover the in-year overspend on this budget.
- 5.1.4 The £13.546m transfer into General Fund balances is an increase of £8.648m on the assumed transfer as at period 9 of £4.898m. Whilst this increase in one-off additional funding is welcomed, it needs to be considered in the wider context of the extremely challenging financial position facing the Council. Furthermore, some of the 2023/24 underspends have already been included as savings in the 2024/25 approved budget. However, the increase in the level of underspend will be reviewed in detail to determine if further savings can be identified to support the budget setting process moving forward.
- 5.1.5 The positive outturn position is in part due to Mobilising Team Caerphilly transformation projects that have focused on Improved Financial Management and Spend Control. There has also been a strong focus on vacancy management throughout 2023/24 and increased visibility, scrutiny, and accountability of third party spend. These measures have resulted in more robust budget management and reduced spend and are

promoting a culture of strong financial management to support the challenges that lie ahead.

5.1.6 The 2024/25 budget proposals approved by Council on 27 February 2024 included total cost pressures of £56.464m and these are being funded through an increase in the Welsh Government Financial Settlement of £8.904m, permanent savings of £19.552m, temporary savings of £11.449m, the one-off use of reserves totalling £10.624m, and £5.935m from a 6.9% increase in Council Tax.

5.1.7 Due to sustained levels of inflation, the current economic outlook, and the range of temporary budgetary measures totaling £22.073m that were approved for the 2024/25 financial year, the updated Medium-Term Financial Plan (MTFP) presented to Council on 27 February 2024 shows a potential savings requirement of £45.213m for the two-year period 2025/26 to 2026/27. In addition to this there is a 2024/25 in-year savings target of £5m for the Mobilising Team Caerphilly transformation programme, and a requirement to absorb inflationary pressures estimated at £2.673m for General Fund Services and £3m for Schools.

5.1.8 The following paragraphs provide details of the more significant variations against budget by service area for the 2023/24 financial year.

5.2 Education and Lifelong Learning (£4.873m Overspend)

5.2.1 Overall, the Education and Lifelong Learning Directorate is reporting an overspend of £4.873m, which includes an overspend of £6.007m for Schools as summarised in the following table: -

Service Area	Revised Budget £m	Outturn £m	(Overspend) Underspend £m
Individual Schools Budget (ISB)	132.352	138.359	(6.007)
Schools Other and Education	27.186	25.314	1.872
Lifelong Learning	4.474	3.807	0.667
Other	(0.123)	(0.138)	0.015
Home to School/College Transport	9.643	11.063	(1.420)
Total:-	173.532	178.405	(4.873)

5.2.2 The schools' in-year overspend is ring-fenced, consequently school balances have reduced from £11.3m to £5.3m as of 31 March 2024. Some of this spend relates to projects and initiatives that were delayed in schools due to restrictions during the Covid-19 pandemic.

5.2.3 At the end of the 2022/23 financial year, there were 5 Primary Schools (£0.151m collectively) and 3 Secondary Schools (£0.949m collectively) carrying forward deficit balances. As of 31 March 2024, this position is updated to 15 Primary Schools (£0.559m collectively) and 6 Secondary Schools (£2.9m) carrying forward deficits. This will need to be kept under close review during the 2024/25 financial year with a number of schools setting deficit budgets which will be underpinned by recovery plans.

5.2.4 Excluding the schools' position, Education (including Home to School/College Transport) is reporting an underspend of £1.134m. The most significant variances against budgets are as follows: -

Service Area	(Overspend) Underspend £m
Home to School/College Transport	(1.420)
LMS Contingency	0.335
Pension Costs of School Based Staff	0.240
Management & Support Service Costs	0.259
Psychology Service	0.115
Vulnerable Learners	0.283
Early Years Central Team	0.330
Adult Services	0.319
Library Service	0.310
Net Other	0.363
Total: -	1.134

- 5.2.5 The overspend on the Home to School/College Transport budget is an increase on previous projections. This variance is significant and equates to 14.7% of the budget. A significant pressure relates to special education transport provision across all sectors of education. This provision is currently under review as part of the Mobilising Team Caerphilly transformation programme, with a view to reducing costs in line with the available budget and seeking savings for future years.
- 5.2.6 The underspend on the Local Management of Schools (LMS) Contingency budget relates to a one-off rebate on National Non-Domestic Rates (NNDR), following revaluations for several schools. This includes rebates for prior years. NNDR costs are fully funded in the school funding formula, with nil impact on schools' budgets. If a school receives too much funding in the formula the difference to the actual cost is clawed-back and similarly if a school receives insufficient funding additional funding is provided
- 5.2.7 Over the last two financial years there has been an underspend on the budget for the Authority's on-going pension liability linked to pension costs for school-based staff. This position is linked to budget growth allocated to schools as part of the Authority's budget planning, and additional grant funding from Welsh Government. Whilst this underspend position was expected in 2023/24, it is unlikely that this budget will be sufficient in the coming years. A reduction in posts in schools would be linked to reducing pupil numbers and/or budget pressures (this would include reducing balances). This position will need to be reviewed at individual school level.
- 5.2.8 The variance against Management and Support Service Costs relates largely to in-year salary savings from managing vacancies. This variance also includes additional grant income of £0.042m that has been received to support work linked to Additional Learning Needs (ALN) reform.
- 5.2.9 The underspend for the Psychology Service relates largely to some in-year vacancies and additional grant funding received late in the year.
- 5.2.10 The underspend position against the Vulnerable Learners budget (which includes Additional Support, Education Other Than at School (EOTAS) and Out of County Placements), is a small variance of 2.3%. Consultation on a proposal to devolve the additional support element of this budget to schools is ongoing, whilst EOTAS

provision is under review with the development of provision at the old Pontllanfraith Comprehensive site. This project is part of the Authority's Sustainable Communities for Learning Strategy.

- 5.2.11 The underspend in the Early Years Team is linked to staff savings from maximising grant, including Flying Start, Early Years Expansion and the Childcare Offer. As part of the 2024/25 budget proposals a temporary savings target of £0.150m has been identified against this budget.
- 5.2.12 The underspend within Adult Education needs to be split, with £0.171m linked to in-year capacity through grant funding, income generation and a mix of other small savings; and £0.148m linked to the one-off release of grant funding generated for completed European funded projects (Inspire to Work2, NET and Inspire to Achieve).
- 5.2.13 The Library Service underspend includes a one-off NNDR Rebate of £0.144m. The remaining underspend of £0.166m includes a mix of in-year vacancy savings, reduced costs for premises and general supplies and services, and additional room hire income.
- 5.2.14 There is a net underspend of £0.363m on other budgets withing Education and Lifelong Learning.

5.3 Social Services (£5.116m Underspend)

- 5.3.1 The 2023/24 financial year saw a net underspend of £5.116m for Social Services as summarised in the following table: -

Service Area	Revised Budget	Outturn	(Overspend)/ Underspend
	£m	£m	£m
Children's Services	35.987	36.072	(0.085)
Adult Services	88.117	84.223	3.894
Business Support	3.714	3.048	0.666
Social Services Transport	1.809	1.168	0.641
Total	129.627	124.511	5.116

- 5.3.2 Within the Children's Services Division, increasing demand for and complexity of children supported by the Division led to an overspend of £1.608m. However, vacancy savings of £1.252m, other non-recurring savings of £0.234m and the use of £0.037m of additional grant funding reduced the Division's net overspend to £0.085m.
- 5.3.3 The Adult Services Division saw an increased demand for services for children with disabilities, resulting in an overspend of £0.733m on this budget. This was compounded by an increase in demand for independent sector care provision for vulnerable adults, which after adjusting for the additional income from service users associated with this increased demand, added a further overspend of £0.539m.
- 5.3.4 However, staff recruitment proved particularly challenging throughout 2023/24, which contributed to an underspend of £4.103m in respect of in-house service provision for vulnerable adults.
- 5.3.5 The value of debt owed to the authority that had been outstanding for more than 3 months fell by around 30% between 31 March 2023 and 31 March 2024. As a result,

the level of provision made for bad debt reduced by £0.703m in the 2023/24 accounts compared with 2022/23. This in turn has increased the underspend within the Adult Services Division by £0.703m.

- 5.3.6 Other non-recurring savings of £0.142m and additional external funding of £0.218m brought the overall net underspend for the Adult Services Division to £3.894m.
- 5.3.7 Delays in the recruitment to the post of Director of Social Services and Housing and to vacant posts in the Caerphilly Cares Team account for £0.396m of the underspend for Business Support.
- 5.3.8 A further underspend of £0.147m was realised in respect of Social Services office accommodation and expenses. This was largely attributable to a refund of energy costs in respect of backdated billing errors for the Ty Graddfa office in Ystrad Mynach.
- 5.3.9 Other non-recurring savings of £0.104m and additional external funding of £0.019m further increased the underspend against the Business Support budget to £0.666m.
- 5.3.10 The increasing demand within the Children's Services Division also resulted in an overspend of £0.065m in respect of the transport costs associated with this increase in service provision. However, the modernisation of day service provision for vulnerable adults has resulted in a shift towards support within a community setting and away from traditional fixed base services. This in turn has reduced the demand for transport to those fixed base settings and resulted in an underspend of £0.706m in respect of transport for vulnerable adults.

5.4 Economy and Environment (£0.110m Underspend)

- 5.4.1 The overall net outturn position for the Economy and Environment Directorate is an underspend of £0.110m as summarised in the following table: -

Service Area	Revised Budget £m	Outturn £m	(Overspend) Underspend £m
Regeneration and Planning	3.796	4.188	(0.392)
Infrastructure	13.909	12.671	1.238
Community and Leisure Services	28.620	29.722	(1.102)
Public Protection	10.554	10.189	0.365
Directorate General	0.192	0.192	-
Total	57.071	56.962	0.110

- 5.4.2 The Regeneration and Planning Division had a net overspend of £0.392m with the most significant areas of overspend being £0.179m in the Business Support and Urban Renewal service due to reduced funding for multi-disciplinary projects, and a net £0.281m overspend on the Council's industrial properties from increased property related costs including maintenance, cleaning, and security. Tourism venues had a total overspend of £0.156m from increased utility costs and one-off costs in relation to the closure of Coffi Vista to deliver permanent savings for 2024/25. These overspends were partially offset by underspends from staff vacancies.
- 5.4.3 The Infrastructure Division reported a net underspend of £1.238m after drawing £0.018m from earmarked reserves to cover a small overspend on the Winter

Maintenance budget. The most significant areas of underspend include £0.270m on gully cleaning, £0.884m on Street Lighting energy costs, £0.283m for the Engineering Projects Group (EPG), £0.241m for Transport Engineering and £0.164m for Passenger Transport. Many of the underspends are due to staffing vacancies and maximising grants. Network Contracting Services had an underspend of £0.512m largely due to income exceeding budgeted levels. These underspends are partially offset by overspends in Street Lighting maintenance and statutory highway maintenance.

- 5.4.4 Community and Leisure Services had a net overspend of £1.102m. Waste Management reported a net underspend of £0.224m with several over and underspends across this service area. These variances include a £0.169m overspend on organic recycling largely due to vehicle maintenance and staffing costs, and a £0.261m underspend on HQ staffing due to vacant posts and the use of reserves. There was a small £0.040m underspend on Trehir tip due to lower trade effluent charges and from not requiring site improvement works. Street cleansing reported a £0.315m underspend in relation to staffing as staff were redirected to cover other frontline services.
- 5.4.5 Grounds Maintenance and Parks reported a net overspend of £0.759m. Parks and Playing Fields had significant cost pressures from the increased use of agency staff and contractors totalling £0.657m with this being partially offset by £0.167m of staff savings and other service efficiencies. Countryside reported a £0.197m overspend largely due to not achieving income targets and from not being able to utilise the public rights of way grant. There was a £0.126m overspend on outdoor facilities due to increased utility costs.
- 5.4.6 Leisure Services had a net overspend of £0.594m. This was largely within Leisure Centres and was due to a combination of increased property and utility costs of £0.300m, additional staffing cover to ensure the centres could open, and increased supply costs totalling £0.394m. This was partially offset by income that overachieved budget by £0.114m.
- 5.4.7 Vehicle Maintenance and Fleet Management overspent by £0.236m, which is an improvement on the overspend of £0.471m reported in 2022/23. The service continued to experience difficulties in 2023/24 recruiting and retaining qualified and experienced vehicle technicians and had to engage third party services to ensure vehicles were repaired and maintained in accordance with the Council's Operator's Licence. The service was prioritised for review under the Mobilising Team Caerphilly transformation programme during the year and has been able to implement a number of solutions to reduce the overspend with the expectation for 2024/25 being that the service will manage within budget and deliver savings in future years.
- 5.4.8 The Public Protection Division is reporting an overall underspend of £0.365m, largely due to staffing underspends from managing vacancies across the Division and a net underspend in catering of £0.174m largely from maximising catering grant for the Universal Free School Meals (UFSM) roll-out for primary schools. These underspends have partially offset cost pressures in Trading Standards for increased kennelling costs after an enforcement action of £0.078m (civil and criminal proceedings are being pursued to recoup these costs), and pressures in Pollution control of £0.074m in relation to additional fencing and testing equipment.

5.5 Corporate Services – (£2.201m Underspend)

- 5.5.1 The outturn position for the Directorate of Corporate Services is an underspend of £2.201m as summarised in the following table: -

Service Area	Revised Budget	Outturn	(Overspend)/ Underspend
	£m	£m	£m
Chief Executive	0.429	0.386	0.043
Director	0.155	0.153	0.002
Financial Services	2.476	2.333	0.143
Business Improvement Services	2.249	2.125	0.124
Legal and Governance	3.908	3.814	0.094
Digital Services	9.228	7.578	1.650
People Services	4.748	4.302	0.446
Property Services	6.023	5.897	0.126
Private Housing	1.191	0.710	0.481
General Fund Housing	3.786	4.694	(0.908)
Total	34.193	31.992	2.201

- 5.5.2 The majority of underspends relate to staffing across all services and through maximising the use of grants. In addition, there is an underspend of £0.504m reported under Digital Services in relation to a rebate from our Procurement Team successfully managing the “Wales Wide” food procurement contract. People Services reported a £0.068m underspend in relation to the Leadership Development Programme (MeUs) which has now been approved as a saving for 2024/25. Private Sector Housing underspend by £0.424m due to unbudgeted agency fee income.
- 5.5.3 The above underspends have offset the £0.908m overspend on General Fund Housing for Temporary Accommodation, which is mainly due to the increased length of time of Bed and Breakfast placements as well as increased costs by providers. This is a demand led service and is difficult to predict. The past few years have seen increasing demand as a result of Covid-19 and the cost-of-living crisis which has required an increasing number of Bed and Breakfast placements. This was alongside increasing provider costs and reducing grant from Welsh Government.
- 5.5.4 In 2023/24 the total number of households who were accommodated by the Authority in Temporary Accommodation increased from the previous year by fifty-nine placements, which includes nineteen additional families. As of 31 March 2024 there were 334 placements in Temporary Accommodation. Securing permanent move on options for single people is a particularly significant challenge as there is a shortage of one bed/single person accommodation and turnover is low in existing single person accommodation with over 50% in Bed and Breakfast placements for 24 months and 10% for 36 months or more. In addition, it is often this client group that has a higher level of support need and therefore due to the lack of suitable single person permanent housing they are not able to move on to the specialist supported housing provision within the borough, which then has an impact on the number of placements, length of placement, and the cost of the placement.
- 5.5.5 The pressures continue to grow due to the situation with Ukraine, the loss of thirty-six properties in 2023 following the withdrawal of the Lease Scheme with a Social Landlord provider, and the lack of move on accommodation available in the borough. The Welsh Government has set out an ambitious Programme for Government with the aim of making our community a better place to live and work, which will be achieved in part, by reforming homelessness services to focus on prevention and rapid rehousing,

which should in theory eradicate the need for Bed and Breakfast placements. However, this a long-term strategy likely to take five to ten years.

- 5.5.6 To try to mitigate immediate pressures the Council is trying to maximise move on accommodation by a targeted media campaign to attract more Landlords to the Caerphilly Keys Private Rented Sector project. The service area has also been prioritised for review under the Mobilising Team Caerphilly transformation programme and is developing alternative delivery models. Funding from the Welsh Government's Transitional Accommodation Capital Programme (TACP) has helped Caerphilly Homes buy back ex-Council homes and officers are currently considering the modular housing element included within the Programme.

5.6 Miscellaneous Finance - (£4.274m Underspend)

- 5.6.1 The outturn position for Miscellaneous Finance is an underspend of £4.274m as summarised in the following table: -

Service Area	Revised Budget	Outturn	(Overspend)/ Underspend
	£m	£m	£m
Staff Related Costs	0.946	0.858	0.088
Statutory Benefit Schemes	17.084	17.072	0.012
Levies Upon the Council	11.034	11.105	(0.071)
Capital Financing	9.400	6.502	2.898
Corporate and Democratic Core Costs	0.704	0.732	(0.028)
Grants to the Voluntary sector	0.205	0.205	-
Private Finance Initiative	5.293	5.293	-
Other	1.986	0.611	1.375
Total	46.652	42.378	4.274

- 5.6.2 Capital Financing budgets had a net underspend of £2.898m, of which £0.543m is in relation to debt charges due to delays in borrowing requirements arising from slippage and underspends on the capital programme. Investment income overachieved the budgeted level by £2.099m due to new medium to long-term investments and increases in the Bank of England base interest rate.

- 5.6.3 Reported under 'Other' is an underspend of £0.757m in relation to City Deal borrowing costs that have not been incurred to date due to surplus cash balances being used to fund contributions in the short-term. There is also an underspend of £0.248m on the Targeted Rate Relief Scheme budget which has now been approved as a recurring saving from the 2024/25 financial year.

- 5.6.4 There are several smaller over and underspends across Miscellaneous Finance.

5.7 Council Tax Collection – (£0.691m Surplus)

- 5.7.1 The Council Tax surplus of £0.691m is lower than the typical levels experienced prior to Covid-19, and this has been further impacted by financial pressures arising from the Cost-of-Living crisis.

- 5.7.2 The Council Tax Team encourages all residents to contact the Council as soon as possible if they are struggling to pay their Council Tax and they actively promote

Council Tax Reduction take-up for those residents on low incomes. The Team also supports residents to set up payment plans and residents experiencing financial difficulty can also access support and advice from the Caerphilly Cares Team.

5.8 Housing Revenue Account (£1.313m Underspend)

- 5.8.1 There are a variety of over and underspends within the Housing Revenue Account (HRA) that have resulted in the net underspend position of £1.313m. Overspends include £0.114m on additional costs for implementing the Renting Homes Wales Act and a £1.626m increase in revenue contributions to the capital programme. This higher contribution is due to increases in materials and subcontractor costs, partly as a consequence of the increased specification on the void programme. Expenditure on Housing Response Operations (HRO) also overspent by some £0.730m again as a consequence of increased material, transport, and sub-contractor costs.
- 5.8.2 Salaries and agency costs underspent by circa £1.912m which represents about 9% of the salary budget. There have been particular difficulties in backfilling vacant posts within the Building Maintenance Team where more competitive rates are being offered in the Private Sector and by Registered Social Landlord providers. Further underspends include Strategy and Development commissioning costs of £0.801m, Building Maintenance Contingency of £0.369m, Cyclical Programmes of £0.275m, and Decoration Allowances of £0.131m.
- 5.8.3 HRA working balances as at 31 March 2024 are £23.868m, which has been fully committed within the HRA Business Plan approved by Council.

5.9 Impact on General Usable Service Reserves

- 5.9.1 As outlined in paragraph 5.1.2, for 2023/24 Council has agreed that 100% of the net projected underspend on the Council's 2023/24 revenue budget (after adjusting for any service overspends and earmarked reserves) will be transferred into General Fund balances. This is a change from previous financial years where 50% of underspends were carried forward by Directorates to meet service requirements and 50% was transferred to the General Fund.
- 5.9.2 The following table provides a summary of General Usable Service Reserves and the closing balances as at 31 March 2024: -

Service Area	Opening Balance (01/04/23)	In-Year Movement 2023/24	Closing Balance (31/03/24)
	£m	£m	£m
Education and Lifelong Learning	1.485	(1.417)	0.068
Social Services	2.713	(0.120)	2.593
Economy and Environment	(0.495)	0.495	-
Corporate Services	1.181	(0.922)	0.259
General Fund Housing & Private Housing	(1.002)	1.002	-
Total: -	3.882	(0.962)	2.920

5.10 Impact on the General Fund

5.10.1 The table in Appendix B shows the movements on the General Fund balance from 01 April 2023 to 31 March 2024, along with agreed commitments for 2024/25, and as in previous years an assumed contribution of £1.050m to support the revenue budget for 2025/26. The forecast General Fund balance as reported to Council on 27 February 2024 was £14.126m. The updated position is a balance of £21.722m, an increase of £7.596m. The variations to the forecast are as follows: -

	£m
Increased Contribution from Service Areas (including Miscellaneous Finance)	7.955
2023/24 Council Tax Surplus	0.691
Proposed Budget Strategy Contribution 2025/26	(1.050)
Net Increase: -	7.596

5.10.2 It is usually recommended by the Head of Financial Services and S151 Officer that the minimum balance on the General Fund should be 3% of the Council's net revenue budget, which equates to £13.476m for the 2024/25 financial year. This means that there is a projected surplus General Fund balance of £8.246m and proposals for the use of this surplus are set out in the following table: -

Description	Amount (£m)
Extension of fixed-term contracts in the General Ledger Team	0.192
Additional fixed-term staffing capacity in the Education Finance Team	0.090
Fixed-term staffing capacity for the Wales-Wide Food Framework	0.364
Ash Die Back	0.250
Fixed-term staffing capacity to prepare for Council Tax Premiums	0.080
Passenger Transport Grant roll forward	0.167
Retirement/Severance Costs for school based staff	0.150
One-off costs arising from the closure of Cwm Glas Primary School	0.446
Ty Gilfach building related works	0.100
Support for the ongoing rollout of the new Education Management Information System	0.090
HMLR investment in Local Land Charges Service	0.051
Mobilising Team Caerphilly resources	1.000
Medium-Term Financial Plan (MTFP) Contingency	5.266
Total	8.246

5.10.3 **Extension of fixed-term contracts in the General Ledger Team** – This proposal is to extend existing fixed-term contracts for three members of staff in Corporate Finance to March 2026 to support the delivery of the Mobilising Team Caerphilly Improved Financial Management project. This will ensure the automation of invoice payments through 'Invoice Capture' and will also facilitate the move to a centralised approach for invoice processing. These projects are expected to deliver financial efficiencies to

support the MTFP moving forward.

- 5.10.4 **Additional fixed-term staffing capacity in the Education Finance Team** - This proposal is for additional fixed-term staffing for an initial period of twelve months to respond to the increasing demand from schools for financial support and to identify and assist schools with managing the increasingly challenging financial position. Moving forward funding will need to be reviewed to ensure the cost of financial support is fully funded and this may involve a review of the Service Level Agreement with schools.
- 5.10.5 **Fixed-term staffing capacity for the Wales-Wide Food Framework** – This is to fund two posts for four years for the Caerphilly CBC Procurement Team to manage this Wales-Wide contract. This will generate an annual income of circa £350k for the Council which can be used to support the MTFP savings requirement.
- 5.10.6 **Ash Die Back** – This is to fund the inspection and removal of trees affected by Ash Dieback for 2024/25 as the existing reserve has been exhausted.
- 5.10.7 **Fixed-term staffing capacity to prepare for Council Tax Premiums** – At its meeting on 27 March 2024 Council approved the introduction of council tax premiums on long-term empty properties and second homes from April 2025. It is proposed that two fixed-term posts are funded in the Council Tax team for an initial period of 12 months to prepare for the implementation of the premiums. In the medium to long-term these posts will be funded from utilising part of the additional revenue raised through the premiums.
- 5.10.8 **Passenger Transport Grant roll forward** – This is to roll forward grants received in 2023/24 for contactless ticket machines and vehicle purchase that are required for committed purchases in 2024/25.
- 5.10.9 **Retirement/Severance Costs for school based staff** – The ongoing financial pressures facing Schools will inevitably result in an increase in the Council's contribution to retirement and severance costs. It is proposed that a one-off sum of £150k is made available to top up the revenue budget in 2024/25.
- 5.10.10 **One-off costs arising from the closure of Cwm Glas Primary School** – This relates to one-off costs associated with the closure of Cwm Glas Infants school at the end of the 2023/24 academic year, including the funding of a projected deficit on closure.
- 5.10.11 **Ty Gilfach building related works** – This will be used for the refurbishment of an existing Caerphilly building to support delivery of Education Other Than at School (EOTAS) provision for the coming academic year. This follows withdrawal from an external provider at the end of July 2024.
- 5.10.12 **Support for the ongoing rollout of the new Education Management Information System** – Additional external capacity to support the review and implementation of the Education Management Information System as the existing system contract is nearing its end date.
- 5.10.13 **HMLR investment in Local Land Charges Service** – This is to roll forward the balance of funding received from HM Land Registry (HMLR) for data migration and

investment in the service following the transfer of Land Charges to the Land Registry in June 2023.

- 5.10.14 **Mobilising Team Caerphilly resources** – This is to fund Portfolio Office and Project Management support for the Mobilising Team Caerphilly transformation programme for the next few years. The funding will ensure that the programme can move at pace and scale as well as enabling a dedicated set of Council resources to acquire the necessary skills and capabilities from existing external consultancy resource so that Caerphilly is equipped to run the programme itself over the medium-term. While some of the resources currently embedded within the programme are already underpinned by core funding, there is a requirement to support the fixed-term appointment of a number of Programme Leads and Project Officers, ideally over a three year period.
- 5.10.15 **Medium-Term Financial Plan (MTFP) contingency** – This proposal is to establish a contingency fund to support delivery of the significant savings requirement of £45.213m facing the Council for the two-year period 2025/26 to 2026/27. The funding will be used for a range of purposes including one-off investments to support Mobilising Team Caerphilly projects on an invest to save basis, the possible funding of exit packages, and the temporary use of the reserve to smooth savings requirements where there is a long lead-in time on approved proposals. It is important that robust savings proposals are developed at pace and with this in mind it is also proposed that delegated authority on the draw down of funds from the MTFP Contingency should be granted to the Chief Executive in consultation with the Leader, relevant Cabinet Member and Section 151 Officer.
- 5.10.16 Cabinet is asked to endorse a recommendation to Council that the surplus General Fund balance totalling £8.246m is utilised as detailed in paragraphs 5.10.3 to 5.10.15 of this report. If approved, this will reduce the General Fund balance to £13.476m, which is equivalent to 3% of the 2024/25 net revenue budget and is the minimum balance recommended by the Head of Financial Services and S151 Officer. Cabinet is also asked to endorse a recommendation to Council that delegated authority on the draw down of funds from the MTFP Contingency should be granted to the Chief Executive in consultation with the Leader, relevant Cabinet Member and Section 151 Officer.

5.11 Conclusion

- 5.11.1 The 2023/24 provisional revenue budget outturn position shows a net underspend of £8.834m across all services, including schools and the Housing Revenue Account (HRA). This will result in £13.546m being transferred into General Fund balances and £1.313m into the HRA working balances reserve. However, £6.007m will be drawn down from Schools balances to cover the schools overspend and £0.018m will be drawn down from the Winter Maintenance reserve to cover the in- year overspend on this budget.
- 5.11.2 The £13.546m transfer into General Fund balances is an increase of £8.648m on the assumed transfer as at period 9 of £4.898m. Whilst this increase in one-off additional funding is welcomed, it needs to be considered in the wider context of the extremely challenging financial position facing the Council. Furthermore, some of the 2023/24 underspends have already been included as savings in the 2024/25 approved budget. However, the increase in the level of underspend will be reviewed in detail to determine if further savings can be identified to support the budget setting process moving forward.

- 5.11.3 The positive outturn position is in part due to Mobilising Team Caerphilly transformation projects that have focused on Improved Financial Management and Spend Control. There has also been a strong focus on vacancy management throughout 2023/24 and increased visibility, scrutiny, and accountability of third party spend. These measures have resulted in more robust budget management and reduced spend and are promoting a culture of strong financial management to support the challenges that lie ahead.
- 5.11.4 The financial outlook moving forward remains extremely challenging. The 2024/25 budget proposals approved by Council on 27 February 2024 included total cost pressures of £56.464m and these are being funded through an increase in the Welsh Government Financial Settlement of £8.904m, permanent savings of £19.552m, temporary savings of £11.449m, the one-off use of reserves totalling £10.624m, and £5.935m from a 6.9% increase in Council Tax.
- 5.11.5 Due to sustained levels of inflation, the current economic outlook, and the range of temporary budgetary measures totaling £22.073m that were approved for the 2024/25 financial year, the updated Medium-Term Financial Plan (MTFP) presented to Council on 27 February 2024 shows a potential savings requirement of £45.213m for the two-year period 2025/26 to 2026/27.
- 5.11.6 The scale of the financial challenge facing the Council requires new approaches to service delivery and this is being led by the Chief Executive, Leader, CMT, and Cabinet and is being co-ordinated through the Mobilising Team Caerphilly Transformation and Place Shaping Programmes. It is vital that required changes are developed at pace and that key decisions are taken early to ensure that the projected savings requirement for 2025/26 to 2026/27 can be delivered.
- 5.11.7 This report includes a range of proposals for the use of surplus General Fund balances, the most significant elements of which will be earmarked to support the delivery of savings moving forward.

6. ASSUMPTIONS

- 6.1 There are no assumptions within this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 The 2023/24 revenue budget outturn position does not require an Integrated Impact Assessment to be completed as it is a statement of fact and is reported for information only.
- 7.2 The proposals for the use of surplus General Fund balances relate to unavoidable service cost pressures, the establishment of fixed-term resources to support the delivery of the Mobilising Team Caerphilly transformation programme, and the creation of a Medium-Term Financial Plan (MTFP) Contingency to support the Council in delivering savings moving forward. As specific savings proposals emerge, they will be supported by 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 other than the proposal to fund some fixed-term posts.

10. CONSULTATIONS

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

11. STATUTORY POWER

11.1 Local Government Act 1972.

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Appendices:

Appendix A - Provisional Outturn Summary 2023/24
Appendix B - Movement on General Fund

PROVISIONAL OUTTURN 2023/24**SUMMARY**

SERVICE AREA	UNDERSPEND (OVERSPEND) £m	TAKE TO GENERAL FUND £m
Education and Lifelong Learning	1.134	1.134
Social Services	5.116	5.116
Economy and Environment	0.110	0.128
Corporate Services	2.201	2.201
Miscellaneous Finance	4.274	4.274
Council Tax Surplus	0.691	0.691
TOTALS	13.527	13.546

OTHER	UNDERSPEND (OVERSPEND) £m	TAKE TO GENERAL FUND £m
Housing Revenue Account (HRA)	1.313	N/A
Schools	(6.007)	N/A
OVERALL TOTAL SURPLUS	8.834	13.546

Full Council agreed on 27 February 2024 that 100% of 2023/24 service underspends would be transferred to General Fund balances after specific agreed earmarking of funds.

The difference between the Economy and Environment underspend and the take to General Fund reserve of £0.018m is due to funding being drawn from the winter maintenance reserve to cover the overspend on winter maintenance in line with approvals that any over or underspend on winter maintenance is covered by an earmarked reserve.

School and HRA balances must be ring-fenced to those service areas.

APPENDIX B

MOVEMENT ON GENERAL FUND

	£m	£m
Opening Balance 01/04/2023		35.016
2023/24 Use of Funds as Previously Agreed by Council: -		
Budget Strategy Contribution 2023/24	(1.050)	
Earmarked Reserve Funding released to support 2023/24 Budget	(15.345)	
Funding of 2022/23 General Fund Housing Deficit	(0.802)	
Funding of 2022/23 Private Housing Deficit	(0.200)	
Funding of 2022/23 Economy & Environment Deficit	(0.494)	
In-year Impact of 2023/24 NJC Pay Award	(1.959)	(19.850)
2023/24 Transfers into General Fund		
Contribution from Earmarked Reserves to Support 2024/25 budget	5.736	
Education and Lifelong Learning Underspend	1.134	
Social Services Underspend	5.116	
Economy and Environment Underspend	0.128	
Corporate Services Underspend	2.201	
Miscellaneous Finance Underspend	4.274	
Council Tax Surplus 2023/24	0.691	19.280
Closing Balance 31/03/2024		34.446
2024/25 Commitments Previously Agreed by Council: -		
Budget Strategy Contribution 2024/25	(1.050)	
Earmarked Reserve Funding Released to Support 2024/25 Budget	(10.624)	(11.674)
Proposed Budget Strategy Contribution 2025/26		(1.050)
Forecast Closing Balance 31/03/2025		21.722