



## SPECIAL EDUCATION AND SOCIAL SERVICES SCRUTINY COMMITTEE – 23<sup>RD</sup> JULY 2024

**SUBJECT: 2024/25 SOCIAL SERVICES REVENUE BUDGET**

**REPORT BY: DEPUTY CHIEF EXECUTIVE**

### **1. PURPOSE OF REPORT**

- 1.1 To provide Members with details of the 2024/25 revenue budget settlement for Social Services.

### **2. SUMMARY**

- 2.1 The report provides details of the 2024/25 revenue budget for service areas within Social Services and outlines the reasons for movements in the revenue budget since 2023/24.
- 2.2 The report also sets out the corporate context within which the 2024/25 revenue budget has been set and considers how the 2024/25 budget has been shaped by the Directorate's financial performance in 2023/24.

### **3. RECOMMENDATIONS**

- 3.1 That Members note the content of this report and the 2024/25 budget for Social Services set out in appendix 1.

### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that Members are aware of the content and context of the 2024/25 revenue budget for Social Services.

### **5. THE REPORT**

#### **5.1 The Corporate Context**

- 5.1.1 The continuing uncertainty across the UK economy throughout the 2023/24 financial year once again resulted in a delay in the announcement of the Welsh Government Provisional Local Government Financial Settlement. Details of the Provisional Local Government Financial Settlement for 2024/25 were not released until 20 December 2023 and included a

headline figure of a 3.1% average uplift in Aggregate External Funding (AEF) for Welsh local authorities. However, the uplift in AEF awarded to Caerphilly C.B.C. fell below the Welsh average at just 2.3%.

- 5.1.2 Subsequently, on 24 January 2024 the UK Government announced an increase in funding for English local authorities of £600million, which resulted in a consequential allocation of around £25million for Welsh Government. £10.6million of this consequential funding has been used to reverse the planned reduction in Social Care Workforce Grant, which otherwise would have resulted in a funding reduction of around £0.594million for Caerphilly C.B.C. The remaining £14.4million of the consequential funding was distributed across local authorities bringing Caerphilly's final increase in AEF to around 2.5% or £8.904million.
- 5.1.3 While this increase in AEF was very much welcomed, it fell far short of the inescapable financial pressures faced by the Council for 2024/25 of around £56.464million. These cost pressures included £11.934million in respect of inflationary pressures, including: -
- provision for the underfunding of the National Joint Council pay award for 2023/24 (i.e. the shortfall in the 2023/24 budget due to the difference between the £1,925 flat rate actual award per full time member of staff from April 2023 and the 5% provision that had been included in the 2023/24 original budget,
  - provision for a 4% pay award for all staff with effect from April 2024,
  - inflationary uplifts of 3% for non-staff costs and 5% for income from fees and charges
  - an increase of 1% in employer's pension contributions.
- 5.1.4 The remainder of the £56.464million cost pressure was made up of £13.737million of general fund inescapable service pressures, £8.283million of schools cost pressures, £22.207million to reinstate funding relating to temporary savings included in the 2023/24 Council budget and £0.303million in respect of previously grant funded services that were transferred into the Welsh Government Settlement for 2024/25.
- 5.1.5 The 2024/25 revenue budget was approved by Full Council at its meeting on 27<sup>th</sup> February 2024 and included a 6.9% increase in Council Tax, which when coupled with the increase in the Welsh Government Financial Settlement meant that the Council faced a funding gap of £41.625million in 2024/25. £19.552million of permanent savings have been identified to reduce this gap whilst a further £11.449million of temporary savings have also been identified for 2024/25 only. The remaining shortfall of £10.624million will be funded through a one-off use of reserves in 2024/25.

## 5.2 **The Social Services Budget Strategy**

- 5.2.1 The original 2023/24 budget for Social Services that was approved by Council in February 2023 amounted to £127.137million and included provision for a 5% pay award with effect from 1<sup>st</sup> April 2023. However, the extension of agile working across the Council's estate has necessitated a series of staff re-locations, resulting in some social services offices being adopted as corporate buildings. In response to this, around £0.011million has been vired from the Social Services budget into Property Services budgets during 2023/24, resulting in a revised 2023/24 budget for Social Services of £127.126million. A further £0.692million was temporarily vired into the Social Services budget for 2023/24 from corporate reserve balances to meet the shortfall in the provision for the 2023/24 that had been included in the original budget. This increased the revised 2023/24 budget for Social Services to £127.818million. However, as this virement from reserve balances was a temporary arrangement, the base budget for social services remained at £127.126million.
- 5.2.2 The 2024/25 budget proposals approved by Council on 27<sup>th</sup> February 2024 included the following provision for general fund inflationary pressures: -

	£million
Provision for shortfall in 2023/24 pay award	2.300
National Joint Council (NJC) 2023/24 Pay Awards at 4%	6.569
Increase in Employer's Pension Contributions of 1%	1.245
Non-pay inflation	1.820
<b>Total</b>	<b>11,934</b>

5.2.3 The Social Services budget for 2024/25 includes the following share of funding to address these inflationary pressures: -

	£million
Provision for shortfall in 2023/24 pay award	0.783
National Joint Council (NJC) Pay Awards at 4%	2.252
Increase in Employer's Pension Contributions of 1%	0.443
Non-pay inflation (income from fees and charges)	-0.021
<b>Total</b>	<b>3.457</b>

5.2.4 In addition to these inflationary pressures, £10.448 million has been included in the Social Services budget for 2024/25 to address the following inescapable service pressures: -

	£million
Increased demand and complexity of Children's placements	0.585
Increased demand for care packages for vulnerable adults	2.171
Anticipated increases in fees for independent sector providers in relation to the Real Living Wage and wider inflationary pressures	7.692
<b>TOTAL</b>	<b>10.448</b>

5.2.5 Of the £19.552million of permanent savings identified in paragraph 5.1.5 above, £0.604million has come through the realignment of the following social services budgets: -

	£million
Additional client contributions following increased occupancy levels in Own Residential Care	0.400
10% increase in hourly charge for Home Care	0.026
Deletion of long-term staff vacancies	0.042
Contributions to regional posts	0.025
Contribution to the Joint Workforce Development Team	0.025
Supported employment contract	0.008
Clawback of part of the energy cost inflation awarded for 2024/25	0.078
<b>Total</b>	<b>0.604</b>

5.2.6 Social Services will also contribute £2.545million towards the £11.449million of temporary savings identified in paragraph 5.1.5 above. This will be delivered through the following initiatives: -

	£million
Temporary increase in vacancy saving target across management, fieldwork and administrative posts to reflect current recruitment difficulties	0.905
Temporary reduction in in-house domiciliary care budgets to reflect current difficulties in recruiting carers	1.105
Utilisation of short-term grant funding	0.535
<b>Total</b>	<b>2.545</b>

- 5.2.7 A realignment of management responsibilities for some services has meant a virement of the budgets associated with these services. As a result, £0.209million has been vired into the Social Services budget from the Business Improvement Services budget in respect of the Caerphilly Cares Services while £0.163million has been vired from the Social Services budget to the Corporate Property Services in respect of office accommodation costs at Ty Pawb in Bargoed and Ty Graddfa in Ystrad Mynach, which have been adopted as corporate properties.
- 5.2.8 Finally, of the £0.303million identified in paragraph 5.1.4 above in respect of previous grant funding transferred into the local government settlement in 2024/25, £0.040million related to the Performance and Improvement Framework Grant. This £0.40million has been passported into the Social Services budget for 2024/25 to continue to underwrite the cost of a post within the Children's Services Division.
- 5.2.9 The issues identified in paragraphs 5.2.1 to 5.2.8 above resulted in an original budget for 2024/25 for Social Services of £137,968,118 as summarised below: -

	Children's Services £	Adult Services £	Business Support £	Total £
Original budget 2023/24	35,942,914	87,487,295	3,707,038	127,137,247
Permanent virement 23/24	0	0	(11,334)	(11,334)
Inflationary pressures	850,750	2,457,940	148,883	3,457,573
Inescapable pressures	1,795,000	8,653,000	0	10,448,000
Permanent savings	9,036	(527,519)	(85,957)	(604,440)
Temporary savings	(475,643)	(1,777,445)	(291,887)	(2,544,975)
Management realignment	(85,680)	0	131,727	46,047
Transfer of grant funding	40,000	0	0	40,000
Original budget 2024/25	38,076,377	96,293,271	3,598,470	137,968,118

- 5.2.10 A detailed analysis of the original budget for 2024/25 is provided in appendix 1.

### 5.3 Conclusion

The Social Services budget for 2024/25 totalling £137.968million has been re-aligned to address the known demand and pressures as of January 2024 within the approved overall budget allocation. However, to balance the budget for 2024/25, we have had to recognise the staff recruitment difficulties experienced across the social care market and assume that some posts will remain vacant for significant periods of time. With demand for social care likely to continue to rise throughout the forthcoming financial year due to an ageing population and the social effects of the current cost of living pressures these staff recruitment issues could lead to an increase in unmet need. Therefore, this will need to be kept under review so that we can

respond to any increase in unmet demand in the longer term if it presents. Furthermore, a national focus on the fair cost of providing social care is likely to create additional pressures on the fees that Caerphilly CBC pays to care providers, particular if Welsh Government continues to promote a minimum hourly rate for social care staff equivalent to the Real Living Wage which has increased by around 10% per year over recent years. In summary, while the 2024/25 budget settlement for Social Services has been balanced, the medium-term and long-term positions could prove extremely challenging.

## **6. ASSUMPTIONS**

- 6.1 The 2024/25 budget strategy includes provision for a 4% pay award from April 2023. However, negotiations are ongoing to determine the actual National Joint Committee pay award for 2024/25.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

- 7.1 An Integrated Impact Assessment is not needed because the issues covered are for information purposes only.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 As detailed throughout the report.

## **9. PERSONNEL IMPLICATIONS**

- 9.1 Any personnel implications arising from the Social Services budget strategy for 2024/25 will be managed in accordance with the appropriate HR policies and procedures.

## **10. CONSULTATIONS**

- 10.1 All consultation responses have been incorporated into this report.

## **11. STATUTORY POWER**

- 11.1 Local Government Acts 1972 and 2003 and the Council's Financial Regulations.

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Appendices: Appendix 1 - Social Services Original Revenue Budget 2024/25