

Meeting: Cabinet

Date: 20 February 2024

Cabinet Member: Councillor Ioan Thomas, Cabinet Member for Finance

Subject: 2024/25 Budget

Contact Officer: Dewi Morgan, Head of Finance

2024/25 BUDGET

Decision Sought

Recommend to the Council (at its meeting on 7 March 2024) that:

- 1. A budget of £330,590,040 should be set for 2024/25, to be funded by £232,092,110 of Government Grant and £98,497,930 of Council Tax income (which is an increase of 9.54% on the tax of individual dwellings).**
 - 2. A capital programme of £85,224,800 in 2024/25 should be established, to be funded from the sources set out in Appendix 4 of the report.**
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1. INTRODUCTION

- 1.1** The Council must set a balanced budget for 2024/25.
- 1.2** This budget is set at a time when Welsh local authorities are facing financial challenges, particularly in the context of overall inflation having reached levels in 2022/23 and 2023/24 unprecedented for decades, the impact of which has worked its way through to the 2024/25 budget.
- 1.3** Cyngor Gwynedd has received a grant increase for 2024/25 of 2.0%, equivalent to an £4.1m increase in external funding.
- 1.4** By 2024/25, our spending would need to be increased by £22.4m in order to "stand still" (details are in part 3 below). This includes £5.1m to meet pressures on service budgets (details of the individual 'bids' are in Appendix 2).

- 1.5 It is seen in this report that demand pressures on services, as well as inflationary pressures indicate that a combination of Council Tax increases and the introduction of a new programme of savings and cuts must be considered if a balanced budget is to be set for 2024/25. The 2024/25 budget seeks to protect the services the Council provides to the people of Gwynedd and recommends a 9.54% increase in Council Tax to achieve that objective this year. Even then, we will need to look for additional savings of £2m to set a balanced budget, and forecasts suggest there will be further pressure in aiming to set a balanced budget for 2025/26.
- 1.6 Savings and cuts plans are the subject of a separate report on the programme for this meeting.
- 1.7 The savings that have been identified have been subject to consultation with Council members in a series of workshops in October 2023. The draft budget has been considered by a majority of Council members at a briefing session on the financial situation held on 16 January 2024, and scrutinised by the Governance and Audit Committee on 8 February. The role of Cabinet is to recommend a balanced and appropriate budget to the Council meeting on 7 March for 2024/25.
- 1.8 The 2024/25 budget includes a substantial proportion of the savings that have slipped from previous years, saving identified when setting the 2023/24 budget, as well as new savings.
- 1.9 This year we propose to establish a capital programme worth £85.2m in 2024/25, as set out in Appendix 4.
- 1.10 It is for full Council to consider the budget and set Council Tax for 2024/25 based on the issues identified in the following report. This detailed report sets out the factors influencing the proposed revenue budget for 2024/25, and outlines the main changes since 2023/24.

2. WELSH GOVERNMENT GRANT

2.1 The Welsh Government has announced the indicative local authority funding settlement for 2024/25 as follows:

Revenue Support Grant 2023/24 – 2024/25	Total Welsh Authorities £	Cyngor Gwynedd £
2023/24 Government Grant	5,110,643,128	227,541,286
2024/25 Government Grant	5,689,688,839	232,092,112
Increase £	403,245,272	4,550,826
Increase %	3.1%	2.0%

The Government will not publish its final budget until 27 February 2024 and final local government settlement will be published soon after that. Further details of the provisional settlement can be found here –

[Local government revenue and capital settlement: provisional 2024 to 2025 | GOV.WALES](#)

2.2 Official Welsh Government figures in the table above show notionally that Cyngor Gwynedd is receiving a grant increase of £4.6m by next year (after adjusting the relative 2023/24 figure to reflect changes to the taxbase), which is an 2.0% increase, while the average across Wales is 3.1%.

2.3 A number of factors feed into the local government grant allocation formula, such as the county's population, the number of pupils in our schools, and the number of income support claimants. This year, there has been a significantly greater increase in these numbers in other authorities. In particular, it is noted that the impact of the 2021 Census – which shows a decline in Gwynedd's population, has had a significant impact on our grant allocation compared to other authorities.

2.4 The Welsh Government will publish the final grant settlement for local authorities soon after announcing its final budget on 27 February, which will be followed by a relevant debate in the Senedd. On 24 January, the UK Government announced a £600m funding increase for local government in England. It is possible that some additional funding will be available for councils in Wales as a result of this, but there will not be confirmation either way until the final settlement is announced.

2.5 If the grant figure changes up or down at the time of the publication of the Final Settlement, so late in the 2024/25 budget and tax-setting round, it would possibly be too late to change council tax figures. It should be noted that this budget already includes a provision for the use of funds in case there is a change to the circumstances (e.g. a change to the settlement, or inflation).

3. COUNCIL REVENUE EXPENDITURE - 2024/25

3.1 The increase in expenditure required to "stand still" in 2024/25 is set out in the table below.

Additional Expenditure Requirements

	£	£
Base Budget		318,073,360
Staff Salary Inflation	15,113,520	
Teachers' Pension	2,360,670	
Teachers' Pension Grant	(2,360,670)	
Other Inflation (suppliers)	6,808,810	
Electricity Inflation Provision	(2,981,350)	
Levies (Fire, NRW & CJC)	342,000	
Demography	(37,820)	
Bids – Pressures on Services	5,052,820	
Various Budget Adjustments	375,530	
Borrowing Costs / Interest on Balances	(1,250,000)	
Specific Grant Adjustments	382,570	
Covid Provision	(1,400,000)	
Net total of increases		<u>22,406,080</u>
Total spending 2024/25 requirements before savings		<u>340,479,440</u>

3.2 Base Budget 2023/24

Although the net expenditure for 2023/24 was £318m, it is important to note that the Council's actual expenditure is £539m, because we receive a host of specific grants worth £149m and charge an overall income of £72m for services we provide.

3.3 Salary Inflation £15.1m

An agreement was reached on workforce pay (apart from teachers) for April 2023 to March 2024 by agreeing an increase of £1,925 up to pay point 43, and then 3.88% to pay point 44 and above. In line with most other local authorities, we had budgeted prudently for a 6% increase, but the final agreement exceeded what had been budgeted for. The result is that the wage inflation in the 2024/25 budget includes an element to correct this gap as well considering the notional inflation of 2024/25.

This budget sets aside the objective of an increase in the 2024/25 pay agreement of 5% for the whole workforce (teachers from September 2024, remaining workforce from April 2024).

3.4 Teachers Employer's Pension Contribution

There will be an increase in the employer's contribution towards the teachers' pension scheme with an additional cost of £2.36m. This budget has been set on the basis that the cost will be fully funded by the Government.

3.5 Other Inflation £6.8m

This is a 'net' amount which includes provision for a range of changes dependent on the rate of inflation in a number of specific areas. The main areas where increases are seen are:

- Independent Residential Care Homes £2.8m
- Non-residential Care £1.3m:
 - Supported Housing £807k,
 - Domiciliary Care £228k,
 - Other services £217k
- Energy (Electricity) £1.6m
- Fuel (Diesel and Petrol) £63k
- Increase in other prices:
 - Insurance £270k
 - Property rates £159k

3.6 Electricity Inflation Provision (£3m)

There was an assumption when preparing the 2023/24 Budget that inflation on electricity budgets would be significant. But it transpired that the inflation was not as much as expected, so the budget can be released.

3.7 Levies £342k

The levies paid to the relevant bodies will increase as follows between 2023/24 and 2024/25:

- | | |
|-----------------------------------------------|-------|
| • North Wales Fire and Rescue Authority | £343k |
| • Snowdonia National Park Authority | £0 |
| • Natural Resources Wales (Special Levies) | £4k |
| • North Wales Corporate Joint Committee (CJC) | (£5k) |

The increase of £343k to the North Wales Fire and Rescue Authority levy is equivalent to an increase of 0.39% in council tax.

3.8 Demography (£38k)

A net total which reflects -£48k due to a net reduction in pupil numbers in schools and +£10k due to an increase in children looked after by the Children and Supporting Families Department.

The net figure of -£48k for schools masks a different situation in different sectors, namely secondary +£167k, special +£259k and primary -£474k.

3.9 Pressures on Services £5.1m

Appendix 2 contains details of each individual request for additional expenditure arising from pressures on the services.

It is recommended that bids worth £5.1m for additional permanent resources submitted by Council departments to meet inevitable pressures on their services are approved.

All departments are asked to identify any expenditure the Council must deliver to ensure continuity of basic service. The procedure here is not for desirable new developments, but rather for the continuation of existing basic services.

An element of these applications of course manifests itself as we review the current year's spending patterns. Others are the result of issues arising where spending is necessary to protect outcomes for the public, or to meet statutory requirements. There is also an element of central government creating pressures and expectations, followed by the Council having to cope with the knock-on effects.

The items presented in Appendix 2 have been thoroughly challenged by the Leadership Team before being recommended for Cabinet approval. Furthermore, all these spending requests were presented at the Budget Seminar held on 16 January 2024.

3.10 Various Budget Adjustments (£1.9m)

A total reflecting a significant number of adjustments to different budgets across the Council. This includes the impact of an increase in interest receipts of (£1.25m) in returns in investing balances and the Council's cash flow, releasing the provision of (£1.4m) that was in place for expenditure arising from the Covid crisis, but a cost increase of £758k due to budgeting for the reduction of the Social care Workforce grant received from the Government together with other budgetary considerations

4. EXISTING SAVINGS THAT HAVE ALREADY BEEN APPROVED

4.1 Cyngor Gwynedd has delivered over £39.1m of savings plans since 2015/16.

4.2 On 14 February 2023 the Cabinet approved a programme of savings worth £6.4m for the budget of 2023/24 onwards. The profile of this programme is seen in Appendix 3, which shows that £2,848,630 of these savings are profiled for 2024/25.

4.3 Schools savings of £819,500 have also been programmed to be implemented from the 2024/25 financial year.

4.4 Further, there is one savings plan of £15,000 which remains from previous savings programmes which is relevant for 2024/25.

4.5 The value of these savings by department is summarised in the following table.

Savings that have already been programmed to reduce the 2024/25 Funding Gap	
	£
Adults, Health and Wellbeing Department	1,193,040
Schools	819,500
Environment Department	562,870
Highways, Engineering and YGC Department	390,000
Finance and I.T. Department	207,720
Children and Families Department	157,960
Housing and Property Department	128,840
Education Department	111,880
Economy and Community Department	65,660
Corporate Support Department	45,660
Subtotal	3,683,130
Less: Provision	(569,730)
Existing Planned Savings 2024/25	3,113,400

5. FUNDING GAP 2024/25 AND COUNCIL TAX

- 5.1 Part 3 above shows that the Council's spending needs (before savings are removed) for 2024/25 are £340.5m. Part 2 noted that the grant from the Welsh Government will be £232.1m.
- 5.2 As explained in part 4 above, there are a total of £3,113,400 of savings to be used to reduce the funding gap.

Establishing the 2024/25 Budget	
	£
2023/24 Base Budget	318,073,360
Additional Expenditure Requirements	<u>22,406,080</u>
2024/25 Expenditure Requirements before Savings	340,479,440
less Welsh Government Revenue Grant Income	(232,092,110)
Funding Gap from Council Tax and further savings	<u>108,387,330</u>

- 5.3 That means there is a residual gap of £108.4m that needs to be filled. There is a separate report on the agenda of the Cabinet meeting which recommends the implementation of new £4.78m (adjusted to include savings risk). However, only £1.82m (adjusted to include savings risk) can be drawn from the 2024/25 budget with the remainder to be drawn from the 2025/26 and 2026/27 budgets. Funds worth £2.96m will have to be transferred from reserves to fund the savings that have been profiled to the following years when setting the 2024/25 budget.
- 5.4 In addition, it is suggested to delay before deciding on any further savings/cuts worth £2m, again using funds to bridge the shortfall. Given the £3.11m of savings already approved for 2024/25 previously (see Part 4 above), it is recommended that a total of £4.93m of savings and £4.96m of reserves contribute to filling the financial gap.

Funding Gap from Council Tax and Savings	108,387,330
Less Existing Savings already approved	(3,113,400)
Less new Savings	(1,816,360)
Less bridging new savings for reserve	(2,959,640)
Less delaying Savings from reserves	(2,000,000)
Funding Gap from Council Tax	<u>98,497,930</u>

- 5.5 Further details on the savings are found in Appendix 3.

- 5.6 It is recommended that the remainder of the gap is to be greeted through Council Tax. Whether to increase the Tax on individual dwellings by 9.54% will generate £98,497,930 of income, and this would be sufficient to fill the gap.
- 5.7 This will be £8.6m of additional Council Tax income compared to the 2023/24 budget. That equates to a Council Tax increase of £152.89 for properties in Band D, or £2.94 a week. The tax levied by the Police and Crime Commissioner (an increase of 4.97% for 2024/25) and the community councils (various %) will of course be in addition to this.
- 5.8 Background information and the context for setting the Tax level is set out in Appendix 6.
- 5.9 If Council members wanted a less than 9.54% increase in the level of Tax, then fewer permanent resources would have to be committed to deal with the pressures on services, there would be a need to find further savings and cuts, or a combination of both.
- 5.10 The choice between maintaining services and taxation is always a difficult one. For 2024/25 it is expected that the proposal to raise the tax by 9.54% to meet the pressures on services while setting a balanced budget will be a similar level to the majority of authorities in north Wales.

6. CONCLUSIONS / BUDGET 2024/25

- 6.1 This report and the appendices set out the factors that should be taken into account in establishing the 2024/25 budget and historic savings will still have to be harvested, new saving will have to be introduced, and the level of tax will need to be raised to set a balanced budget.
- 6.2 It is recommended that revenues of £340.5m be spent, having added £22.4m, which includes the provision of £5.1m to address demand for services.
- 6.3 Having received a grant from Welsh Government of £232.1m, relying on £4.93m of savings (£3.11m of historic savings that have already been programmed and £1.82m of new savings) and £4.96m from reserves. The level of Council Tax will need to increase by 9.54% to generate £98m of income to close the 2024/25 funding gap.

Balanced budget for 2024/25	
	£
2024/25 Expenditure Requirements before Savings	340,479,440
2024/25 Savings Total	(4,929,760)
2024/25 Bridging from Reserves Total	(4,959,640)
2024/25 Budget	<u>330,590,040</u>
To be funded from -	
Grant Income	232,092,110
Council Tax (yield after raising 9.54%)	<u>98,497,930</u>
2024/25 Budget	<u>330,590,040</u>

- 6.4 This will involve setting a net budget of **£330,590,040**. A breakdown of the budget per service is given in Appendix 1.

7. CAPITAL

- 7.1 The 2019/20 – 2028/29 asset strategy was established by full Council on 7 March 2019. The new asset strategy is operational for the period 2019/20 to 2028/29. It will be incorporated as part of the Capital Programme, and we are adding to that by 2024/25. Details of the current capital programme can be found in Appendix 4.
- 7.2 The two tables shown in Appendix 4 reflect the capital requirements, together with the funding, for setting the 2024/25 to 2026/27 capital budget, in order to establish a whole programme worth £85,224,800 in 2024/25, to be funded from the sources analysed in Appendix 4.
- 7.3 The table in Appendix 4 states that £500k is available annually for the funding of capital bids. For 2024/25, £428k from this budget has been earmarked for the 9 relevant capital bids detailed in Appendix 2b.

8. LONGER TERM STRATEGY

- 8.1 When announcing the draft 2024/25 settlement in December 2023, the Welsh Government has not given an indication of the increase in grant that will be paid to Welsh local authorities from 2025/26. However, the outlook is not positive, and Cyngor Gwynedd, like all other councils, is expected to receive below-inflation increases in future – and perhaps no increase at all.
- 8.2 In considering the increased demand for services on the Council, in the face of shrinking provision as a result of cuts, there will need to be an early, fundamental consideration of what the Council can provide and how. As can be seen in Appendix 3, further saving plans have been programmed for 2025/26 and beyond but work will commence immediately after setting the budget for 2024/25 on updating a Medium Term Financial Plan that recognises the situation as envisaged.

9. OTHER CONSIDERATIONS AND VARIOUS ASSESSMENTS

- 9.1 The current level of the Council's general balances is £7.9m. Given the increased pressures expected on the Council's budgets over the next few years, it is considered that this level of balances will be appropriate to reserve for practical cash flow and unexpected expenditure. Information on the balances and reserves is presented in Appendix 7.
- 9.2 Appendix 5, 'Addressing the Schools Budget in 2024/25', explains the position of the Gwynedd schools' budget.
- 9.3 In determining a budget, Cabinet and Council must consider the impact of their decisions in terms of equality, in line with the statutory duties placed on the Council through the Equality Act 2010. Appendix 8 deals specifically with the duty, including the statutory finance officer's comments on the whole Budget in terms of equality. The assessment confirms that there will be a positive overall impact from the continuity of services that are considered a priority for protection and funding to the additional level of demand, and it is not believed that any negative impacts will be significant.
- 9.4 The Council complies with the requirements of the Well-being of Future Generations (Wales) Act 2015 and the recommendations in the report are based and developed in accordance with the statutory duty on the Council under Section 3 to undertake sustainable development in all its activities. As usual, more detailed information about the Well-being Act and relevant conclusions is provided at Appendix 9.
- 9.5 The statutory finance officer must express a view on the robustness of the estimates. An appropriate risk assessment and confirmation is presented at Appendix 10.
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APPENDICES

- 1 Proposed Budgets
- 2 Summary of Bids
- 2a Permanent Revenue Bids
- 2b Capital Bids
- 3 Savings
- 4 Capital
- 5 Dealing with the Schools Budget in 2023/24
- 6 Council Tax
- 7 Balances
- 8 Assessing the Impact on Protected Characteristics, the Welsh Language and Socio-Economic Disadvantage
- 9 Well-being of Future Generations (Wales) Act 2015
- 10 Robustness of Estimates