

CYNGOR SIR CEREDIGION COUNTY COUNCIL

Report to: Cabinet

Date of meeting: 20 February 2024

Title: Recommendation from the Overview and Scrutiny Co-ordinating Committee on the draft budget 2024/2025

Purpose of the report: To provide feedback from the Overview and Scrutiny Co-ordinating Committee held on 1 February 2024

Background:

The Overview and Scrutiny Co-ordinating Committee considered the report on the draft budget 2024/2025 at its meeting on 1 February 2024.

The Leader of the Council, Councillor Bryan Davies, presented the report on the draft budget for 2024/2025. The Leader stated that this was an extraordinarily difficult financial situation faced by the Council with considerable financial pressures. He stated that during his time as a Councillor he has never known such a challenging financial situation as Ceredigion only received a 2.6% increase in the draft 24/25 settlement from Welsh Government. He advised Committee Members that he has met with some Town and Community Councils to discuss the financial situation and has more meetings scheduled this coming week.

The Cabinet Member for Finance and Procurement, Councillor Gareth Davies, presented the remaining information in the report. Councillor Davies also stated that this is by far the worst financial situation he has faced as Councillor in setting the budget.

It was advised that areas from Enclosure A of the agenda papers that this committee may wish to give consideration were as follows:

- a) Section 3 - The 24/25 WG Provisional Settlement outcome for Ceredigion.
- b) Section 4 – High level Budget Considerations including:
 - Section 4b) - Total level of Revenue Budget Cost Pressures.
 - Section 4d) - Total level of Revenue Budget Reduction proposals.
 - Section 4f) - Cabinet’s proposal on Council Tax Premiums
 - Section 4g) - Potential Council Tax position
- c) Section 5 – Draft Budget Requirement
- d) Section 6 – Budget Risks
- e) Section 7 – proposed Multi-Year Capital Programme
- f) Section 8 – Financial resilience (including Reserves & General Balances)
- g) Section 9 – Medium Term Financial outlook
- h) The 11 Recommendations agreed by Cabinet on 23/01/24.
- i) Any other Budget matter that the Committee deems appropriate.

Welsh Government (WG) have openly stated that their 24/25 Draft Budget is ‘the starkest and most painful since devolution’. Ceredigion has only received a 2.6% funding increase (14th out of 22 Local Authorities), this also equates to Ceredigion

receiving the lowest increase per head of population across all of Wales. It is therefore also Ceredigion County Council's starkest Budget yet which is worse than was previously forecasted and less than the 3.1% referenced by Welsh Government in the Autumn.

The headline from the Provisional Local Government Finance Settlement in England was a 6.5% overall uplift in funding with £1bn in additional grant funding for Social Care compared to 23/24. Being a devolved administration Welsh Government are free to use their funding as they see fit. Consequently, there are several different policy decisions that exist in Wales as compared to England.

The Provisional Local Government Finance Settlement outcome, combined with various individual Specific grants being cut, as well as highly significant Cost pressures on Services that show no signs of abating, means it is no longer possible to continue to protect Services. There are now incredibly difficult budget choices to be made as part of weighing up how and where to reduce the cost of the Council's Services, alongside considering the appropriate level of funding to be raised through Council Tax.

Key points highlighted from the report are:

- The latest estimated revenue Cost pressures being faced by the Council total an unprecedented £18.1m, equivalent to a Ceredigion specific inflation factor of 10.1%. This compares with general inflation running at 2 3.9% (November 2023 CPI figure). A budget shortfall of £14.6m therefore needs to be found from a combination of Budget Reductions and Council Tax increase considerations.
- Competing demands on the Capital Programme are exacerbated by a reduction in core Capital funding from WG. The current level of core capital funding (£5.8m) is still lower than that received over 15 years ago and represents real terms cut of £5.1m (or nearly 50%) over that period.
- The cost of continuing to fulfil Welsh Government's policy of ensuring the Real Living Wage (10.1% increase) is paid to registered Social Care staff will cost Ceredigion an additional £0.9m for 24/25. This is the extra cost over and above funding a National Living Wage related increase and forms part of a total estimated cost pressure of £2.7m to fund basic inflation on externally commissioned Social Care services (e.g., Domiciliary Care, Direct Payments, and Older Persons residential placements).
- Demands and pressures on Social Care related budgets continue to increase - totalling some £6.2m over and above Employee Pay awards and basic inflation provisions for externally commissioned services.
- The UK Government continues to increase the National Living Wage (9.7% increase) but also continues not to provide any associated funding. Therefore, Employee pay awards for 24/25, which are not determined by Ceredigion County Council, are expected to continue to remain elevated. At a projected cost pressure of c£4.8m, this is a highly significant budget variable. The approach to Pay is the opposite to what was experienced during the previous austerity period, when the George Osborne approach was to enforce several years of pay freezes / 1% pay caps as a form of controlling costs.
- For the 2nd year running, there is a considerable increase proposed by the Mid & West Wales Fire Authority for the Fire levy which forms part of Ceredigion County Council's Budget. The current proposal would result in an increase of 12% on the

Council's current Fire levy cost of £4.9m and would be the equivalent of over 1% on Council Tax.

- There is a hidden budget impact from a reduction in WG specific grant funding. For example - a proposed cut of over 20% in Social Care Workforce funding (an indicative loss of £250k) is bewildering at a time when there is a significant recruitment and retention challenge in the Social Care sector.
- Despite the lower-than-expected Settlement, the Cabinet still propose to increase Delegated Schools Budgets by 3.1%, which was the scenario presented to Headteachers and Governors back in late September.
- The current draft 24/25 Budget Requirement is a lower increase (6.9%) than the 23/24 Budget Requirement increase (8.6%). However, the WG settlement increase is only 2.6% for 24/25 compared to 8.1% for 23/24.
- The current 23/24 Band D Council Tax level in Ceredigion (for all components) is £1,908 which is just above the average Band D Council Tax in Wales at £1,879. Average Council Tax levels in Wales are still lower than the equivalent English Unitary Authorities average (£2,139 for 23/24). The 3 County Council element of the current 23/24 Band D Council Tax is currently £1,553.60.
- The Council recently agreed to increase the Council Tax premiums chargeable on Second Homes and Long-term Empty Properties, with effect from April 2024. This decision has the potential to assist with the Budget Challenge by lowering an otherwise higher Council Tax increase if Members are so minded.
- Cabinet is mindful that c85% of all chargeable dwellings in Ceredigion fall into Bands A to E. The current draft 24/25 Budget figures indicate a potential Council Tax increase (for the Ceredigion County Council component) of just over £4 per week (or £18 per month) for a Band D property.
- Further work is ongoing to see where/if further Budget reductions can be added to improve the position further.

The Budget Scrutiny process and the involvement of all Members is part of this process. It is very clear that a 2.6% WG core funding increase, combined with cuts in WG specific grant funding, does not provide anywhere near enough funding to be able to deal with significant parts of the Council's budget being subject to inflation at well above CPI levels and in several areas into double digit levels. This means that there is an almighty Budget Challenge that can no longer be solely focussed on doing things differently and innovatively. The Council needs to make significant Budget savings which needs to include reducing and, in some cases, withdrawing Services completely.

Unfortunately, this position is not likely to just be limited to next financial year, because the outlook for the public finances into the medium term now looks even bleaker, notwithstanding there is a UK General Election to be held by the end of January 2025. Moving forwards, Ceredigion County Council needs to fundamentally re-evaluate its purpose and relationship with its residents to include a back-to-basics approach focussed on providing core statutory services, predicated on appropriate levels of intervention. Unless there is a new era of Pay freezes and minimal Social Care cost pressures, then in the absence of re-evaluating its purpose and approach, Ceredigion County Council is highly likely to become financially unsustainable in the medium term.

Members were advised to raise concerns regarding specific service areas at the relevant Scrutiny committees.

Duncan Hall, Corporate Lead Officer, Finance and Procurement, then provided a brief verbal update on the latest Budget situation as follows:

- As a result of a £600m announcement for English Councils on 24/01/24, it was understood Welsh Government would receive a Barnett consequential amount of funding of c£25m. This could be worth c£600k for Ceredigion - but is yet to be confirmed. In addition work has just concluded on the procurement process for the Council's new residual Waste contract. This will be reported to Cabinet on 20/02/24 with a provisional outcome of a £300k financial benefit. The combination of both factors, once and if confirmed, is worth c2% in Council tax terms.
- Committee Members were advised that a letter has been sent to WG from the Leader of the Council which includes 12 lobbying points. This letter has now been shared with all Members of the Council.
- DH reaffirmed the scale of the medium-term financial challenge if public sector finances are limited to no more than a 1% annual increase or possibly worse from 25/26 onwards.

The relevant Overview and Scrutiny Committee will be considering the impact on Services within their individual remits on the 08/02/24 and 09/02/24.

Members were then given an opportunity to ask questions which were answered in turn by the Leader, the Cabinet Member or the relevant Officer. Main points arising as follows:

- In response to a question, it was confirmed that it is not illegal to use general reserves, albeit recognised as bad practice if other avenues have not been explored and considered in the first instance. The Cabinet Member and Section 151 Officer provided an explanation on the current policy regarding using general reserves and reminded Members that you can only use reserves once.
- In response to a question, it was confirmed that a robust balanced budget is achievable.
- A Member stated that many proposals will require consultation, considering the timescale for this budget, he asked how confident the Section 151 Officer was that these will be delivered? In response, it was stated that any budget savings may not be 100% deliverable but that consideration is given to the likelihood of deliverability and the quantum involved. It was advised that the relevant Corporate Lead Officer responsible for the proposed savings will need to obtain a political mandate as soon as possible if the saving proposals are agreed as the Authority cannot afford to wait.
- A Member expressed disappointment in that the proposed options had not been considered at an earlier date. In response it was confirmed that 4 Member Budget Workshops have been held since September 2023 with continuous engagement with Councillors, more so than in any recent years' budget processes.
- It was confirmed that each Corporate Lead Officer will have further information regarding the savings proposals for Members in the individual Scrutiny Committees.

- The Leader advised Committee Members that he has publicly released a written letter addressed to Ceredigion Residents which provides information on the current financial situation.
- It was advised that if the Council Tax proposal is not approved, then individual Services will need investigation and some possibly reduced/ceased.
- In response to a question regarding Town/Community Councils precept, that many have already set their precept and that the meetings are possibly too late, it was confirmed that some are re-visiting their precept following the meetings held and that they still have a fortnight to submit up until close of play 14/02/24.
- The Leader confirmed that he has challenged the recent ONS population figures as the most recent CENSUS figures show that Ceredigion population is higher and if that's the case the budget settlement should reflect correct data.
- The cost of Home to School transport was highlighted as a concern.
- In response to a question querying the pay inflation figure and the position regarding being part of national pay negotiations, the legal situation including advice from the Chief Executive for both Teachers Pay and General staff pay was explained in detail.
- A lengthy discussion was held regarding the Council Tax Premium Cabinet proposal seen on page 15 and 16 in the agenda pack. Many Members raised strong concerns with regards to possible policy change and requested an explanation prior to agreement. The principle of capping the Community Housing fund at a maximum of £2.0m and releasing 75% funding to support the general budget (worth c3.5% in Council Tax terms) was explained.
- In response to a question, it was confirmed that letters have been sent to all Primary and Secondary Schools in Ceredigion, providing Headteachers and Governors with the option to invite Staff (where a School deems it appropriate) to submit an expression of interest, in principle, to explore the option of voluntary redundancy.

Recommendations:

Following discussion, Members **AGREED** to note the following recommendations:

- 1. That the overall Budget position as shown in the Budget report in Enclosure A had been considered.**
- 2. To note that individual Overview and Scrutiny Committees will consider the impact on the Services within their remits on 08/02/24 and 09/02/24.**

Reasons for recommendations:

To assist with the preparation of a balanced budget and ensure appropriate scrutiny of the overall Budget being proposed.

In addition, Committee Members requested the following information:

1. Information relating to possible savings if Leisure Services ownership was transferred for example to Trusts in the future (beyond the 24/25 Budget Process)
2. A fuller explanation in relation to the process relating to the recommendation relating to the use of the empty and second homes premium and the effect on the current policy.
3. Further information in relation to the ratio of staffing to residents in comparison to other Local Authorities.

The Chair and Committee Members thanked Officers for their hard work in preparing the agenda papers.

Councillor Keith Evans
Chairman of the Overview and Scrutiny Co-ordinating Committee