

REPORT OF DIRECTOR OF CORPORATE SERVICES

Cabinet

19th February 2024

REVENUE BUDGET STRATEGY 2024/25 to 2026/27

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1. INTRODUCTION

1.1. The Cabinet in January 2024 considered and endorsed the Revenue Budget Strategy 2024/25 to 2026/27 for consultation. The report indicated, after taking account of the provisional settlement, a Council tax increase of 6.50%, some £12.8m of budget reductions, still with a shortfall of £801k. The Cabinet, in endorsing the report for consultation, specifically sought comments from consultees on the detailed efficiency proposals appended to the report.

1.2. This report updates members on the latest position for the Revenue Budget including:

- Budget Consultation Results
- The Medium Term Spending Plans
- Implication and proposal on the Council Tax for 2024/25.

The final proposals have endeavoured to meet the aspirations of the Authority, whilst recognising the extraordinary scale of financial pressures facing Local Authorities prevailing at this time. They address specific demands in certain service areas whilst seeking to balance the impact on service delivery and local taxpayers.

1.3. There are inherent risks attached to this Budget Strategy and they are detailed within the body of this report, however the Director of Corporate Services confirms that the proposed Budget has been prepared in a robust manner.

1.4. The Cabinet needs to consider these detailed proposals and make recommendations to County Council in accordance with Council policy.

- 1.5. The provisional settlement at an all Wales level, whilst low in relative terms to the service and expenditure demand, was in line with expectations. Welsh Government have acknowledged this budget setting round as being the most difficult since devolution. Looking beyond next year, when the 2025/26 budget will need to be set, there will certainly be a new Welsh First Minister as well as a UK general election. Whatever the outcomes of these, forecasters are not predicting a boost to public sector finances, therefore the Wales Fiscal Analysis Report used in the budget strategy provides as reliable as any indication of the likely future settlements for Local Government. It is with this somber backdrop that decisions have again had to be made in respect of prioritisation of services and the inclusion of further budget reductions in order to achieve what hopefully is an acceptable Council Tax increase.

2. CONSULTATION

- 2.1. The original proposals have been subjected to a wide ranging consultation exercise since the Budget Strategy. In order to seek the widest possible response, the public consultation was launched on 21st December 2023, ahead of the budget reports presented to the Cabinet on the 15th January 2024, with the following groups and committees being invited to comment:-

- Public Consultation
- Town and Community Councils
- School Budget Forum
- Member Seminars
- Scrutiny Committees
- Trade Union meetings
- Secondary Schools Insight Day

It is particularly pleasing to note more than 4,200 responses were received from the public, our highest ever response to a budget consultation. A detailed report on the consultation results for each of the above is attached at **Appendix C**.

3. BUDGET REQUIREMENT 2024/25

3.1. Current Year Performance (2023/24)

- 3.1.1. As the Authority's core spending requirements remains constant year on year, a review of current year's performance is important in identifying whether there are any underlying problems within the base budget.

3.1.2. The current projection for the Revenue Outturn for 2023/24 (based on the October 2023 monitoring) is as follows:

Service	Approved Budget £'000	Total Expenditure Forecast £'000	Variance Forecast For Year £'000
Chief Executive	20,640	20,258	-382
Communities	131,166	134,815	3,649
Corporate Services	31,520	30,708	-812
Education and Children's Services	202,813	209,583	6,770
Place and Infrastructure	68,871	70,545	1,675
Departmental Expenditure	455,010	465,910	10,900
Corporate contingency	1,510		-1,510
Capital Charges	-19,513	-22,513	-3,000
Levies and Contributions	13,334	13,334	0
Transfer to/ from Reserves	0	-1,078	-1,078
Net Expenditure	450,341	455,654	5,312

The main reasons for the departmental variances are as follows:

- Chief Executive's Department: underspends on member allowances and travelling and vacant posts across the department, offset by People Management overspends, increased Coroners costs and a shortfall on Land Charges income.
- Communities Department: overspends across all service areas except Physical Disabilities. The most significant areas are Older People Residential and Home Care budgets, and both supported living and residential care for adults with Learning Disabilities and Mental Health needs. Additionally, Leisure is also overspent, primarily due to challenges breaking even in the first year of the Pendine Attractor project.
- Corporate Services: there are underspends on pre-Local Government Reorganisation pension costs, and vacancies in Housing Benefits Administration, partially offset by an overspend in card payment fees.
- Education and Children's Services: Significant overspends in Children's Services driven by increased demand, agency costs and high rates for commissioned residential placements. There are also overspends arising from school meals and primary breakfasts.

- Delegated school budgets are also forecasting an overspend of which will be funded from school balances
- Place and Infrastructure Department: Temporary higher costs due to the interim phase of the Waste Strategy rollout, increased tender prices for school transport and reduced car park usage post-pandemic, offset by vacant posts across a range of services.
- At this point the Authority is currently forecasting an overspend of £5.3 million which will need to be met from general balances. In addition to this, Schools are forecasting an aggregate reduction of £8.8m on balances.

Validation

3.1.3. Validation reflects the changes in expenditure requirements to deliver the **current level** of services in future years. Primarily this is inflation, but also includes some service specific changes. Whilst inflation is abating, it remains well above the Bank of England’s 2% target. Our budget strategy is to set inflationary assumptions for next year at 4% generally (the prevailing rate). Further ahead, we have assumed a gradual easing over years 2 and 3 of the Medium Term Financial Plan (MTFP) back to the 2% target. This provides departments with an element of protection against price movements, however this is recognised as a key risk, particularly inasmuch as it is a key indicator for nationally set pay awards, with staff costs by far the largest expenditure item. The proposed validation factors are detailed below:

	<u>2024/25</u> Original	2024/25 Proposed	<u>2025/26</u>	<u>2026/27</u>
General inflation - Expenditure	3.0%	4.0%	3.0%	2.0%
General inflation - Fees & Charges	3.0%	4.0%	3.0%	2.0%
Electricity & Gas	-10.0%	£(3.0)m	-10.0%	0.0%
Fuel	3.0%	0.0%	0.0%	0.0%
Pay Inflation - non teaching	3.0%	4.0%	3.0%	2.0%
Pay Inflation - Teaching	3.0%	4.0%	3.0%	2.0%
NI increase	nil	nil	nil	nil
Levies	3.0%	10.4%	3.0%	2.0%
Pension Contributions	nil	nil	nil	nil
Capital Charges	£500k	nil	£500k	£500k

The only change since the draft budget is the Fire Authority levy. In the absence of formal communication from Welsh Government, the levy has been prepared on the basis that the increase in firefighters employer pensions contributions will be

funded via a grant increase from Welsh Government to Local Authorities. This is shown explicitly on Table 1 appended to this report.

- 3.1.4. The Swansea Bay City Region is responsible for 9 projects and is reliant upon £241m of UK and Welsh Government Funding. During 2018/19 a joint agreement was approved by all four Local Authorities and a Joint Committee was created. The principle behind the funding structure of the City Deal is that each Local Authority will be required to borrow the value of the funding allocated to their project and the UK and Welsh Government will repay this debt over a period of up to 15 years. The County Council is the Accountable Body for the whole City Deal and also has ownership of four projects: Yr Egin; Pentre Awel (Wellness & Life Science Village); Skills and Talent programme; and Digital Infrastructure – the last two being regional projects.

Phase 1 of Y Egin project is complete and ideas for Phase 2 are being developed. The Pentre Awel project, which is the County Council's main strategic project is well advanced and the construction of Zone 1 is now about 50% complete with the anticipated completion date of Zone 1 being October 2024. This element of the project is the main core and includes the Leisure, Health and Academic elements of the build.

The value of the Pentre Awel project (Zone 1) and the funding has been included within the Capital Programme, as the County Council will be required to borrow against this scheme. Total project cost of this element is in the region of £96m.

- 3.1.5. There remains significant uncertainty in the budget which relates to pay costs for all staff. This final budget maintains the budget strategy assumption of a 4% award for our NJC staff in April 2024. This is in line with the current CPI rate at the time of writing.

For staff on NJC terms and conditions, the 2023/24 budget shortfall caused by the nationally set April 2023 award of £1,925/3.88% has now been calculated in detail and fully provided for in base budgets going forward. This adds a further £140k to the validation figures costed in the draft budget.

It should be noted that if the increase agreed is above 4%, this would represent an unfunded budget pressure, and has the potential again to be significant given that pay represents the largest expenditure item within the budget. This clearly represents a significant financial risk to the Authority.

3.1.6. For teachers pay, the picture is likewise complicated:

- There is a similar need to build in “budgetary catchup” for the full year effect of the unfunded Minister’s uplift to the September 2022 and September 2023 pay awards. County Council in January 2024 approved a motion calling on Welsh Government to fully fund the uplift, but no additional funding has been allocated in this respect at the time of writing.
- Looking ahead to the September 2024 award, there is no indication of the Welsh Government assumption, nor will the Independent Welsh Pay Review Body recommendation be published until well after local authorities must legally set budgets. In consequence, we have maintained our assumption of a 4% increase in line with prevailing inflation.

3.1.7. There is a clear risk to the Budget Strategy as departments may find it difficult to manage their expenditure within these parameters, especially where service specific inflationary increases may differ to the global validation rates. The removal of the full value of corporate contingency as proposed in the budget strategy report leaves no explicit mitigation for in-year overspends or under delivery of budget reduction proposals. This risk is something that will require close monitoring during the year.

3.1.8. In total validation adds over £23m onto the current year’s budget.

3.2. **Cost Reduction Programme**

3.2.1. As detailed in the report to Cabinet on 15th January 2024, in anticipation of the settlement not being sufficient to cover demand pressures and inflationary factors, significant work in identifying further service efficiencies/ rationalisation proposals had been undertaken and more than 100 individual savings proposals were included for consideration.

3.2.2. The current proposals are attached in **Appendix A** and are categorised as follows:

Managerial – cost reductions that result in no perceivable change to the overall level of front-line service delivery or Council policy

Policy – Efficiency or service rationalisation proposals that will directly affect service delivery (generally frontline).

3.2.3. Equality Impact Assessments have been conducted on new policy proposals. These are intended to identify whether these savings could have a disproportionate impact on one or more groups. Where this is the case appropriate consultation with representatives of such groups is conducted and measures to mitigate the impact will be considered where possible.

3.2.4. All ‘existing policy’ proposals have undergone public consultation and Equality Impact Assessments have been prepared in previous years, and updated where necessary.

3.2.5. The cost reductions included in the draft budget strategy were as follows:

	2024/25 £m	2025/26 £m	2026/27 £m
Managerial	6.439	2.465	2.024
Existing Policy	0.088	0.365	0.730
New Policy	4.234	0.574	0.685
Vacancy Factor	2.000		
Total	12.761	3.404	3.439
Shortfall	0.801	8.694	7.566

3.2.6. It should be noted that in years 2025/26 and 2026/27 there are significant shortfalls in the cost reduction targeted savings and this will need addressing during the forthcoming financial year.

3.2.7. Following feedback from the budget consultation activities undertaken, it is recommended that the following amendments are made to the budget:

Proposal	2024/25 Value (£000)	Recommendation
Schools budget reduction	1,000	Defer £1m of the proposed reduction in schools funding until 2025/26, providing more lead in time for schools, recognising the consultation response from members and the public. Temporary funding to be provided from the RSG reserve, build up during the pandemic

Youth Support Services	100	Defer £100k reduction, recognising concern from public and members
Public Conveniences	210	Defer £210k reduction, recognising concern from public and members and pending asset transfer consultation option being considered.
School Music Service	100	Defer £100k reduction, recognising concern from public and members
Primary Free Breakfasts / care provision	100	Continue with transfer of service to schools responsibility, but with £100k additional funding to provide for a more sustainable/ more financially attractive to schools which may help grow existing income generation
Highways - various	423	Defer the following highways budget reductions, recognising members concerns: Surface Dressing £100k, Road Sweeping £100k, Winter Gritting £98k, Gulley Cleansing £70k, General maintenance £30k, Jetting £25k
Flood defence	20	Defer £20k reduction, recognising concern from members
	1,953	TOTAL 2024/25 REDUCTIONS ADJUSTMENTS

3.2.8. Adjustments to savings proposals have been reflected in the detailed list provided in **Appendix A**, giving a revised total for 2024/25 of £8.808m of specific departmental proposals. As can be seen from the table above, most proposals have been deferred rather than removed, recognising the extremely challenging financial position expected in years 2 and 3 of the MTFP. Funding for these amendments will be provided from the proposed increase in Council Tax.

Further consultation will also be required regarding the Post-16 transport proposal to allow the Local Authority to consider alternative options. As a result, the reductions proposed in 2025/26 are deferred by a year to 2026/27.

These changes are reflected in the appendix, giving revised figures as follows:

	2024/25 £m	2025/26 £m	2026/27 £m
Managerial	5.896	2.778	2.154
Existing Policy	0.088	0.365	0.730
New Policy	2.824	1.534	0.673
Vacancy Factor	2.000		
Total	10.808	4.677	3.557
Shortfall	nil	8.421	7.447

3.3. New Expenditure Pressures

3.3.1. New expenditure pressures are the combination of additional cost to meet existing service needs e.g. increased client base/greater service take up and the costs of meeting change in service provision e.g. policy changes.

3.3.2. The draft budget provided £15.4m of funding towards known and unavoidable service pressures.

A full list of core funded pressures is provided at **Appendix B**.

3.3.3. As outlined in the draft budget almost all of gas and electricity requirements have been secured for 2024/25. A reduction in wholesale market prices has allowed the removal of £3m from energy budgets across council departments. Based on current indications, there are expected to be further reductions for 2025/26, with an estimated 10% fall built into budget projections.

3.4. Schools Delegated Budgets

3.4.1. The draft budget was constructed on the basis of full funding to schools for known and unavoidable pay, pensions and inflationary increases. Against this, an explicit reduction of £3.5m (2.5%) was proposed, which recognised the scale of overall budget shortfall and the need for all areas of Council services to find efficiencies. As referenced in the table at paragraph 3.2.7 above and in Appendix A, this sum has been reduced by £1m to £2.5m in recognition of the public consultation responses. This reduction is unfortunately not removed but instead deferred to 2025/26, recognising the bleak financial picture outlined in paragraph 1.5.

Despite this improved position for school budgets, the scale of the financial challenge should not be underestimated. The current year forecast draw on school reserves is clearly not sustainable.

3.4.2. With teachers pay representing the largest line item in school budgets, there remains continued financial risk over pay rises, with the added uncertainty regarding the teachers pension employers contributions. This has now been calculated at a value of £3.8m for core funding, and added to the grant funding line. It is widely assumed to be fully funded, however this is not confirmed and there is always the inherent risk that through a distribution formula there could be winners and losers between Local Authorities. This again is a significant financial budget risk to the Authority.

4. FUNDING

4.1. Revenue Settlement 2024/25

4.1.1. WG are not due to publish the final local government settlement for 2024/25 until 27th February 2024.

4.1.2. Consequently, this paper is based on information already released in relation to specific funding elements as well as officers' assumptions where appropriate.

4.1.3. Since the draft budget, Welsh Government has confirmed the £25m Barnett consequential arising as a result of the Social Care Funding allocations in England will be used to reinstate the

£10m cut to the Social Care Workforce Grant (c. £600k for Carmarthenshire), with the remainder added to Local Authorities Revenue Support Grant. This provides an extra £889k for Carmarthenshire. Our working assumptions at this stage are:

- Teachers and Firefighters employers pension increased costs will be met in full
- That no further funding will be forthcoming from WG in respect of the unmet costs of the increased Teacher pay awards.

4.1.4. Our draft budget was based on the combined value of a small increase in tax base, together with the 50% premium for empty and second homes, yielding a total additional income of £2.1m.

4.1.5. Bringing together all the proposals contained in the paper, the final budget amendments are summarised below:

Paragraph		£000s
1.1.	Draft budget – shortfall	(801)
3.1.5.	Pay validation calculations	(140)
3.2.7.	Deferral of Savings proposals	(1,953)
	Total Funding Gap	(2,894)
4.1.3.	Additional RSG Barnett consequential	889
5.2.3	Application of £1m RSG Reserve towards school budgets	1,000
	Remaining Funding Gap	(1,005)

Taking account of the budget amendments outlined above which respond as far as is possible to the responses in the consultation, it is necessary to increase council tax by some 7.5% in order to achieve a balanced budget.

Taking account of any recommendations made by Cabinet to County Council, the Director of Corporate Services will need to make any future changes necessary in consultation with the

Chief Executive, the Leader and the Cabinet Member for Resources, following receipt of the Final Settlement information from WG on 27th February. This includes in particular any technical adjustments in respect of the funding mechanism for both Teachers and Firefighters pensions increases, as well as a signalled intention for WG to transfer a number of service specific grants into the settlement, albeit there is still no final confirmation in this regard at the time of writing.

4.1.6. Based on the provisional information, the salient points of next year’s settlement are noted below:

4.1.7. The draft settlement for 2024/25 gave an increase in Standard Spending Assessment (SSA) for Carmarthenshire of £19m (4.2%) with a similar increase on an all Wales basis reflecting the significant pressures the sector is facing.

4.1.8. There are no forward indications of future funding, with the requirement of a UK general election within the next 12 months compounding uncertainty.

4.1.9. Welsh Government confirmed in its draft budget on 20th December that Business Rate Poundage is to be increased by 5%. Additionally, Welsh Government did not follow UK Government in maintaining the 75% Retail Leisure and Hospitality rates relief, instead reducing the support available for businesses in Wales to 40%.

4.1.10. The table below provides a summary of the overall position for this authority after the final settlement:

	2023/24 Settlement £m	2024/25 Original Notification £m	2024/25 Final Settlement £m
Standard Spending Assessment	451.271	470.349	Available 27 February
Aggregate External Finance	338.410	350.330	Available 27 February
Difference	112.861	120.019	

The difference represents the sum which WG estimates Local Authorities will need to raise through taxation or charging. The SSA update this year has incorporated some surprising changes, including in particular an increase of 3.7% in the cost of school services.

Internal Funding

4.1.11. Generally speaking, whilst the use of reserves to support annual budgets should not be summarily discounted, it must be treated with caution. Funding on-going expenditure from such funds merely defers and compounds difficult financial problems to the following year. One-off items of expenditure within any budget proposal lend themselves better for such funding support.

4.1.12. In deliberating this point however, members must bear in mind any **inherent risks** that may be built into the budget strategy. These remain in line with the risks outlined in the Budget Strategy report:

- Constrained public finances at both Westminster and Welsh Government level, with an increased debt servicing burden and taxation levels already at an all-time high
- Schools' ability to set and deliver balanced budgets next year given current year reserves drawdown forecasts. This will require clear prioritisation from Governing Bodies and an acceptance that difficult decisions will need to be taken
- Cash-flat grants again next year, which inevitably will either reduce outputs, or increase pressure on core departmental budgets
- 2024 NJC and Teachers Pay awards – our 4% assumption may be insufficient
- Funding and liability of the Teachers and Fire Fighters employer Pension Costs
- Deliverability of the Budget reductions and the Vacancy Factor
- Any worsening of the Children's Services position, or delays to delivery of the recovery plan.
- Adult Social Care delivery – despite the reinstatement of the SCWG, the funding position remains challenging
- A stable position on empty homes – with the increased premium offsetting the lost income from homes brought back into use
- Council Tax reform potentially leading to difficulties achieving current collection rates in future years

Sensitivity impact analysis:

Budget element	Movement	Annual Impact £m
Pay inflation	1%	2.7
General inflation	1% (expenditure only)	2.5
General inflation	1% (income only)	-1.4
WG Settlement	1%	3.5
Specific Grants	1%	1.0
Council Tax	1%	1.0

4.1.13. The following table summarises the main categories of reserves held by the Authority.

	1 st Apr 2023 £'000	31 st Mch 2024 £'000	31 st Mch 2025 £'000	31 st Mch 2026 £'000
Schools Reserves*	11,124	2,379	-	-
General Reserves	14,756	9,444	9,444	9,444
Earmarked Reserves	142,868	103,699	57,359	43,166

Schools' reserves forecasts not available after March 2024

4.2. School Reserves

4.2.1. Schools have delegated responsibility for the management of their own finances. The level of reserves held by an individual school at any point in time will depend on a number of factors including the level of contingency fund that the school Governing Body considers appropriate and the particular plans each school has for expenditure. The forward forecast is based on the current year budget monitoring and an expectation of multi-year deficit recovery plans to be finalised.

4.2.2. Legislation allows schools to carry forward reserves from one financial period to another. Current guidance requires schools to limit their carry forward to £50,000 for Primary Schools and £100,000 for Secondary Schools or 5% of their budget dependent on what is greater. School Improvement Officers continually work with schools to ensure they comply with the guidance. As at 31st March 2023, 24 primary, 2 secondary and one special school were in deficit.

5. GENERAL RESERVES

5.1.1. In the changeable and challenging environment currently facing Local Government, the Authority is committed to maintaining a reasonable level of General Reserves or Balances. Whilst there is no prescribed minimum level for Balances, the Authority has previously deemed 3% of net expenditure as being a prudent level, which has been accepted by our Auditors as being reasonable. As at 31st March 2023, General Reserves stood at £14.756m, or 3.3% of the 2023/24 net revenue budget.

5.1.2. The overall level of Balances is taken into consideration each year when the annual budget is set and has on occasions been utilised to augment expenditure/reduce Council Tax. The 2023/24 budget was set on the basis of a nil transfer from General Reserves.

5.1.3. As outlined in paragraph 3.1.2, the current year forecast is indicating an overspend position of £5.3m. Should this situation outturn, general reserves would drop below £10m, or around 2.0% of the proposed 2024/25 net revenue budget. On this basis it is deemed imprudent at this stage to assume any further support for future years budgets from the current General Reserves.

5.2. Earmarked Reserves

5.2.1. The Authority holds earmarked reserves which have been set up to finance the delivery of specific projects, or in protecting the authority against future liabilities or issues. The reserves can be summarised as follows:

	31 March 2023 £'000	31 March 2024 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2027 £'000
Insurance	13,655	13,655	14,155	14,155	14,155
Capital Funds	52,744	35,358	14,630	7,204	4,204
Development Fund	1,064	793	1,880	1,962	2,043
Corporate Retirement Fund	6,241	5,705	4,704	3,720	4,655
Joint Ventures	1,613	1,512	1,411	1,310	105
Other	67,551	46,676	20,579	14,815	12,881
TOTAL	142,868	103,699	57,359	43,166	38,043

5.2.2. As can be seen from the table above, the level of earmarked reserves fluctuates greatly year on year, and whilst the level in each fund is not an exact science it is based on an informed estimate and past experience of the likely call on the authority in future years in line with the intended purpose of each reserve. Great care must therefore be taken when considering utilising

such funds for purposes other than those which they were created as this could lead to the authority being faced with substantial unfunded liabilities in the future.

5.2.3. The budget proposals include the explicit use of £3m from the RSG reserve, which was built up during the pandemic, to support the following:

- £2m to support expenditure on commissioned children's residential placements whilst the in-house provision is developed
- temporary funding to enable the deferral of £1m of budget reductions to schools

Taking account of the proposals within this report, including the use of reserves, the Director of Corporate Services confirms that overall the estimated level of financial reserves (as indicated above) is adequate for the financial year 2024/25, with the General Reserves as set out in paragraph 5.1.1 being at the minimum that could be supported in view of the inherent risks outlined above in paragraph 4.1.12

6. WELLBEING OF FUTURE GENERATIONS (WALES) ACT 2015

6.1. In considering the budget proposals, members need to take into consideration the requirements of the Wellbeing of Future Generations (Wales) Act 2015. The Act requires that we must carry out sustainable development, improving the economic, social environmental and cultural well-being of Wales.

'... the public body must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs'

6.2. In doing so, we must demonstrate the following 5 ways of working:

- Looking at the long-term so that we do not compromise the ability of future generations to meet their own needs
- Understanding the root causes of the issues to prevent them recurring
- Taking an integrated approach so that we look at all well-being goals and objectives of other services and partners
- Collaboration – Working with others in a collaborative way to find shared sustainable solutions

- Involving a diversity of population in decisions that affect them
- 6.3. Our Corporate Strategy was revised for 2022-27. Our revised Well-Being objectives are:
1. Enabling our children and young people to have the best possible start in life (Start Well)
 2. Enabling our residents to live and age well (Live & Age Well)
 3. Enabling our communities and environment to be healthy, safe and prosperous (Prosperous Communities)
 4. To further modernise and develop as a resilient and efficient Council (Our Council)

7. MEDIUM TERM FINANCIAL PLAN AND COUNCIL TAX PROPOSAL 2024/25

- 7.1. The table below provides members with a summary of the latest position which reflects the contents of this report.

Assuming that the Council Tax increase is set to 7.5%, this will give an estimated income from Council Tax of £122.550m taking into account the 50% second and empty homes premiums. When added to the Welsh Government settlement this will provide a net available expenditure budget for the Authority of £479.932m.

	2024/25 £'000	2025/26 £'000	2026/27 £'000
Previous Years Budget	450,341	479,932	485,921
Validations/Adjustments	40,399	19,087	17,887
Validated Budget	490,740	499,019	503,808
less			
Efficiency/Service Rationalisation	-10,808	-13,098	-11,005
Projected Budget	479,932	485,921	492,803
Potential sum available			
	479,932	485,921	492,803
WG Settlement			
RSG & NNDR	-350,330	-353,827	-356,304
Pension grants	-4,052	-4,174	-4,257
Earmarked reserve funded expenditure	-3,000		
Call on Council Tax	122,550	127,920	132,242
Tax Base	76,460	76,741	77,023
Council Tax Rate (Band D)	£ 1,602.80	£ 1,666.92	£ 1,716.90
Council Tax Increase	7.50%	4.00%	3.00%

A full summary of the Budget Build up can be seen in **Table 1**.

7.1.1. Years 2 and 3 of the Medium Term Financial Plan assume the identification of a further £8.4m and £7.4m budget reduction proposals in 2025/26 and 2026/27 respectively, and delivery of all proposals in full in order to achieve a balanced budget. These will be re-visited when we are preparing the following years draft budget strategy.

7.1.2. It must be emphasised that the figures for the outer two years of the plan are indicative only and must therefore be treated with caution as the settlement figures, growth pressures and the inflation assumptions contained therein will all be subject to revision as the year progresses and firmer data becomes available.

Recommendations

- 7.2. That Cabinet consider and recommend to County Council:
 - 7.2.1. The Budget Strategy for 2024/25, which includes the amendments at paragraph 4.1.5;
 - 7.2.2. The Band D Council Tax for 2024/25 of £1,602.80 (an increase of 7.50%);
 - 7.2.3. The removal of specific savings proposals as identified in paragraph 3.2.7
 - 7.2.4. The use of £3m from the RSG reserve, being £2m to support temporary costs of commissioned residential children's placements and £1m to support the delegated schools budget, as outlined in paragraph 5.2.3
 - 7.2.5. The Medium Term Financial Plan which will form the basis for future years financial planning;
- 7.3. That Cabinet/County Council delegates to the Director of Corporate Services, in consultation with the Chief Executive, Leader and Cabinet Member for Resources, to make any amendments necessary as a consequence of the WG final settlement due on 27th February 2024.