

EDUCATION, YOUTH & CULTURE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 1 st February 2024
Report Subject	Council Fund Budget 2024/25
Cabinet Member	Cabinet Member for Education, Welsh Language, Culture and Leisure Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value & Procurement
Report Author	Corporate Finance Manager and Chief Officer (Education and Youth)
Type of Report	Strategic

EXECUTIVE SUMMARY

From last summer onwards members have received regular updates on the Council's challenging budget position for the 2024/25 financial year.

The Welsh Local Government Provisional Settlement was announced on 20 December 2023 as planned with responses to the consultation on the settlement invited by the deadline of 2 February 2024. A summary of the key headlines were set out in a report to Cabinet on 16 January which also updated on the 'remaining gap' of £12.946m which the Council will need to bridge to enable it to set a legal and balanced budget.

As a result of this position, all Portfolios were asked to revisit their cost base to re-look at potential ways of reducing budgets or removing cost pressures to contribute more to meeting the remaining gap.

The purpose of this report is to provide details of additional proposals for the Education and Youth Portfolio.

The report also updates on the current proposals for school budgets.

The Committee is invited to review and comment on the cost pressures, proposed cost reductions, and associated risks.

RECOMMENDATIONS	
1	Review and comment on the Education and Youth portfolio's options to reduce budgets.
2	Review and comment on the proposals for the delegated schools' budget.

REPORT DETAILS

1.00	EXPLAINING THE BUDGET POSITION 2024/25																								
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1.04	<p>Education and Youth – Proposals for budget reductions</p> <p>These are set out in the paragraphs which follow.</p>																								
1.05	<p><u>Table 1: Education and Youth – Budget Reductions</u></p> <table border="1"> <thead> <tr> <th>Budget Reduction Proposals and New Pressure Identified</th> <th>£m</th> <th>RAG</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td>GwE Reduction in contribution</td> <td>0.099</td> <td>G</td> <td>1.</td> </tr> <tr> <td>School Improvement – Early Entitlement Reduced Numbers</td> <td>0.075</td> <td>G</td> <td>2.</td> </tr> <tr> <td>School Improvement – Adult Community Learning</td> <td>0.010</td> <td>G</td> <td>3.</td> </tr> <tr> <td>Youth Services – Building - Asset transfer of some buildings</td> <td>0.032</td> <td>A</td> <td>4.</td> </tr> <tr> <td>Business Support Review</td> <td>0.032</td> <td>G</td> <td>5.</td> </tr> </tbody> </table>	Budget Reduction Proposals and New Pressure Identified	£m	RAG	Note	GwE Reduction in contribution	0.099	G	1.	School Improvement – Early Entitlement Reduced Numbers	0.075	G	2.	School Improvement – Adult Community Learning	0.010	G	3.	Youth Services – Building - Asset transfer of some buildings	0.032	A	4.	Business Support Review	0.032	G	5.
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School Planning and Provision – Temporary Classrooms	0.010	G	6.
School Planning and Provision – Transition Funding	0.010	G	7.
Inclusion and Progression – Contribution towards a PEP Caseworker	0.020	G	8.
Additional capacity for supporting schools with Safeguarding	0.015	G	9.
Total	0.303		

Notes:

1. GwE Reduction in contribution (£0.099m)

Reduction of 10% in relation to our contribution to GwE, the regional school improvement service.

2. School Improvement – Early Entitlement Reduced Numbers (£0.075m)

Reduced numbers of pupils accessing the Early Entitlement provision. The proposed budget reduction has been calculated based on actual numbers accessing Early Entitlement in 2023/24, however, if demand were to increase or grant funding is reduced, this could result in a future pressure.

3. School Improvement – Adult Community Learning (£0.010m)

Reduction in core budget for Adult Community Learning and utilisation of grant to meet any additional requirements. If additional grant funding does not materialise, service delivery will be adjusted in line with the available budget.

4. Youth Services – Building – Asset transfer of some buildings (£0.032m)

Asset Transfer of buildings within the Youth Service which includes the transfer of responsibility and running costs of the buildings at Penyffordd and Saltney and hire back of the space to continue the delivery of Youth services in these areas.

5. Business Support Review (£0.032m)

Rollout of Access Management Information System will allow the release of one post from the Business Support team.

6. School Planning and Provision – Temporary Classrooms (£0.010m)

Reduction in expenditure on temporary classrooms due to the ending of leases – risks remain around emergency requirements for temporary classrooms.

7. School Planning and Provision – Transition Funding (£0.010m)

Reduction in the Transition Funding budget which relates to project-based expenditure and therefore costs will be carefully managed in line with the budget reduction.

8. Inclusion and Progression – Contribution towards a PEP Caseworker (£0.020m)

A provision had been made within the Inclusion & Progression budget to contribute towards a PEP (Personal Education Plan) Caseworker – this post has never been filled and therefore the contribution can be released from the budget. The post would have supported wider access to intervention for children who are looked after from educational services and lead to improved outcomes.

9. Additional capacity for supporting schools with Safeguarding (£0.015m)

This is a reduction in the pressure previously submitted, to increase the base budget available for the Safeguarding element of the Health, Wellbeing & Safeguarding Post from 0.5 FTE to 1 FTE. Upon review, this pressure can be reduced to 0.3 FTE, taking the post to 0.8 FTE in the base budget.

1.08 Schools’ Budget – Cost pressures and proposals for budget reductions

These are set out in the paragraphs which follow.

1.09 Table 2: Schools Budget – Cost Pressures

Cost Pressure Title	£m	Note
NJC Pay Award April 2023 – Est. shortfall in base	1.033	1.
NJC Pay Award Estimate – 2024/25	1.718	2.
Teachers Pay Award Sept 2022 – Shortfall in base	1.152	3.
Teachers Pay Award Sept 2023 – April to Aug 2024	1.671	4.
Teachers Pay Award Sept 2024 Estimate – Sept 2024 to March 2025	2.472	5.
Management of Specialist Foundation Provision	0.105	6.
Specialist Primary – Revenue costs of 2 additional classrooms	0.218	7.
Free School Meals (Term Time)	0.615	8.
Transitional Rate Relief (Schools element)	0.065	9.
NDR Multiplier	0.082	10.
New Pressure – Inclusion and Progression Specialist Mobile Classroom Provision	0.167	11.
Total Cost Pressures	9.298	

Notes:

1. NJC Pay Award April 2023 (£1.033m)

The current budget (2023/24) contained an estimate of the costs of the in-year NJC pay award from April 2023 for schools at 5%. The final offer from the employers was a flat rate of £1,925 on all scale points which was higher than what was included in the budget. The pressure reflects the recurring shortfall in the base budget affecting 2024/25.

2. NJC Pay Award estimate 2024/25 (£1.718m)

An estimate of the costs of the April 2024 NJC pay award for schools currently calculated at 5%.

3. Teachers Pay Award Sept 2022 (£1.152m)

An estimate of the costs of the teachers' pay award from September 2022 for schools was included in the current budget for 2023/24 at 5%. The Minister for Education made an amendment to pay for teachers in Wales in March 2023 (after budgets had been set) which increased the recurring element of the September 2022 pay awards to 6.5% from the 5%. The pressure reflects the recurring shortfall of 1.5% in the base budget.

4. Teachers Pay Award Sept 2023 – April to August 2023 (£1.671m)

The pressure reflects the costs of the September 2023 5% pay award in the new financial year from April – August 2024.

5. Teachers Pay Award Sept 2024 Estimate – September 2024 to March 2025 (£2.472m)

An estimate of the costs of the September 2024 pay award for teachers calculated at 5%. This will have a part year effect on the 2024/25 financial year from September 2024 to March 2025.

6. Management of Specialist Foundation Provision (£0.105m)

During the recent Estyn inspection of Plas Derwen concerns were raised about the suitability of the management of specialist foundation provision which is where responsibility currently resides. Options have been considered and the preferred option is to transfer responsibility for management of provision from Plas Derwen to a specialist setting the specialist primary school, Ysgol Pen Coch and negotiations have been initiated with the school.

7. Specialist Primary – Revenue costs of 2 additional classrooms (£0.218m 2024/25 and £0.156m 2025/26)

The number of pupils requiring education in our specialist schools continues to grow. The primary school, Ysgol Pen Coch is full, and pupils are being educated in mainstream settings in resources but would be better placed in our specialist schools to meet their needs. WG capital grant has been received to

fund works linked with additional learning needs and that enables 2 additional modular classrooms to be built at the school, increasing its capacity by 20 learners. The pressure relates to the revenue costs associated with increasing the number of pupils at the school over the academic year 2024/25 which crosses over both financial years 2024/25 and 2025/26.

8. Free School Meals Term Time - £0.615m

Pressure in relation to the price charged per meal and the increased uptake of eFSM.

9. Transitional Rate Relief - £0.065m

Withdrawal of NDR Transitional Rate Relief – schools’ element.

10. NDR Multiplier - £0.082m

This reflects the increase in NDR charges to schools based on the change in the NDR multiplier rate.

11. New Pressure – Inclusion and Progression Specialist Mobile Classroom Provision (£0.167m)

This is a new pressure, relating to the revenue costs associated with the provision of temporary classroom space to create additional capacity in our Specialist schools from September 2024, to make provision for children who are currently waiting for access to specialist provision or require this from September 2024. The full year cost of this will need to be factored into the 2025/26 budget. Risks remain around the cost of this pressure, due to the ever-increasing demand for Specialist provision.

1.10

Schools Delegated Budget – Budget Reductions

Ensuring our learners receive the highest standards of education in our schools has always, and continues to be, a priority for the Council. The Council has always sought to protect front line education services (schools’ budget) as far as possible.

The schools’ budget is the largest budget in the Council. The schools delegated budget was reduced by 3% in setting the 2023/24 budget (after fully funding costs pressures for pay and energy inflation and demographic increases). Given the scale of the challenge in being able to set a balanced budget again in 2024/25 a further reduction of 3% is proposed.

Table 3: Schools Delegated Budget – Budget Reductions

School Budget Reduction Title	£m	Note
Energy Reductions	-0.600	1.
Demography	-0.675	2.
Pension Contribution Reduction	-0.432	3.
Inclusion and Progression – Management of Specialist Foundation Provision	-0.105	4.

Inclusion and Progression – Specialist Primary additional capacity	-0.218	5.
Revised net uplift for Schools	7.268	
Reduction to Delegated budget (3%)	-3.273	6.
Total Increase for Schools	3.995	

Notes:

1. Energy Reductions (£0.600m)

Reduction in energy budgets for schools, based on the actual energy charges being incurred in 2023/24.

2. Demography (£0.675m)

A budget reduction based on falling pupil numbers across all sectors, based on September 2023 numbers on-roll data.

3. Pension Contribution Reduction (£0.432m)

This budget reduction is reflective of the impact on schools of the reduction in the Local Government Pension Scheme employers' contribution rate.

4. Inclusion and Progression – Management of Specialist Foundation Provision (£0.105m)

Delay of pressure in respect of the relocation of the management responsibility for the Specialist Foundation Provision at Canolfan Enfys from Ysgol Plas Derwen to Ysgol Pen Coch, due to a delay in commencing the statutory notice process to expand the capacity at Ysgol Pen Coch.

5. Inclusion and Progression – Specialist Primary additional capacity (£0.218m)

Delay of pressure in respect of additional capacity at the Specialist Primary school, Ysgol Pen Coch, due to challenges around the site development in relation to a modular building.

6. Reduction to Delegated Schools Budget (£3.273m)

This has been calculated based on a 3% reduction to schools delegated budgets, following the inclusion of the identified pressures and budget reductions for schools.

1.11

Ongoing Risks

A number of ongoing risks, outlined below, are being monitored and given further consideration which may change the additional budget forecast requirement further.

	<ul style="list-style-type: none"> • Reliance on WG grant funding – ALN, Specialist Provision and EOTAS. The Inclusion and Progression service has seen significant increases in demand and complexity for Additional Learning Needs, Specialist Provision and Education Other Than At School (EOTAS) which is currently being further supported by additional Welsh Government grant. There are risks relating to the continuation of grant funding into 2024/25 which need to be kept under review. The service is doing everything it can to mitigate the increase in demand such as increasing in-house provision where possible. However should the grant reduce without notice from Welsh Government, steps being currently taken to mitigate increase in demand may not have been in place long enough to avoid the need to include a budget pressure for 2024/25. • Increase in the cost of employer teachers’ pension contributions. It is anticipated that employer teacher pension contributions will increase by 5% from April 2024 which would be a significant estimated cost pressure of around £3m. It is anticipated that the costs will be fully funded by UK Government although Welsh Government are seeking formal confirmation. 								
1.12	<p>Out of County Placements</p> <p>The position on Out of County placements remains an ongoing risk and the projected overspend in the current financial year is now £1.603m. An amount of £0.500m is included in the current forecast which will need to be reviewed as part of final budget setting.</p>								
1.13	<p>Budget Timeline</p> <p>An outline of the local budget timeline at this stage is set out in the table below:</p> <p><u>Table 4: Budget Timeline</u></p> <table border="1" data-bbox="288 1379 1353 1547"> <thead> <tr> <th>Date</th> <th>Event</th> </tr> </thead> <tbody> <tr> <td>1 to 9 February 2024</td> <td>Overview and Scrutiny Committees</td> </tr> <tr> <td>20 February 2024</td> <td>Cabinet and Council – Final Budget Setting</td> </tr> <tr> <td>27 February 2024</td> <td>WG Final Budget/Settlement</td> </tr> </tbody> </table>	Date	Event	1 to 9 February 2024	Overview and Scrutiny Committees	20 February 2024	Cabinet and Council – Final Budget Setting	27 February 2024	WG Final Budget/Settlement
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2.00	RESOURCE IMPLICATIONS
2.01	<p>Revenue: the revenue implications for the 2024/25 budget are set out in the report.</p> <p>Capital: there are no new implications for the approved capital programme for either the current financial year or for future financial years – the capital programme will be subject to a separate report</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<ul style="list-style-type: none"> • Cabinet • Member Budget Briefings July and October 2023 • Specific Overview and Scrutiny Committees • Corporate Resource Overview and Scrutiny Committee Meetings • Meeting with Headteachers and Chairs of Governors Jan 24

4.00	RISK MANAGEMENT
4.01	As set out in the report.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • MTFs and Budget 2024/25 Cabinet Report July 2023 • MTFs and Budget 2024/25 Cabinet Report September 2023 • Member Briefing Slides • Cabinet Report December 2023 • Cabinet Report January 2024 • Member Briefings January 2024 • School Forums 2023/24

7.00	GLOSSARY OF TERMS
7.01	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p>Budget Requirement: The amount of resource required to meet the Council's financial priorities in a financial year.</p>

Forecast: An estimate of the level of resource needed in the future based on a set of demands or priorities.

Capital: Expenditure on the acquisition of **non-current assets** or expenditure which extends the useful life of an existing asset.

Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.

Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.

Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.

Financial Year: the period of 12 months commencing on 1 April.

Local Government Funding Formula: The system through which the annual funding needs of each council is assessed at a national level and under which each council's Aggregate External Finance (AEF) is set. The revenue support grant is distributed according to that formula.

Aggregate External Finance (AEF): The support for local revenue spending from the Welsh Government and is made up of formula grant including the revenue support grant and the distributable part of non-domestic rates.

Provisional Local Government Settlement: The Provisional Settlement is the draft budget for local government published by the Welsh Government for consultation. The Final Local Government Settlement is set following the consultation.

Funding Floor: a guaranteed level of funding for councils who come under the all-Wales average change in the annual Settlement. A floor has been a feature of the Settlement for many years.