

Report

Cabinet

Part 1

Date: 13 November 2024

Subject **2025/26 Budget Proposals**

Purpose To update on the Council's 2025/26 budget process and present the first tranche of savings proposals for the 2025/26 budget. Cabinet is asked to agree the proposals in order to commence the budget consultation process for this year, where required. Consultation results will be reported back to Cabinet in January 2025, alongside the medium-term financial plan and draft budget for 2025/26.

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Ward All

Summary Budget preparations this year have continued to be challenging, building on the unprecedented circumstances of the last few years. The Council, like others, are dealing with significant budget pressures, mainly from increasing demand and cost increases, resulting in significant budget shortfalls over the immediate and medium term.

The fiscal outlook for 2025/26 and the medium term is currently uncertain. The UK Autumn Statement on 30th October 2024 confirmed additional funding for Wales, but the implications of this for the Council will not be clear until the draft Welsh Government budget and local government settlement that will follow in mid-December 2024.

While work to update the medium-term financial plan and refine the 2025/26 budget is ongoing, this report sets out the first tranche of savings proposals for 2025/26.

The appendices to the report are as follows:

- Appendix 1a New budget savings for consultation
- Appendix 1b New budget savings implemented under delegated authority – officers and Cabinet; requiring no consultation
- Appendix 2 New budget savings for consultation – detailed proposals

Proposal **That Cabinet:**

- **Agrees the following draft proposals for public consultation:**
 - **Budget savings proposals in Appendix 1a (summary table) and Appendix 2 (detailed proposals).**
- **Approves:**
 - **Implementation of the delegated decisions in Appendix 1b**
 - **The use of the Transformation Fund to fund the implementation costs of the proposals listed in Appendix 1b totalling £776,000.**

Action by Executive Board/ Heads of Service

Timetable Immediate

Decisions subject to consultation include savings set out in Appendix 1a (summary table) and Appendix 2 (detailed proposals).

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Strategic Directors
- Head of Law and Standards
- Head of People, Policy and Transformation

Signed

Background

- 1.1 The Medium-Term Financial Plan (MTFP) included within the Council's 2024/25 budget report, presented in February 2024, identified a potential budget gap of £20.85m in 2025/26. Work to update cost pressures and funding assumptions is ongoing and an updated budget position will be presented to Cabinet in January 2025.
- 1.2 The purpose of this report is to present the first tranche of savings proposals to Cabinet.

2 Context

- 2.1 The external considerations impacting on the Council are key aspects in the Council's financial planning. The economic and political environment within which the Council operates remains uncertain, which makes forecasting accurately over the medium term difficult. Although headline inflation has eased in the UK over the last year, inflationary pressures continue to have a significant impact on the cost of Council services. Pay inflation, and the cost of commissioned care (which is driven by the Real Living Wage) are particularly persistent. Service demand also continues to grow and create budget pressures specifically within education, children services, and homelessness.
- 2.2 The 2024/25 funding settlement from Welsh Government provided no indication of funding for future years. Consequently, the MTFP presented in February 2024 was based on forecasts from the Wales Fiscal Analysis in October 2023, which predicted a cash flat / slightly negative funding settlement for 2025/26 and beyond.
- 2.3 A new UK government was elected in July 2024, and an Autumn Budget was delivered on the 30th October 2024. The budget included a 1-year spending review setting departmental allocations for 2025/26, with allocations for 2026/27 and 2027/28 expected to follow in Spring 2025.
- 2.4 The budget included an increase to employer national insurance contributions from 13.8% to 15%, and a reduction in the threshold at which that rate applies. This will materially increase the Council's own staff costs as well as certain external contracts, potentially. The impact of this on the budget gap and medium-term financial plan is currently being quantified, and officers are clarifying what funding for this can be expected for the 2025/26 year.
- 2.5 Whilst local government funding is devolved in Wales, the UK Autumn Budget will have a direct impact on Welsh Government funding, and therefore its budget and ability to fund local government in Wales, as well as other areas of public services. The Autumn Budget is reported to include an additional £1.7bn in funding for Wales, although the consequences for the local government settlement for 2025/26 is not yet known. A draft Welsh Government budget will be delivered on the 10th December 2024, with a draft local government settlement expected the following day.

3 Budget savings

- 3.1 The Council is required by law to set a balanced budget every year. Therefore, there has been a need to consider all potential options for addressing the budget challenge. Given the expectation that a budget gap exists over the medium term, it is important to agree a sustainable and prudent budget to provide a solid foundation to move on from.
- 3.2 Appendix 1a lists the first tranche of savings proposals which require public consultation for Cabinet's consideration, totalling £128k. The detailed proposals for these are included in Appendix 2.

Table 1: Summary of savings proposals

Saving Decision Type	2025/26	2026/27	2027/28	Reduction in Staff FTE	Implementation Cost
	£'000	£'000	£'000		£'000
Budget savings for full Cabinet consideration requiring public consultation (Appendix 1a)	128	0	0	3.66	91
Budget savings requiring a decision by the Cabinet, not requiring consultation (Appendix 1b)	101	11	0	0.00	50
Budget savings made under officers' delegation, not requiring consultation (Appendix 1b)	3,904	778	0	4.68	726
TOTAL BUDGET SAVINGS	4,133	789	0	8.34	867

- 3.3 Most proposals do not require public consultation given their detail/context. Some of those proposals are within the delegation of Cabinet. These proposals total £101k for 2025/26, and £112k over the life of the MTFP. Some operational and efficiency type budget proposals that also do not require consultation are delegated to Heads of Service for decision and implementation. These proposals total £3.904m for 2025/26, and £4.682m over the life of the MTFP.

As the table above shows, there are one-off costs associated with the implementation of these savings and Cabinet are asked to approve the use of the Transformation Reserve to fund these. The available balance in the reserve is currently £3.292m.

Fairness and Equality Impact Assessments (FEIAs)

- 3.4 All budget proposals have been reviewed against our Equality and Welsh language duties, and, where appropriate, have had an initial Fairness and Equality Impact Assessment completed. The initial FEIA identifies potential negative or positive impacts in relation to protected characteristics, as defined by the Equality Act 2010, and on Welsh language. These FEIAs will be further informed as a result of public consultation and developed in line with the new Socioeconomic Duty. FEIAs for all proposals requiring one can be found [here](#).

4 Budget process and consultation

- 4.1 This report asks Cabinet to agree the first tranche of savings proposals listed in Appendix 1a for public consultation. Detailed proposals are included at Appendix 2. The public consultation will be available on our website and be promoted on social media. Cabinet will then consider the feedback from the consultation in January 2025.
- 4.2 An updated 2025/26 budget position and MTFP will also be reported to Cabinet in January 2025. This will include:
- Proposed budget investments
 - Further savings proposals
 - Proposed fees and charges
 - Proposed Council Tax increase

Cabinet will be asked to agree these for a further period of public consultation, before it agrees its final budget recommendations in February 2025.

Risks

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
Savings proposals are unachievable	H	L	<ol style="list-style-type: none"> 1. Use of contingency, where required 2. Executive board have reviewed proposals through a series of challenge sessions 	Exec Board Head of Finance
Planning parameters around inflation are incorrect	H	H	<ol style="list-style-type: none"> 1. Use of contingency, where required 2. Use of reserves, where appropriate 	Head of Finance Exec Board
Planning parameters around Welsh Government revenue grant are incorrect over medium term	H	M	<ol style="list-style-type: none"> 1. Use of contingency, where required 2. Keep the assumptions under constant review 3. Use of conservative assumptions 	Head of Finance
Increasing budget pressures over medium term	H	M	<ol style="list-style-type: none"> 1. Manage demand, where possible 2. Keep MTFP under constant review 3. Exec Board review all budget pressures within MTFP 	Exec Board

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The overall aim of the budget and MTFP is to ensure resource allocation is based on priorities, supports the delivery of the Council's soon to be developed change programme, saving proposals and protects the financial health of the Council.

Options Available and considered

1. Cabinet can choose to agree the draft savings proposals listed in Appendix 1a for public consultation, and approve the implementation of the proposals listed in Appendix 1b including the use of the transformation fund for the required implementation costs.
2. To not agree the proposals for public consultation listed in Appendix 1a, and/or the implementation of the proposals listed in Appendix 1b including the use of the transformation fund for the required implementation costs.

Preferred Option and Why

To agree the proposals for consultation to make progress on addressing the budget gap for 2025/26, and to approve the use of the transformation fund to enable the implementation of the proposals where required.

Comments of Chief Financial Officer

As is the case in Local Councils across the UK, the Councils budget challenge is significant, as shown by the forecasted gap of over £20m when reported to Council in March 2024. Extensive work and refinement have been carried out on that position reported last March; and demand and cost pressures

have continued to exert a huge challenge on preparation of the Councils 2025/26 budget and the medium term. Whilst we await details of the Council Revenue Support Grant; it is highly likely that the Councils budget will require savings to be identified and implemented both for 2025/26 and the medium term.

The report here outlines a first tranche of savings, which can be either implemented as soon as possible by officers (under their delegations, given the nature/detail of the saving) or are for Cabinet's decision making and therefore are separately identified for consideration in this report. If agreed, these can also then be implemented by officers. The exception to these are those small number of proposals which require consultation and therefore these will be returned to Cabinet in early 2025 with the results of consultation before a final decision can be made.

Comments of Monitoring Officer

The Council is required by law to set a balanced budget ahead of each financial year. Ahead of the budget setting exercise for the 2025/26 financial year, a number of budgetary measures including savings, rationalisations and income generation proposals have been identified. The purpose of this report is to inform the Cabinet of those proposals and, to seek the approval of the Cabinet for those measures where such approval is required as set out in this report and in the appendices. It is the intention that the implementation of these proposals will inform the formulation of the Cabinet's final budget proposals for the next financial year, which will be considered in their totality at a later Cabinet meeting.

Comments of Head of People, Policy and Transformation

This report describes the challenging financial position facing the council as it currently stands and reflects the increasingly challenging situation for 2025/26. Cabinet is asked to agree the proposals in order to commence the public consultation for this year on the first tranche of savings.

The report is in line with the Council's Corporate Plan 2022-27 and supports its four Well-being Objectives. The principles of the Well-being of Future Generations (Wales) Act 2015 and its five ways of working are supported, with the report showcasing the medium-term approach for financial planning aimed at bridging the gap between longer-term strategic aspirations and immediate pressures of setting a balanced budget. Alongside the wider public consultation, any impacted Council staff and recognised Trade Unions will be formally consulted with.

A Fairness and Equalities Impact Assessment was not required for this report, but individual assessments will be undertaken on specific proposals and further amendments made following the consultation. The HR team are also supporting senior officers and staff members during this period and will continue to do so during the consultation period.

Scrutiny Committees

The constitution requires that Scrutiny Committees be consulted on Cabinet's draft budget proposals.

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

Long term - The medium-term approach that is in place for financial planning within the Council is intended to bridge the gap between longer-term strategic aspirations and sustainable development concerns with the more immediate pressures of setting a balanced budget each year.

Prevention – Taken as a whole, the proposed investments are geared towards sustaining preventative type services and focussing on some of the most vulnerable groups which should have the greatest impact over the longer term and will help to prevent negative outcomes getting worse.

Integration – The budget and medium-term financial plan has the overall aim of balancing resource allocation across services to support the range of strategic priorities and the delivery of the Council's change programme whilst ensuring financial sustainability.

Involvement – The budget is informed by insight gained from public engagement work, including previous budget consultations. Pre-budget public engagement on the relative prioritisation of Council services has informed the proposed budget investments. Newport Fairness Commission along with other stakeholders will be engaged as part of the consultation.

Collaboration – Whilst the budget and medium-term financial plan is a Council owned document it recognises that services are increasingly delivered in a collaborative public sector landscape with a greater emphasis on regional working e.g. through Corporate Joint Committees, Gwent-wide and South East Wales based partnerships.

Consultation

If agreed, proposals requiring Cabinet approval will be subject to public consultation.

Background Papers

Dated: 7 November 2024