



To:  
**Councillor Rob Stewart,**  
**Cabinet Member for Economy,**  
**Finance and Strategy**

*Please ask for:*  
*Gofynnwch*  
*am:*

Scrutiny

*Direct Line:*  
*Llinell*  
*Uniongyrchol:*

01792 636292

*e-Mail*  
*e-Bost:*

scrutiny@swansea.gov.uk

BY EMAIL

*Date*  
*Dyddiad:*

1 February 2024

Summary: This is a letter from the Service Improvement, Regeneration and Finance Scrutiny Performance Panel to the Cabinet Member for Economy, Finance and Strategy concerning the meeting held on 16 January 2024 and the Budget Proposals for 2024/25 – 2027/28 and the Revenue and Capital Budget Monitoring Report 2023/24 for Quarter 2. This letter does not require a response.

Dear Councillor Stewart,

On the 16 January, the Service Improvement, Regeneration and Finance Scrutiny Performance Panel met to discuss the Budget Proposals for 2024/25 – 2027/28 and the Revenue and Capital Budget Monitoring Report 2023/24 for Quarter 2. The Panel are grateful to you and Ben Smith Director of Finance / Section 151 Officer for attending to discuss and answer questions.

### **Budget Proposals for 2024/25 – 2027/28**

The officer took us through the report and explained the budget has been challenging with £135m forecast to be required for services and whilst there is a focus on savings, an £80m of additional finance is being added to the budget over the next four years. In addition, there are substantial budget pressures on pay awards including local government pay, teachers' pay awards, national living wage and the real living wage.

It was stressed that every authority in the UK is struggling with the level of funding and Swansea maintain a strong balance sheet position with strong earmarked reserves with plans to draw down just over £1m from the capital equalisation reserve in 2024/25. We asked about plans to draw on the capital equalisation reverse over the Medium Term Financial Plan (MTFP) and heard that external borrowing for additional capital expenditure of up to £50m will be deferred to 2027/28 until interest rates are more advantageous so the MTFP has neutralized the interest by a draw from the capital equalisation reserve in 2027/28.

We discussed the use of the School's ICT Hwb infrastructure reserve of £7m to offset Schools costs in 2024/25. We were concerned with using all this money in 2024/25 and asked if this would create a "cliff edge" in subsequent years, the officer reported

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that it will and that in fact that this is being all used in 2024/25 demonstrates the seriousness of the budget position. You anticipate Schools collectively needing to draw about £10m from their reserves of £20m in the current year therefore without deploying the £7m there would be a real risk that reserves could be significantly close to being exhausted in 2024/25. We asked for clarity on the £8m that was taken from Schools reserves in 2023/24 and now the further £7m and whether this was temporary funding for Schools. The officer clarified that Schools reserves remained at £20m (having previously been £28m prior to the £8m draw) with £10m needing to be drawn from Schools reserves in 2023/24. You explained the £7m is an addition and does not come from Schools reserves.

We discussed Council Tax and while you have not made final decisions you stated that some Councils are consulting on rates of up to 10%. You gave assurances that this level is not being considered for Swansea. We asked why Council Tax increases were being considered when other projects like Active Travel routes were going ahead. You explained that some grant funding is specifically ringfenced and cannot be used to towards revenue support. The officer also explained that there is an assumption from Welsh Government that Council Tax would need to rise across Wales to support revenue budgets.

You stressed the significant budget pressures that will be felt over the next few years and that even though a UK Government budget is due in March, if there are any additional gains from this, they would be too late for the 2024/25 budget. Regarding the fire service levy, you anticipate this will be over £1m and you continue to lobby Welsh Government ministers to remove that levy from the Council funding.

You highlighted that around 20 posts are being cut within the Local Authority and stressed that a number of those posts are already vacant with all avenues pursued before compulsory redundancies are made. We commented on the lack of detail on the saving proposals for each department, you told us this was to provide anonymity for staff as some details relate to a specific post.

We asked for an explanation of the pension costs as there is no increase for the next two years, then increases from 2026, we wondered if this related to an actuarial examination of the pension fund. We were told that this was the case, and the increased figures are the estimated increase on the next triennial revaluation. The officer also highlighted that Teachers are subject to a quadrennial revaluation with revaluation currently occurring, creating a cost pressure from the Teachers' pension contribution rate for employers of around £5m with the assumption that £5m for Schools will be given by Welsh Government in 2024/25.

We asked how energy costs to Schools are calculated in relation to older buildings which create higher costs. The officer reported that the decision on allocating funding for energy costs is delegated on a formula basis. Schools are in varying degrees of energy efficiency, condition, and age which is something that may require further debate. You added that money is allocated on the most equitable and fair basis, however it is a complex system with many challenges.

We asked about the Current and Future Capital Programme, as funding from Welsh Government has curtailed. The Officer confirmed the very curtailed sum of £61,000 uplift for capital expenditure therefore the bulk of capital is likely to be specific grant schemes or for the Council to provide from its own borrowing plans.

### **Quarter 2 Revenue and Capital Budget Monitoring Report 2023/24**

The officer reported that the second quarter indicates an overspend position of around £7.5m with a commitment from Cabinet Members and Chief Officers to return to a fully balanced position by year end. You stated that this isn't an unusual position to be in at quarter two. The officer reported a substantial provision has been set aside this year and has given advice to redirect the underspend on capital financing towards this. You and the officer could not give further details on this due commercial sensitivity and therefore we will discuss this in closed session at the next Panel meeting.

We asked if there were any plans to look at value for money on school transport and strategies to make this more cost effective. You explained you are aware of these challenges and that there are a lot of factors to consider but will take opportunities like the upcoming bus bill and utilizing school minibuses. We raised concerns that using school minibuses may put additional pressure on teachers. The officer stressed that it will take time for there to be inroads to the cost pressures.

### **Your Response**

We are interested in any thoughts you may have on the contents of this letter but in this instance, we require no formal written response. We would like to request that where possible; budget changes are not made immediately prior to the March Council meeting as this affects the scrutiny process.

We will also be holding a closed session at our meeting on 13 February regarding the commercially sensitive provision that has been set aside. At this closed session we will also request clarity on the departmental cuts which will result in a reduction of 20 roles in the Local Authority as this was omitted from the report to protect staff anonymity.

Yours sincerely,



### **Councillor Chris Holley**

Convener, Service Improvement, Regeneration and Finance Scrutiny Performance Panel

✉ [cllr.chris.holley@swansea.gov.uk](mailto:cllr.chris.holley@swansea.gov.uk)