



Report of the Section 151 Officer

Council – 5 December 2024

Mid-Term Budget Statement 2024/25

Purpose: To present to Council a statement that gives an assessment of the likely impact of the UK Budget announcement on 30th October 2024.

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For Information

1. Background

- 1.1. This statement is intended to provide a strategic overview of the impact of the UK Government's first Autumn Budget delivered on 30th October 2024.
- 1.2. The large-scale implications are still being worked through and the detail behind many won't be known until implemented in April 2025. Although there are many reports in the Media of 'winners' and 'losers' it is not expected that the UK Government will materially change its announcements.
- 1.3. It should be noted that the UK Government won't announce the results of its comprehensive spending review underway until March 2025. This will notably be after this Council sets its budget and MTFP for 2025/26. This means that the budget will be set yet again with certainty of funding for one year only, however it is to be expected that from 2026/27 there should more certainty and three-year settlements will become more likely.
- 1.4. There has been (understandably) little comment from the Welsh Government as yet, they too will be working through the detail and the implications will become clearer once the one-year only provisional settlement for 2025/26 is announced around the 11th December.

2. Overview

- 2.1. The UK Government announced an uplift of £1.7bn for Wales. This will include increases for UK Government announcements around NHS and local government investment and covers both revenue and capital spending.
- 2.2. The WLGA produced a briefing note on the UK Government Budget 2024, this covers the headline announcements and is attached as Appendix A for information.
- 2.3. For Swansea specifically, the S151 Officer is anticipating:
 - Inflation will be around 2.5% - this agrees with the Office of Budget Responsibility (OBR) and the Institute of Fiscal Studies (IFS), and has been built into the MTFP.
 - Significant capital investment in the form of increased capital allocations from the Welsh Government, probably as a mix of specific grants and hopefully higher general capital support.
 - Interest rate base rates will drop, but yields on gilts may stick a little longer, this will affect PWLB rates so they will drop more slowly. However they should reach 3.5%, which would be the trigger point for externalising deferred borrowing, and any new borrowing.
 - Had always factored in externalising/new borrowing from 2028 onwards in the MTFP so there is no change to this assumption.
 - New national living wage is above lowest pay scale so no direct impact for in 2025/26.
 - New national living wage will impact indirectly as third party providers will be hit, and they will no doubt seek higher fee cover because of this.
- 2.4. In terms of Revenue support, the S151 officer will be disappointed if the uplift for Swansea specifically isn't in the range of 6-7% (in line with IFS for England for Local Government) as a minimum as this is required to standstill – this wouldn't provide for any growth but would merely cover the increased costs for teachers' pay and pensions, National Insurance contributions and promises around the national living wage and real living wage. The existing and growing pressures in Social Care and Homelessness faced by all Councils would still not be covered by this level of increase.

3. National Insurance Contributions

- 3.1. The announcements to changes in the National Insurance Contribution Scheme is probably the most significant announcement made in terms of cost to Swansea Council. The main points are:
 - The increase is significant and more like 2.5% (per IFS) when the reduction in secondary threshold (from £9,100 to £5,000) is taken into account as well as the 1.2% headline increase.
 - Lower wage/part-time work will be impacted more for employers
 - Swansea's direct costs are expected to be £8m plus
 - Indirect costs will be significant, probably several million for the care sector alone.

- There is uncertainty over how and who will be compensated. For example, presumption is that only direct Council will be compensated, and that this will be via higher RSG. Compensation is not expected for the Fire Authority, which will mean a higher levy. The HRA cannot be compensated by the General Fund and so compensation for the HRA cannot come via the RSG.
 - Although the UK Government has said it will now compensate hospices, other third sector and charities may struggle and look for fee increases from Local Government, which hasn't been compensated.
 - All other contractors will be impacted, and pricing decisions and sustainability will be felt across all spend and price and supply chain through food prices, catering, capital programme and so on.
- 3.2. The full implications won't be known until it is implemented in April 2025, until then we won't know the full cost, the full compensation, which areas are not compensated, or the increases suppliers will need to make.
- 3.3. Further information on other budget announcements are included within Appendix A.

4. Legal Implications

- 4.1. There are no legal implications arising from this report, other than the need for the Council to set and maintain a balanced budget.

5. Financial Implications

- 5.1. There are no financial implications arising from this report, other than the information contained within the main body.

6. Integrated Assessment Implications

- 6.1. This report is for information only and an IIA is not therefore required.

Background Papers: None

Appendices:

Appendix A – WLGA Budget Briefing Note