



Cyngor **Abertawe**  
**Swansea** Council  
**Report of the S Officer**

**Corporate Services & Financial Resilience Service Transformation Committee**

**– 23 January 2024**

**Medium Term Financial Plan Update**

<b>Purpose:</b>	To provide an update on the Medium-Term Financial Plan in preparation for contributing to future savings proposals.
<b>Policy framework:</b>	Medium Term Financial Plan and Budget Strategy
<b>Consultation:</b>	Legal and Access to Services.
<b>Report Author:</b>	Ben Smith/Sarah Willis
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Rhian Millar
<b>For Information</b>	

**1. Introduction and Context**

- 1.1. On 26<sup>th</sup> September 2023 the Corporate Services and Financial Resilience Service Transformation Committee received a report giving background information on the Medium Term Financial Plan (MTFP). This report gave the background to why the MTFP is produced and what the process is for creating and updating the plan.
- 1.2. The existing MTFP was attached to the September report for information. Since that time a considerable amount of work has gone into reviewing and updating the plan that was approved by Council in March 2023. This has resulted in an updated and refreshed list of budget pressures and proposals to meet the corresponding funding gap.

**2. Budget Proposals**

- 2.1. Following the review and update to the MTFP a set of updated budget proposals has been produced. This set of proposals was considered by Cabinet on 12<sup>th</sup> January 2024 and following Cabinet's decision the proposals are currently being consulted on.
- 2.2. The report to Cabinet has been attached as Appendix A to this report, for the consideration of this Committee.
- 2.3. This report and subsequent amendments following consultation will form the basis of the annual revenue budget and MTFP reports to Cabinet in February, whereby Cabinet will consider before recommending the final Budget and MTFP reports to Council in March.
- 2.4. Whilst the emphasis in the Budget Proposals report tends to be on how the budget gap will be funded, so on where savings will be made, it should be noted that as an overall percentage of the budget we have to spend, the value of savings is relatively small – our gross budget is over £870m and the value of savings over the 4 years of the MTFP is estimated to be £56m (about 6%).

### **3. Consultation**

- 3.1. Consultation started on 12<sup>th</sup> January 2024 and will close on 11<sup>th</sup> February 2024. Any response from the Corporate Services and Financial Resilience Service Transformation Committee will be very welcome and will be incorporated into the final reports to Cabinet and Council.

### **4. Legal implications**

- 4.1. There are no direct legal implications arising from this report. However, it should be noted that Section 151 of the Local Government Act 1972 requires each Local Authority to make arrangements for the proper administration of its financial affairs and that the Chief Finance Officer (in our case the Section 151 Officer and Chief Finance Officer) has responsibility for those affairs.

### **5. Integrated Assessment implications**

- 5.1. The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:
  - Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
  - Deliver better outcomes for those people who experience socio-economic disadvantage.
  - Consider opportunities for people to use the Welsh language.

- Treat the Welsh language no less favourably than English. Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 5.2. The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 5.3. Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 5.4. As this report is for information only there is no impact on anyone with a protected characteristic. Any consideration of the Well-being of Future Generations Act would take place as part of the annual budget process and consultation.

Background papers :  
None

Appendix A – Glossary of Terms  
Appendix B – Budget Proposals 2024/25 – 2027/28

## Appendix A

<b>Glossary of Terms</b>	
Chief Finance Officer	The Officer of the Council with ultimate responsibility for all things financial. Also referred to as 'The Section 151 Officer' as this is the legislation awarding the powers.
Medium Term Financial Plan (MTFP)	The Council's three year forecast of revenue budget pressures and savings
Capital Programme	The Council's five year forecast of capital spend and funding
Revenue Expenditure	Day to day spending on activities to enable the provision of services. Usually short-term (within 12 months). Includes costs such as staff costs, transport costs and supplies and services.
Capital Expenditure	Spend on acquiring or enhancing assets of the authority. Usually spend is substantial and over a period of years.
Reserves	Sums of money set aside by the Council for future use or application, these are split into General Reserves and Earmarked Reserves. General Reserves are for general use in an emergency and should not be considered for everyday use. Earmarked reserves are for use in specific instances. Some of these may be legally enforceable (such as commuted sums), others are just an indication of what the Council wishes to set monies aside for.
Inflation	The measure of how much goods and services have increased in price over a certain period.
Financial Procedure Rules (FPRs)	The Council is bound by a number of different financial rules and procedures that govern how the Council's spending is planned, committed, reviewed and audited. These detailed Financial Procedure Rules are set out in Part 4.6 of the Council's constitution.
Supported Borrowing	The Council can borrow money to fund capital expenditure, when it is supported borrowing then this means the Welsh Government are providing funding for the borrowing costs
Unsupported Borrowing	The Council can also undertake unsupported borrowing, this means the costs of the borrowing are fully funded by the Council with no support from the Welsh Government. This type of borrowing should be undertaken with the guidance on Prudential Borrowing.
Capital Receipts	Income from the sale of assets. Capital receipts can only be used to fund capital expenditure
Revenue Support Grant (RSG)	The stream of funding that comes from the Welsh Government (ultimately the UK Government). This funding is not ring-fenced in anyway and it is local choice on how it should be spent. It can be used to fund capital expenditure.
Non-Domestic Rates (NDR)	Rates charged to businesses for operating within a Council's boundaries. This is controlled on an all Wales basis and all rates collected are pooled by the Welsh Government and then re-issued to local authorities. Like RSG this income is not ring-fenced.
Aggregate External Finance (AEF)	This is the collective term for Revenue Support Grant and Non-Domestic Rates when taken together.
Council Tax	A tax levied on households by local authorities. The level of Council Tax can be determined by a local authority, although excessive annual increases may be reviewed by the Welsh Government.



## Report of the Leader and Cabinet Member for Economy & Strategy

Cabinet – 12<sup>th</sup> January 2024

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

**Purpose:** To consider budget proposals for 2024/25 to 2027/28 as part of the Council's existing Budget Strategy.

**Policy Framework:** Medium Term Financial Plan and Budget Strategy

**Consultation:** Cabinet Members, Corporate Management Team, Legal, Finance, Access to Services

**Recommendation(s):** It is recommended that Cabinet:

- 1) Approves the Budget proposals summarised in the report and detailed in Appendix B as the basis of consultation
- 2) Adopts the updated budget future forecast as the starting planning premise for the new medium term financial plan, which will be considered by Council on 7<sup>th</sup> March 2024.
- 3) Agrees the approach to consultation and engagement with staff, trade unions, residents, partners and other interested parties set out in Section 7 of the report
- 4) Receives a report on the outcome of the consultation and final budget proposals at its meeting on 15<sup>th</sup> February 2024.

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**Legal Officer:** Debbie Smith

**Access to Services Officer:** Rhian Millar

**This report has been certified by the S151 Officer as urgent in light of the date of the settlement and to enable initial decisions to be taken by Cabinet to proceed with staff, stakeholder and public consultation. It would be prejudicial to the Council's interests to delay the matter and this report will not be subject to call in or pre-decision scrutiny process. The substantive budget decisions will be taken in February by Cabinet and Council in March and the normal call-in procedures and pre-decision scrutiny opportunities will apply then, as appropriate.**

## 1. Introduction

- 1.1. This report updates Cabinet on its budget proposals for budget savings for consultation with residents, community groups and other stakeholders. It has full and due regard to our duties under the Well-being of Future Generations Act 2015.
- 1.2. *Sustainable Swansea – fit for the future* was approved by Council on 22 October 2013 and subsequently reviewed by Cabinet on 16<sup>th</sup> July 2015. Until 2020 it remained the Council’s overarching approach to budget and medium-term financial planning, to help deliver the well-being of future generations.
- 1.3. From 2013 to date, the Council, in line with the principles contained within Sustainable Swansea, developed its approach to reviewing services and budget proposals through a series of commissioning reviews, which set out an assessment of individual services, scope for change, alternative delivery models and potential savings and improvements that could be made.
- 1.4. On 15<sup>th</sup> October 2020 Cabinet approved the new “From Recovery to Transformation” report detailing the “Swansea – Achieving Better Together, Transformation Strategy & Programme Framework 2022 – 2026”. This outlines a three-phase strategy, the first two phases are now considered complete and a report to Cabinet on 17<sup>th</sup> November 2022 outlined the third, transformation, phase, which will now inform and shape the budget process, ensuring the budget assists the strategic aims and outcomes of the framework.
- 1.5. On 27<sup>th</sup> October 2021, the Chancellor provided a full three-year spending review, which enabled the Welsh Government to give not only a firm settlement for 2022/23, but also indicative figures for 2023/24 and 2024/25. This was helpful and enabled a clear indication of funding to be built into the Medium-Term Financial Plan (MTFP). However, following the global turmoil following the pandemic, the ongoing war in Ukraine and the cost-of-living crisis the outlook has changed considerably since October 2021. Furthermore, the current Chancellor’s Autumn Statement on 22<sup>nd</sup> November 2023 gave a bleak outlook for public services funding for ‘unprotected’ services, and the latest indications are that the Welsh Government will receive a real terms reduction to its block grant for 2024/25 and things can only deteriorate thereafter given the tight real terms spending plans implied. Many respected economic commentators already doubt the pending plans as framed will ever be implemented or delivered in reality. Given the priority usually afforded to the NHS, it was fair to conclude that Local Government would be unlikely to fare any better than the 3.1% originally announced for 2024/25.
- 1.6. The Welsh Government budget and settlement announcements are late again this year, with the provisional settlement announced on 20<sup>th</sup>

December 2023 and the final settlement expected early in March. This makes the budget process extremely challenging, compressed and uncertain to say the least.

1.7. This report covers:

- A reminder of key elements of *Sustainable Swansea* and the new Transformation Strategy & Programme Framework 2022 and Beyond.
- An overview of service and budget priorities for the current and following three years.
- An update on the financial challenge facing the Council.
- The proposed savings programme, including specific proposals for 2024/25 upon which we now need to consult and an indicative for three future years.
- The key risks associated with the current financial position.
- Proposals for engagement and consultation
- Staffing implications
- Delivery and next steps

**2. Background – From *Sustainable Swansea – fit for the future* to the *Successful and Sustainable Swansea Transformation Strategy 2022-2027 and Beyond***

2.1. The scale of the financial, demographic and sustainability challenge required the Council to continue to adopt a radically different approach to previous years. An approach that focused on:

- *The core future purpose of the Council*
- *The transformation of services and the model of delivery*
- *Greater collaboration with other councils and local organisations, community groups and residents*
- *And, above all, sustainable solutions with prevention at its heart*

This ambition was set out in *Sustainable Swansea – fit for the future*, our long-term plan for change, underpinned by our Innovation Programme.

2.2. The Sustainable Swansea Strategy was agreed by Cabinet and reported to Council in October 2013. After a major refresh in 2020, recognising that the strategy so far had successfully delivered the bulk of £70m worth of savings asks, Cabinet approved the new Swansea - Achieving Better Together Transformation Strategy and Programme Framework in October 2020. The new programme built on and strengthened the Sustainable Swansea approach and was in place until November 2022.

2.3. In November 2022 Cabinet approved a new transformation strategy – *Transformation Strategy 2022 and Beyond*. Under the banner of Successful and Sustainable Swansea Corporate Cabinet approved the current transformation programme in April 2023. The original plan contains seven service specific and five cross-cutting programmes and going forward budget savings will be linked to these programmes where they

form part of the transformation for those services. This link will be included as part of the reports to Cabinet and Council in March 2024 recommending the final budget savings proposals for 2024/25.

### 3. Our Service Priorities for 2024/25 and Beyond

- 3.1. Although the Council is currently focused on its plan, as set out in the existing MTFP, to fund pressures of around £90m over the next three years (before any AEF or Council Tax increases), it is vital that we continue to retain Member and management focus on the significant proportion of our budget that will remain. Our gross budget is over £870m (excluding Housing Services (HRA)) and we spend just under £2.1m a day on services to residents (this excludes benefits in kind such as housing benefit and the council tax reduction scheme).
- 3.2. The Council has clear and strong long-term ambitions for Swansea and the proposals for savings must be seen in the context of the following:
  - The Council's top 6 priorities and future plans for services to help deliver the well-being of future generations,
  - The strategic aims of Swansea Council which embrace all that we do
  - The application of budget principles – which guide decision making,
  - The ongoing and sustained real terms reduction in external funding and the need to meet known budget pressures,
  - All set within the context of the aftermath of the COVID-19 pandemic and the subsequent cost of living crisis.
- 3.3. The Council's overall aim is to protect frontline delivery of services as far as possible. However, whilst many things are important, not everything can be a priority. It is important, therefore (particularly in the current climate of significantly reduced resources), that we set out clearly our expectations on all services and relative priorities for funding in the context of the budget reductions that we face.
- 3.4. This requirement is illustrated sharply by the “gearing” effect of savings on services. In other words, if our current funding requirement of £90m (since revised – see below) over three years were applied, for example, just to Place Services, the budget for this area would be completely removed. Consequently, other areas such as Education and Social Care also need to face some relative real terms level of reduction over the next three years, given the relative size of their budgets. Equally, however, if the level of funding for 2024/25 were to be sustained in every future year, then these planning assumptions could be very fundamentally reshaped, and savings asks reduced or possibly even eliminated.
- 3.5. A statement of budget priorities and policy statements that flow from this is set out in **Appendix A**. This statement follows an assessment of services in relation to the following criteria:
  - **Invest:** those Services where the Council will increase current levels of investment



- **Maintain:** those services where the Council will broadly maintain current level of spend in the medium term
- **Remodel:** those services where the Council will reduce the current level of spend over the medium term

Regardless of relative funding levels, there is an absolute requirement that all services must transform and strive for maximum efficiency.

- 3.6. Following the provisional settlement released by the Welsh Government on 20<sup>th</sup> December, this Council received slightly higher than the indicated 3.1% average, following some anticipated technical re-distribution of funding allocations due to updated data. The uplift for Swansea was announced as £16.002m (3.8%). However, once tax base changes are taken into account the actual cash uplift from 2023/24 is £15.308m (3.7%). Following this uplift then both Education (delegated and non-delegated) and Social Services will be relatively protected and will receive an overall substantial increase in absolute cash budgets for next year. Place Services will also receive a significant increase, although in this case mainly because of baselining corporate landlord energy budgets held centrally in 2023/24. All other services will also receive a cash increase, albeit of a much lower nature and do amount to real terms cuts.
- 3.7. Planning assumptions over future year settlements are heavily dependent upon the national government's overall approach to public spending and the Welsh Government's priorities, both of which substantially add to the risks facing future financial planning assumptions. Crucially the sector demands credible multi-year settlements, which reflect inflation and demand pressures, to plan with some degree of certainty which has simply been lacking. Plans can be made but quickly derailed when there are often wild swings in the actual funding for what amounts to around three quarters of core spending. The outlook remains very challenging beyond 2024/25.

#### 4. Financial Update

- 4.1. The financial update that follows needs to be in the context of the Medium-Term Financial Plan (MTFP) approved by Council on 2<sup>nd</sup> March 2023.
- 4.2. The indicative savings requirement for the 2024/25 budget and the existing MTFP have been updated and the MTFP extended to include 2027/28. The details are set out in Table 1 below:
- 4.3. It should be emphasised that although there is still a requirement to make targeted savings across all Directorates to live within affordable budget limits, this is in the context of around £135m being invested into services, **meaning that even with savings Directorate budgets will still grow overall by about £80m over 4 years.**

**Table 1 – Indicative Investment and Savings Requirement for  
2024/25 to 2027/28**

	Note	Budget	Medium Term Financial Plan		
		2024/25	2025/26	2026/27	2027/28
		£'000	£'000	£'000	£'000
Future cost of pay awards	1				
- LG Staff		11,152	17,099	23,211	29,311
- Teachers		8,900	14,900	19,700	24,600
Impact of Teachers' Pay Award	2				
- 2022/23 1.5% Consolidated		1,900	1,900	1,900	1,900
- 2023/24 1.5% above budgeted		1,900	1,900	1,900	1,900
National Living Wage – pay bill	3	1,200	2,400	3,600	4,800
National Living Wage – contracts		3,000	7,400	12,400	17,400
Increase in Pension Costs	4	0	0	1,400	2,800
Increase in Teachers Pension Costs	5	0	0	0	0
Change to Inflation Provision	6	-1,626	2,471	4,982	4,632
Remove use of Reserves to partially fund Energy Prices (short term)	6	9,100	9,100	9,100	9,100
Capital charges – New scheme aspirations	7	0	0	2,000	3,000
Capital Charges – Temporary use of underspend	7	-2,040	0	0	0
Use of Capital Equalisation Reserve	8	-1,350	-350	-350	-5,350
Use of other Reserves	8	-7,029	0	0	0
Rebase ICT Cloud costs	9	500	900	900	900
Demographic & Service pressures	10	3,000	6,000	9,000	12,000
Mid and West Wales Fire Authority Levy ( <b>independently decided by the Fire Authority</b> )	11	1,200	2,200	3,200	4,200
Corporate Joint Committees	11	10	21	32	43
Council Tax Support Scheme	12	1,800	3,300	4,900	6,500
MTFP Service pressures accepted	13	458	852	927	1,002
New service pressures accepted	13	12,083	13,019	13,294	14,839
Contingency	14	-2,555	-2,306	-2,577	-3,024
Temporary One-off Additional Funding for Schools	15	7,029	0	0	0
Social Care extra money for Adult Services as per existing MTFP	16	2,500	5,000	5,000	5,000
<b>Total known pressures</b>		<b>51,132</b>	<b>85,806</b>	<b>114,519</b>	<b>135,553</b>
Savings Requirement	17	-24,924	-42,618	-53,447	-55,798
<b>Net Funding Requirement</b>		<b>26,208</b>	<b>43,188</b>	<b>61,072</b>	<b>79,755</b>

	Note	Budget	Medium Term Financial Plan		
		2024/25	2025/26	2026/27	2027/28
		£'000	£'000	£'000	£'000
Aggregate External Finance increase	18	15,308	24,188	33,272	42,555
Council Tax increase (including tax base changes)	19	10,900	19,000	27,800	37,200
<b>Total Resource Investment</b>		<b>26,208</b>	<b>43,188</b>	<b>61,072</b>	<b>79,755</b>

**Notes:**

1. *The pay award figures represent a forecast increase of 5% for Local Government and Teaching staff in 2024/25, reducing to 2.5% over the life of the MTFP.*
2. *The impact of the 1.5% consolidated pay award agreed nationally for 2022/23 for Teachers, and the Teachers pay award agreed for 2023/24 over and above that provided in the 2023/24 budget.*
3. *Assumed increases due to implementation of National Living Wage - will affect contract prices and lower end of own pay scale.*
4. *The costs arising from the triennial revaluation of the local government pension scheme are included at an assumed 0% per annum until 2025/26. At the next triennial revaluation there is a forecast 1% increase per annum.*
5. *There will be a national 5% increase in Teachers Pension costs from 2024/25. It is expected that the funding for this cost will flow from the UK Government to the Welsh Government as a Barnett consequential and then to Schools post spring 2024. This money will be passported directly to Schools when it arrives. The amount is likely to be £5-6m for Swansea alone and could still arrive as block grant (our previous planning assumption) and added to cash limits or specific grant (shown net). Given the now delayed nature it is assumed for 2024-25 it will come as a specific grant and thus be shown net (zero impact on core) - it remains in the table, unusually, even at zero for now as it will be material sum once quantum and funding mechanism confirmed.*
6. *Energy and other inflationary cost budgets were temporarily increased in 2023/24, funded from reserves, the reserve funding has been replaced and budgets adjusted centrally and in base budgets for services for expected levels of raised cost going forward.*
7. *The additional estimated borrowing costs arising from the new and regional capital programme have been fully provided for, the latest estimates indicate there will be slippage and beneficial short-term one-off gains on the wide difference between our fixed long-term borrowing costs and short-term variable investment rates on cash, enabling a one-off reduction to capital financing charges in 2024/25.*
8. *Cabinet has prudently built-up earmarked reserves to reduce the impact of increased capital charges in respect of new schemes, and*

*targeted use of these reserves is now being built into the budget, along with targeted use of other Earmarked Reserves.*

- 9. To rebase permanently some demand led pressures in Corporate Services predominantly around ICT cloud provision.*
  - 10. Assumed Demographic and Service pressures mainly around Adult and Children's Services.*
  - 11. Estimated Fire Authority Levy increase – the final figure won't be known until February when the independent Fire Authority determines its levy requirement. Early indications are that the levy will rise by 9.4% overall, although adjustments to population will mean this varies by authority. Cabinet may wish to note the Standard Spending Assessment funding for Fire services in this authority is £13.639m (2023/24), the actual levy was £17.122m. There is a modest increase included for the Corporate Joint Committee levy of 5% per annum included but the CJC will determine its own levy at the end of January 2024.*
  - 12. The assumed cost of Council Tax Support Scheme costs based on Council Tax increases as a planning assumption only at this stage.*
  - 13. Individual service pressures accepted.*
  - 14. A reduction to the centrally held Contingency Fund based on an assessment of need.*
  - 15. A one-off sum of money to increase Schools funding.*
  - 16. Following the introduction of the new Social Care Levy additional funding for social care was allocated.*
  - 17. The savings requirement of £55.798m shown in Table 1 is indicative of the scale of savings required and will be revised over time.*
  - 18. Provisional guideline assumption for 2024/25 and future years, this has been updated from the 3% included in the published MTFP to 3.7% in 2024/25 followed by a 2% increase thereafter. On national spending plans following the Autumn Budget Statement this could easily have been reduced to a more pessimistic zero. 2% is felt to strike the balance between theoretical harshness of plans and the reality to come.*
  - 19. Current assumptions on Council Tax and tax base changes, for planning purposes only at this stage.*
- 4.4. Fundamental central assumptions have been made in deriving this table. Most significant is a central assumption that future funding from Welsh Government increases by 3.7% in 2024/25 and 2% thereafter. This is considered by the Section 151 Officer to be a reasonably prudent assumption and has been marginally increased from the assumptions used in the MTFP approved by Council in March 2023.
- 4.5. It is therefore essential that we continue to have visibility of likely future multi-year budget settlements at the earliest possible opportunity to enable us to sensibly plan for the longer term and have due regard to the wellbeing of future generations.
- 4.6. Based on the statement of priorities and having regard to the "gearing effect" when considering savings, the suggested indicative percentage

reduction remains as agreed **four years ago** and is set out in Table 2 below for longer term “worst case” planning purposes, which of course may not come to pass at all if annual actual settlements are more generous than the assumptions contained in Table 1 above. Whilst they have indeed been more generous in previous years, given the current economic climate and the announcements from the Chancellor in the Autumn Statement, it is not expected that settlements will continue to be more generous than assumptions:

**Table 2 – Indicative Targets – Longer-term worst-case scenario**

<b>Service</b>	<b>Percentage Reduction/ Increase over 4 Years at constant prices*</b>	<b>Actual change 23/24 1 year ^</b>
Schools	-15%	+5.9%
Education (excluding Schools)	-15%	+7.9%
Social Care – Child & Families	-15%	+4.1%
Social Care- Adults	-10%	+9.9%
Place	-30%	-16.2%#
Corporate Services	-15%	-12.7%#
Finance (Excluding CTRS)	-15%	+3.0%

*\*Actual budgets will be set based on shares of service pressures, inflationary pressures and investment and specific savings decisions*

*^ The actual change column reflects both budget reductions and pressures for one year only: the planning assumptions for future years reflect only reductions. In practice there are usually as many pressures funded and investment decisions made, as reductions, and so headline budgets move markedly less than the planning assumption would appear to imply.*

*# Those two directorates with reductions had substantial one-off use of reserves the previous year, removal of those one-off budgets causes the reduction.*

- 4.7. This statement will form the basis of our future medium term financial plan, as well as individual service plans. Notwithstanding this broad target savings range, where it is appropriate to do so, and as set out specifically in this report, **additional targeted investment into priority areas will also occur**. This is possible because of the past use of reserves created from the significant increase in funding set out in the Welsh Government’s 2021/22, 2022/23 and 2022/23 budget proposals. Whilst this first phase of consultation necessarily focuses on what may need to be reduced and re-prioritised, the main budget proposals in February and March, once the final settlement is confirmed, and initial consultation is concluded, provided

the Welsh Government settlement is close to the assumptions made in this report, will show overall substantial net cash investment into all services.

- 4.8. The compounding effect of the key AEF assumption is substantial over the life of the MTFP (the savings ask could be higher, lower, or even fully eliminated) as illustrated below:

**Table 3 – Impact of Welsh Government Funding on future scope for investment into services**

<b>Increase in future year block grant finance assumptions in the MTFP</b>	<b>Reduction (Increase) in gap in one year £'000</b>	<b>Positive (negative) Impact over life of MTFP £'000</b>
0% - possible scenario	0*	(26,500)
3% - possible scenario	(2,800)	10,700
7.6% - continued at 2023/24 headline uplift	16,500	100,556

*In the above table a positive figure indicates sums available to invest into services.*

*\*no change year 1 as the provisional settlement has been announced*

- 4.9. Over recent years the Council has consistently prioritised the **delegated schools' budget**, previously meeting its guaranteed funding requirement over a five-year period. There is now no formal ongoing ministerial protection or funding guarantee, so any decision over schools funding is a local one to be made by Cabinet and ultimately by Council, having due regard to any budget consultation responses received. Education will continue to be the biggest area of funding within the council's revenue budget and will continue to be a key priority for the Council.
- 4.10. With respect to the Current and Future **Capital Programme**, it is clear at the present time that future support from the Welsh Government in respect of general capital grant and supported borrowing on an annual basis is likely to remain significantly curtailed.
- 4.11. The current year allocation in respect of both the supported borrowing and general capital grant elements is £12.882m. The provisional allocation for 2024/25 for Swansea has increased slightly to £12.912m. This allocation is just sufficient to meet the current budgets allocations to cover core commitments as in Table 4 below:

**Table 4 – Capital Allocations for 2024/25 assuming spend maintained**

	£'m
Provisional Welsh Government funding	12.912
Allocation - property and highways maintenance	-7.682
Disabled Facilities Grants & Improvement Grants	-5.200
<b>Available for other schemes</b>	<b>0.030</b>

- 4.12. The remaining capital programme (including improvements to schools) is heavily dependent on future capital receipts and, to that extent, any shortfall in receipts is likely to require an increase in unsupported borrowing to balance the funding for the agreed programme.
- 4.13. Any rise in borrowing has a potentially detrimental effect on future revenue funding, and thus on future generations, and has to be fully planned for.
- 4.14. As such, it is inevitable that the future capital programme will have to be subject to regular review and will be dependent on receipt of specific grant and/or the availability of excess capital receipts.
- 4.15. The original approved five-year capital programme assumed additional unsupported borrowing of some £40m and a longer-term overall envelope of up to £200m. Both were stretched by a further £20m to provide for a capital contingency sum now being utilised. This borrowing has now been effectively fully externalised via use of PWLB loans at historically low rates of interest. The future planning assumption set out in this report includes a further up to £50m of unsupported borrowing, and approximately £20m for the Mumbles CRMP (sea defences) scheme which was supported directly via the settlement from Welsh Government.
- 4.16. In particular, and in direct contrast, further detailed consideration will also have to be given in respect of likely future commitments to, and funding options for, the second phase of the proposed Schools improvement programme, continued investment in the City Centre and the funding requirements that will flow from the Swansea Bay City Region proposals. All of which will benefit not only current, but also future generations. The impacts of new additional unsupported borrowing are reflected in Table 1 above **and includes that further £50m net addition to the overall capital envelope.**
- 4.17. Given the level of overall revenue resources and the scale of the new investment ask over the extended medium term for new capital and the benefits to be felt by future generations the Section 151 officer considered it appropriate to review all the options around changing the Council's Minimum Revenue Provision policy both for past and future investment. Council agreed a report on this on 20<sup>th</sup> December 2018 and the impact of the recommendations is reflected in Table 1 above. This has reduced the revenue costs in the medium term and increases them longer term, but

crucially better match the future costs to the future benefits of that investment. This is entirely in line with the principles of the Well-being of Future Generations Act.

- 4.18. Furthermore, it should be noted that appropriate use of the Capital Equalisation Reserve will be recommended for use in determining the final shape of the overall budget in line with the principles agreed by previous Cabinet and Council decisions. This is designed to ensure that any immediate short-term costs of financing Swansea Central Phase 1 are neutralised and thus has no direct impact on other service revenue budgets as more time is taken to adjust to the overall scale of capital spending. This allows a more gradual move towards the longer-term financing costs as fully set out in the medium-term financial plan.
- 4.19. Any capital receipts from the sale of Schools' assets and estates will become part of the Council Capital Budget. It is currently predicted that the schools' capital programme will continue to be funded by the Council.

## **5. Budget Strategy and Proposals**

### **Budget Strategy**

- 5.1. As set out in section 2 above, through *Sustainable Swansea*, then *Swansea – Achieving Better Together*, and now the new *Transformation Strategy 2022 – 2027 and Beyond*, the Council is committed to delivering the most significant change programmes that the council needs to pursue to achieve its vision, namely:

*“In 2028 Swansea is a place that has a thriving mixed use city centre and local economy. It is a place where people can gain the skills and qualifications they need to succeed in life, where everyone can achieve their potential and where communities are resilient and cohesive. Swansea is a place where human rights are respected, and people are safeguarded from harm and exploitation. It is a place where nature and biodiversity are maintained and enhanced, and carbon emissions are falling.”*

The Council has previously embarked on a series of commissioning reviews across all services and the results of a number of those commissioning reviews have been presented to Cabinet and agreed over the past few years.

Whilst no longer called commissioning reviews, the Council nevertheless will continue to review services both as part of the Transformation Strategy and outside of the Strategy and it is anticipated that where outcomes from reviews are presented then consultation and action to implement will be undertaken on a rolling basis outside the normal budget cycle.

- 5.2. The report to Cabinet in March 2023 outlined the governance arrangements for the new Transformation Strategy, in particular



highlighting a quarterly progress review by Cabinet and the Corporate Management Team, which will agree any additions to the programme, including those that may be initiated as part of future budget rounds.

### **Budget Proposals**

- 5.3. Budget proposals to meet the current savings requirement for 2024/25 consist of the following elements:
- Funding changes passported through to specific services
  - Service Pressures
  - Service Investment – including substantial additional targeted new cash investment into Social Services and Education in particular
  - Continuation and development of service savings
  - Energy Inflation pressures
  - A substantial cash increase in Schools Delegated Budgets to meet cost pressures faced and continue to enhance mainstream capacity within schools.
  - Recommendations from the Transformation Board

Each of these categories are addressed below.

#### ***Funding changes in the settlement passport through to services***

- 5.4. It has been the practice in previous years to passport through to services any specific sums provided for in the settlement, where there is clear evidence that this funding has been provided to the Council. This intention remains.

#### ***Service Pressures***

- 5.5. As well as the continuation of funding for specific service pressures that were agreed as part of the 2023/24 budget setting process, additional pressures have been identified in respect of:
- Various corporate pressures following implementation of new structures, strategies, plans and audit requirements
  - Social Services additional pressures mainly around inflationary cost of placements
  - Education core staffing pressures
  - Inflationary Home to School Transport pressures.

#### ***Service Investment***

- 5.6. Material service investment requirements have been identified in respect of:
- Education service pressures, particularly in respect of the implications of the Additional Learning Needs Act.
  - Social Care additional money for Adult Services
  - Local priorities and choices

### **Continuation and Development of Service Savings**

- 5.7. Service savings requirements have been identified in respect of 2024/25 resulting in the summarised position as set out in Table 5 below. The detailed list of savings is set out in Appendix B:

**Table 5 – Review of Planned Savings 2024/25**

	<b>Proposed savings 2024/25 £'000</b>
Place	1,956
Social Services (including Poverty & Prevention)	6,045
Education (excluding Schools)*	2,189
Corporate Services	897
Finance (Including CTRS)	1,630
<b>Sub-total (per Appendix B)</b>	<b>12,717</b>
Schools*	12,207
<b>Total</b>	<b>24,924</b>

\*Schools savings and pressures fall entirely to the delegated budgets and are shown separately as these are decisions for schools to take

- 5.8. These proposals can be alternatively summarised in Table 6 as follows:

**Table 6 – Budget Proposals 2024/25**

	<b>Savings</b>	<b>2024/25£'000</b>
<i>Savings type</i>	Workforce	2,640
	Other spending	5,688
	Income	2,346
	Mixed	2,043
	<b>Savings Total as per Appendix B</b>	<b>12,717</b>

- 5.9. Savings proposals are a combination of those following on from last year's proposals and new proposals. All proposals have been reviewed as part of the budget setting process and only those deemed capable of being delivered have remained for consideration.

- 5.10. For delivery purposes, all proposals that are approved, after considering the outcome of consultation and Integrated Impact Assessments, will be combined into a single delivery tracker with progress updated monthly by the Head of Service accountable for delivery. Those forming part of the Transformation Programme will also be monitored as part of the progress reviews of the Plan.

### ***Energy Inflation Pressures***

- 5.11. Due to the unprecedented levels of energy price inflation, it was deemed necessary to create a fund that can be utilised by internal departments, schools and strategic partners to help alleviate the short-term pressure of price inflation during 2023/24. This fund is on track to be fully utilised during 2023/24 and although energy prices are expected to reduce in the longer term it is clear that increased budgets will still be needed. As such, £4.5m will be transferred to the Place base budget from 2024/25 and £4.5m will be made available to Schools for 2024/25 only.

### ***Schools' Delegated Budgets***

- 5.12. The indicative savings assessments set out in Table 2 at 4.6 above and Appendix A, show that it is inevitable, given the scale of reductions required within the one education budget, that ongoing consideration will have to be given to the longer-term level of schools' delegated budgets. However, Schools remain a priority and as such there will still be clear prioritised investment, meaning an overall cash increase to the money available to Schools for 2024/25 but set against real terms pressures and thus a major savings contribution is also required. Teacher employers' pensions cost will be increased from 1 April 2024 by 5% and a corresponding grant is expected via UK and Welsh Government to fully compensate, but this detail has been deferred until Spring 2024 by the UK Government's Autumn Budget Statement. It is explicitly assumed, given the lateness of the detail announcement to come, it will be an additional specific grant in year one (2024-25) and then roll into core funding from 2025-26. It is currently excluded from both spending and funding to ensure net nil impact, until clarified.
- 5.13. Budget movements can be viewed in two ways:
- Actual cash increases in levels of funding provided to Schools
  - Real terms changes in Schools funding, taking into account known spending needs, as previously advised and shared with the Schools Budget Forum.
- 5.14. For current consultation purposes, it is intended that there will be a proposed 6.3% (£11.938m) cash increase in headline schools funding (which includes Pupil Deprivation Grant and Post 16 funding, which come separately from Welsh Government).

Whilst every effort has been made to ensure Schools budgets are protected, it is inevitable, given the current levels of inflation faced by the

entire Country, that Schools will also have to face some element of savings to ensure they stay within budget. This is clear from the budget pressures set out in Table 7 below that fall directly to the delegated schools' budget.

- 5.15. There are other budget pressures detailed in Table 1 in Section 4.3 that will fall directly to the non-delegated budget, even though these relate to externally driven and demand led areas of statutory provision for pupils (such as additional learning needs (ALN) and home to school transport).

**Table 7 – Main Pressures on Schools Delegated Budgets**

<b>Identified budget pressure in schools</b>	<b>2024/25</b>
	<b>£'000</b>
Schools pay award	8,900
Impact of the 2022/23 consolidated pay award	1,900
Impact of the 2023/24 pay award	1,900
Reduced Budget Delegation (previously agreed)	-84
<b>Total Delegated Pressures</b>	<b>12,616</b>

<b>Change from Council budget as proposed</b>	<b>2023/24</b>
	<b>£'000</b>
Additional funding for pressures and continued investment in schools (as above)	12,616
One-off investment for 2024/25 only*	7,029
Energy Price Inflation (available to Schools)**	4,500
Net savings required from schools	-12,207
<b>Total net budget increase proposed - schools</b>	<b>11,938</b>
Anticipated pension funding (TBC)	5,000
<b>Schools current anticipated funding offer</b>	<b>16,938</b>

*The schools delegated budget includes Pupil Deprivation Grant (PDG) and Post 16 grant. We await final clarification on these including the rationalisation of some grants including PDG into a smaller subset of 4 renamed/refocussed Local Authority Education Grants (LAEG)*

*\* this one-off investment is being funded from reserves for one year only to provide short-term help for Schools*

*\*\* see paragraph 5.11 above, the Energy allocation will be ring-fenced and held centrally by Education, not immediately delegated to Schools*

- 5.16. Education will continue to be biggest area of funding within the council's revenue budget and will continue to be a key priority for the council. Cabinet will have to consider what actual overall funding is proposed in respect of the schools delegated budget following consultation with all

head-teachers, which started with a meeting with the Leader on 21<sup>st</sup> December 2023. This will be presented back to Cabinet as part of the overall consultation report.

For the past few years, there has been no ministerial funding guarantee for schools explicit in the provisional revenue settlements. It is expected that this will continue, so supporting schools to the level suggested in this report is a local choice, reflecting the priority Cabinet and indeed Council awards to Education.

Recognising previous policy commitments, it is also intended that any other specific cash increase for schools in the final settlement, once confirmed, will be passported through as targeted additional investment in schools delegated budgets. There is an additional cost expected in relation to Teacher’s Pension cost increases, and when this funding is devolved to the Welsh Government and then consequentially passed to Councils this will be passported, but this is not expected to happen until Spring 2024 at the earliest.

It is recognised that even with that potential level of investment, schools, like all services, face significant real pressures in the medium to longer term, when the costs of the COVID-19 response nationally will need to be repaid.

**Summary of Proposals**

5.17. The total proposals across the areas outlined above are shown in Table 8 below:

**Table 8 – Proposals for 2024/25**

<b>Proposals</b>	<b>£'000</b>
Service Savings (as per Appendix B)	12,717
Schools' savings	12,207
Council tax income (Including assumptions on tax base)	10,900
Aggregate External Finance increase (including CRMP)	15,308
Council pressures	-51,132
<b>Net Pressures less Funding</b>	<b>0</b>

5.18. The detailed proposals are set out in **Appendix B**. Subject to Cabinet approval, consultation will commence on the proposals, as appropriate, with staff, Trade Unions, Schools’ Budget Forum, residents, affected groups and partners, alongside Integrated Impact Assessments (IIAs).

- 5.19. The current total of all savings proposals for 2024/25 is £24.924m, against the current total requirement of £51.132m (including Schools pressures). The current assumption is that the gap will be funded by an overall increase in Council Tax yield (which includes an increase in tax base) of £10.900m and Aggregate External Finance increase of £15.308m. Work will continue over the next month up to Cabinet in February 2024 to assess a range of options. This is necessary because:
- Some proposals may not be approved following the outcome of consultation and Integrated Impact Assessments
  - Additional savings are required as a contingency against non-delivery of some savings in year
  - Some services may need additional investment, which will be decided following consultation.
  - Final Council Tax levels may be lower (or higher) than the assumptions in this report.
- 5.20. This assessment will include a review of other service savings and our policy on Council Tax. It should be noted that the Welsh Government has made an assumption of Council Tax increases of 6.8% in its standard spending assessment calculations.

## 6. Assessment of Risks and Uncertainties

- 6.1. As in previous years, the budget proposals as presented must be viewed in the context of the ongoing risks and uncertainties that the Council faces during 2024/25 and beyond:
- 6.2. These currently include:
- a) **Equal pay claims:** following widescale reporting of financial pressures especially in England, in line with all other councils, equal pay claims and potential liabilities are being rapidly reviewed.
  - b) **Pay and grading appeals:** It is assumed, as in previous years, that costs arising out of pay and grading appeals will be met from within Directorate approved budgets and schools delegated budgets where appropriate.
  - c) **Specific grants:** It is possible that, based on previous experience, the Council could suffer from a reduction in specific grants received from Welsh Government and other public bodies. It remains the case that where grant reductions do occur, they will require specific service cost reductions in addition to any savings targets identified above. It is increasingly likely that many grants will be either stay the same in cash or even reduce for 2024/25, which in both cases are clearly real term cuts. It should be noted that the grants announced to date will remain cash flat at best or reduce for 2024/25, causing further pressure on services.
  - d) **The savings proposals** for 2024/25 and beyond are predicated on clear and decisive action being taken to deliver wide-scale

transformational change longer term. This will require robust implementation, monitoring, review and, if necessary, enforcement of savings proposals.

- e) **The timing** of Welsh Government announcements on the detail of both core and specific grants means that uncertainty will remain until after the final period of the budget setting process.
- f) **Ongoing forecast service overspending** in 2023/24, which may or may not continue into 2024/25. Although services are now operating business as usual following COVID-19 there are on-going impacts for example where income levels have not yet recovered.
- g) **General Reserves** remain at the lowest advisable level as advised by the Council's 151 officer and are not therefore able to meet any large current or future service overspends.
- h) **Costs of staffing reductions** could continue to be significant. There remains a small restructure reserve, which might assist with departure costs. Once this is exhausted all future departure costs will fall to individual service revenue accounts, including education, for schools' departures.
- i) **Overspending risks in 2024/25** are material because future savings are considered to be equally challenging to both agree and deliver, as savings continue to need to be made, and require ever more difficult decisions and more wide scale transformational change.
- j) **Future Year Settlements** - there has been some indication from the Welsh Government on future year settlements pan Wales envelopes – and it is clear there is a significant risk that the likely modest and much lower increase for 2024/25 may not even be capable of being sustained in future settlements.
- k) **COVID-19** – whilst the pandemic is over and the Council is operating business as usual there are on-going impacts for example where income levels have not yet recovered.

## 7. Consultation and Engagement

7.1. In previous years the Council has consulted on a number of issues including:

- Specific budget proposals relating to budget reductions impacting on the following year's revenue and capital budget together with potential longer-term savings to deliver the MTFP.
- Consultation on shaping the Council's Wellbeing Objectives, as set out in the existing Corporate Plan 2023-28.

- 7.2. In terms of Council priorities, consultation has been taken into account in deciding the new key priorities (Well-being Objectives and Improvement Objectives) which are as follows:
- **Safeguarding** people from harm – so that our citizens are free from harm and exploitation.
  - Improving **Education and Skills** - so that everyone in Swansea gains the skills and qualifications they need to succeed in life.
  - Transforming our **Economy and Infrastructure** – so that Swansea has a thriving mixed-use City Centre and a local economy that will support the prosperity of our citizens.
  - **Tackling Poverty** – so that every person in Swansea can achieve their potential.
  - Maintaining and enhancing Swansea's **Natural Resources and Biodiversity** – so that we maintain and enhance biodiversity, reduce our carbon footprint, improve our knowledge and understanding of our natural environment and benefit health and well-being.
  - **Transformation and Future Council** development – so that we and the services we provide are sustainable and fit for the future.
- 7.3. In terms of the current consultation, it is not intended that we repeat the consultation exercise on overarching Council priorities at this time. Likewise, we will not consult again on matters that are merely a continuation of existing good practice, or previously agreed plans, such as our continued successful implementation of the Safe Looked After Children reduction strategy, or where there is more detailed consultation, following the findings of our commissioning reviews.
- 7.4. However, as in previous years, the Council will undertake a full consultation on proposals that will affect the public in general or specific sections of the Community.
- 7.5. It is essential that in agreeing to consult we consider the following:
- Under the Public Sector Equality Duty (Wales) we have to engage with protected groups to assess the likely impact of any policies or practices being proposed or reviewed.
  - The Wales National Principles for Public Engagement include the expectation that engagement gives a real chance to influence policy, service design and delivery from an early stage.
  - Under the Gunning principles, consultation should be at an early stage with public bodies having an open mind, those being consulted have enough information to make an intelligent choice, enough time is provided for people to make an informed choice and consultation responses must be taken into account by those making the decision as to budget.
  - The requirements and principles embedded in the Well-being of Future Generations (Wales) Act, which underpin everything that the Council does.



- 7.6. Details of the settlement dates from Welsh Government detailed elsewhere in this report highlight the extremely difficult timetable the Council faces in setting its budget proposals.
- 7.7. In terms of consultation, the Council intends to fulfil its obligations by:
- Undertaking a **Public Survey**. Specific budget proposals and those relating to the Commissioning Reviews will be included in the public survey that will be available online.
  - **Consultation with groups**. We will promote the survey to a number of Groups including children and young people, groups with protected characteristics and organisations such as Community Councils.
  - **Staff engagement**. The survey will be promoted to staff.
  - **Unions**. The Leader, Cabinet Members and Officers are due to meet Union representatives to discuss the proposals.
  - **Schools**. Officers and Members will consult headteachers on proposals that affect schools.
  - **Promoting** and communicating the consultation via website and social media.
- 7.8. There will be on-going consultation during the forthcoming year as and when the individual transformation programmes progress and develop their proposals for transforming services and helping to deliver contributions towards the overall savings requirement.

## 8. Staffing Implications

- 8.1. The Council, working in partnership with Trade Unions, succeeded in largely avoiding compulsory redundancies as part of the implementation of the budget savings for 2023/24. This was achieved by a continued flexible policy on redeployment and a proactive approach by all parties. The clear intention is to build on this approach for 2024/25 and to look for other ways of avoiding compulsory redundancies if at all possible.
- 8.2. However, a reduction in posts in 2024/25 will be unavoidable, given that around 45% of the Council's overall costs relate to employees (significantly more in some Service Areas).
- 8.3. Notwithstanding the scale of the challenge, in line with the Council's current policy, every effort will be made to minimise compulsory redundancies. Management action includes:
- *Tight management of vacancies so that we manage the deletion of posts via natural wastage over time,*
  - *The use of fixed term appointments where cover is necessary,*
  - *Stopping the use of agency staff without a clear business case,*
  - *Redeployment and retraining wherever possible,*
  - *Further encouragement of staff to consider ER/VR options in areas where staffing reductions are unavoidable,*
  - *Encouraging staff to work flexibly e.g.: reduce hours or job share,*

- *Flexible retirement.*

8.4. The groups of staff likely to be most at risk (no options can be ruled out at this stage) are those affected by service savings, those in management/supervisory posts, those employed in business support functions.

Those employed in schools are also considered to be at risk but staffing decisions are a matter for individual school governing bodies to determine.

The latest indicative estimate of the impact of the current proposals on total staffing numbers for 2024/25 is set out in Table 9 (shown as Full Time Equivalent (FTEs)).

**Table 9 – Impact of Savings Proposals on FTEs 2024/25**

		<b>FTEs</b>
<b>Service Saving Proposals</b>		
	Corporate Services	8
	Finance	3
	Place	5
	Education (excluding Schools)	6
	Social Services	6
	<b>Total</b>	<b>28</b>

As set out in 8.3 above these are **not** all posts automatically directly at risk of compulsory redundancy – **all** possible mitigations will be taken first.

		<b>FTEs</b>
<b>Indicative schools figure *</b>		
	Schools	TBC
	<b>Total</b>	<b>0</b>

\* **Decisions will be taken by individual school bodies.**

8.5. The Council will need to consult with Trade Unions about the 2024/25 savings proposals and the likely impact on staff; in particular, the management of change and selection criteria where posts are at risk of redundancy. It is a legal requirement and incumbent upon the Council to commence formal negotiations with the Trade Unions to seek to avoid the need for such redundancies, to consider alternatives and to seek to reach agreement on the selection process for redundancies, should we get to that position. This is in line with the requirements of Section 188 (1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (as amended). This is on the basis that these proposals will potentially affect less than 99 employees (excluding schools) and that the period of consultation will be for a minimum of 30 days.

8.6. The Council is committed to continue to work closely with Trade Unions to minimise the number of compulsory redundancies, as it always is. This year especially, however, noting the relatively small scale of numbers of

overall posts still remaining at some risk and the potential in the settlement headroom to consider significant investment into services before the budget proposals are finalised, the scope for new redeployment opportunities and absolute minimisation of the final risk to any individual role is greatly enhanced.

- 8.7. Reflecting the principle in the MTFP stated earlier in this report, consultation will be undertaken on a rolling basis outside the normal budget cycle, as the outcomes from reviews are presented to Cabinet. Consequently, in some Service Areas, it is not possible at this time to give details of the precise impact on staff and the figures quoted are, therefore, overall estimates. The regular liaison meetings with Trade Unions will be used to provide more detail when this becomes available as future options are agreed.
- 8.8. It should be noted that in addition to the impact that proposed savings may have on FTE's, should grant funding remain at the same level, or reduce in 2024/25 then there could be further posts at risk. These posts would be subject to the same mitigations as listed in 8.3 above. The number of posts potentially affected is unknown until the levels of specific grant are announced, and grant offers made.

## **9. Delivery – “Decide and Do”**

- 9.1. Delivery of the Budget Strategy and Savings Programme is clearly critical. If this is not given the right attention savings will not be achieved. This requires a clear understanding of the organisational requirements to deliver.

### ***Deliverability of Savings***

- 9.2. In parallel with the consultation process, we are undertaking a robust appraisal of all options for savings to ensure:
- They are deliverable,
  - We understand the impact,
  - We have assessed the risks and how these can be mitigated.

Subject to the above, we will adopt the principle of “decide and do” in terms of a pragmatic approach to the implementation of proposals.

- 9.3. The Corporate Management Team has oversight of the programme management arrangements for the Savings Programme. This includes a sponsorship role for Directors, supported by a wide range of Heads of Service and Senior Managers from every part of the Council and project support.

## **Timeline**

- 9.4. The remaining timeline for the Budget process is set out in Table 10 below. This timetable is effectively being driven by the dates set for the provisional and final settlements

**Table 10 – Budget Timetable**

21 <sup>st</sup> December 2023	Initial Schools consultation starts	Annual meeting with Headteachers was on 21 <sup>st</sup> December. School Budget Forum met on 10 <sup>th</sup> January 2024 (proposals)
12 <sup>th</sup> January 2024	Consultation commences	A variety of means will be used including specific consultation with staff, trade unions, young people, taxpayers and the public
16 <sup>th</sup> January 2024	<b>Scrutiny</b>	Review of this initial Cabinet report – this report having been issued under urgency provisions given lateness of settlement.
11 <sup>th</sup> February 2024	Consultation closes	Headline report will be produced on initial consultation responses
13 February 2024	<b>Scrutiny</b>	Review of Cabinet proposals
15 <sup>th</sup> February 2024	<b>Cabinet</b>	Reviews initial consultation feedback and recommends Budget
7 <sup>th</sup> March 2024	<b>Council</b>	Reviews final consultation feedback, approves Budget and sets Council Tax

## **10. Next Steps – Transformation Goals and Strategy**

- 10.1. As stated above, the scale of the financial challenge requires the Council to continue to adopt a radically different approach to previous years. An approach that focuses on:
- *The core purpose of the Council*
  - *Transforming services to be effective and efficient*
  - *Greater collaboration with other Councils, organisations, community groups and residents, with a focus on regionalisation*
  - *Balancing the budget for current and future years*
  - *Greater and more meaningful engagements with our residents and community*
  - *To meet the aspirations and targets within the Medium-Term Financial Plan.*

This ambition is set out in Swansea’s Transformation Goals and Strategy approved by Council in November 2022.

- 10.2. Uncertainty of future funding means a range of spending options need to be considered including risks of substantial real terms cuts but equally opportunities for real terms increase if overall public spending is materially increased. Spending decisions cannot take place without a fundamental review of the future purpose and shape of the Council to 2025 and beyond. This is particularly important because:
- The Council has clear aspirations and policy commitments to improve outcomes for residents that will need to be delivered alongside savings,
  - We will also need to consider the requirement for further investment in prevention in social care to remodel the projected future demand for services,
  - This requires a debate about innovation, service transformation, and doing things differently,
  - And we must collaborate with others to achieve this,
  - All this must be considered alongside the ambitious Capital Development programme with known increases in associated future borrowing costs,
  - To ultimately deliver the well-being of future generations.
- 10.3. Consequently, the current debate with residents and partners, as well as inside the Council, about the Core Purpose of the Council, what residents and communities can do for themselves, and the Future Shape of the Council is fundamental. This will be further considered in the next corporate plan due to be consulted on early in 2024.

## **11. Integrated Assessment Implications**

- 11.1. The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
  - Deliver better outcomes for those people who experience socio-economic disadvantage.
  - Consider opportunities for people to use the Welsh language.
  - Treat the Welsh language no less favourably than English. Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 11.2. The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental, and cultural well-being of Wales by taking action, in

accordance with the sustainable development principle, aimed at achieving the “well-being goals”.

- 11.3. Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.
- 11.4. As indicated in the IIA screening (Appendix C), the IIA process has begun and all proposals will carry out their individual assessment. Initial impacts identified have been used to inform the proposals within this report. Cabinet and Council will receive a full report on the feedback from the consultation and outcomes of the IIA process in February and March 2024 so that they can be fully taken into account before any decisions are made.
- 11.5. There will also be full engagement with the Council’s Scrutiny Committee.

## **12. Financial Implications**

- 12.1. This report sets out the Council’s projected budget position for 2024/25 and sets out proposals to meet the projected pressures currently estimated at £51.132m.
- 12.2. It is a legal requirement that Council sets a balanced Revenue Budget for each financial year, and it is essential that detailed plans to address projected shortfalls are developed and, more importantly, delivered over the coming years.
- 12.3. Progress with achieving savings agreed as part of the 2023/24 budget is monitored each month by the Corporate Management Team (CMT), with quarterly reports to Cabinet. Those savings that are linked to the Transformation Programme are also reported to the Transformation Delivery Board, with quarterly progress monitored by Cabinet and CMT.

## **13. Legal Implications**

- 13.1. Specific legal duties relating to consultation and the setting of the budget are set out in the main body of the report. The Council is under a duty to set a balanced budget by 11<sup>th</sup> March 2024.
- 13.2. Any budget consultation must be meaningful and be taken into consideration when making any decision.
- 13.3. The council has a public sector equality duty under the Equality Act 2010. In order to comply with that duty it is essential that Equality Impact Assessments are undertaken where appropriate in relation to budget proposals and any impact is considered.

**Background Papers:** None

**Appendices:**

Appendix A – Statement of Medium-Term Budget Priorities

Appendix B – Savings Proposals 2024/25

Appendix C – IIA Screening

## STATEMENT OF MEDIUM-TERM BUDGET PRIORITIES

### PURPOSE

This paper sets out the Council's views on relative service and budget priorities in the context of the delivery of Swansea's *Transformation Strategy 2022 and Beyond* and the Medium-Term Financial Plan.

The statement has three objectives:

- *An indicative statement about future funding for services, together with an overall percentage reduction in spend over the next 4 years*
- *A high-level statement for services about expectations for transformation and delivery*
- *Policy statements for each major service block setting out how the funding challenge will be met*

### STRATEGIC CONTEXT

The scale of the financial, demographic and sustainability challenges facing Swansea require a radically different approach to the past, and the corporate transformation plan, developed under the banner of the Council's Corporate Plan "Successful and Sustainable Swansea", focusses on achieving the Council's vision.

The Corporate Plan sets out six top well-being priorities for the future:

- *Safeguarding people from harm*
- *Improving Education & Skills*
- *Transforming our Economy & Infrastructure*
- *Tackling Poverty*
- *Maintaining and enhancing Swansea's Natural Resources and Biodiversity*
- *Transformation & Future Council development*

The Council's overall aim is to protect frontline delivery of services as far as possible. However, whilst many things are important, not everything can be a priority. It is important, therefore - particularly in the current climate of significantly reduced resources – to set out clearly our expectations on all services and relative priorities for funding.



## FINANCIAL CONTEXT

We currently estimate that the Council will face pressures of around £135m over the next 4 years, on the central scenario of future grant increases (worth £43m) dropping from 3.7% to 2% by 2027/28. The actual amount could vary significantly given the uncertainty over future funding indications from the UK and Welsh Governments. This requires not only a strategy for transformation, but also a clear statement of the expected impact across the Council's major services.

## SETTING INDICATIVE MEDIUM TERM FINANCIAL ALLOCATIONS

The Council is proposing indicative medium-term financial allocations following an assessment of our overall priorities and the financial context that we face.

The statement which follows is based on an assessment of services in relation to the following criteria:

- **Invest:** those Services where the Council will increase current levels of investment in order to:
  - Deliver our top priorities; and/or
  - Achieve significant reductions in future spend.
- **Maintain:** those services where the Council will broadly maintain current level of spend in the medium term to:
  - Deliver our top priorities,
  - Meet statutory requirements,
  - Meet resident expectations.
- **Remodel:** those services where the Council will remodel the current level of spend over the medium term:
  - Because these are lower priority areas
  - To contribute to the overall budget savings requirement

In setting financial allocations, we have also had regard to the “gearing” effect of savings on services. In other words, if our current net funding requirement of £92m (after block grant increase) over four years was applied, for example, just to Corporate Services and the Place Directorate, the budgets for these areas would be cut in their entirety. Consequently, other areas such as Education and Social Care also need to face some level of reprioritisation over the next 4 years given the relative size of their budgets.

## GENERAL PRINCIPLES FOR ALL SERVICES

There are a number of principles that apply to all the Council's services, regardless of the assessment of relative priorities. These are set out below.

### Budget Principles

The Council has adopted a number of Budget Principles that underpinned *Sustainable Swansea*, and remain extant:

<i>Everything is included</i>	<i>Increased income</i>
<i>Engagement</i>	<i>Different models of delivery</i>
<i>We will have less money</i>	<i>Supporting those at risk</i>
<i>Demonstrating efficiency</i>	<i>Evidence base</i>
<i>Cutting Red Tape</i>	<i>Sustainable outcomes/prevention</i>
<i>Full cost recovery</i>	<i>Personal Responsibility</i>

All Services must apply and be consistent with these Budget Principles.

All Services are also required to address these Principles as part of business planning and developing savings proposals.

### **Service Transformation and Efficiency**

There are expectations upon all Services in relation to transformation and efficiency, which must be met regardless of relative priority for funding:

<b>Transformation</b>	<p>All service must transform through a fundamental review of purpose, however services are commissioned, to:</p> <ul style="list-style-type: none"> <li>• deliver better outcomes</li> <li>• develop a sustainable delivery model, fit for the future</li> <li>• remodel costs and secure value for money</li> </ul>
<b>Efficiency</b>	<p>All services must continue to strive for efficiency, in particular:</p> <ul style="list-style-type: none"> <li>• reduce management and other overheads</li> <li>• maximise opportunities for increasing income from charges, trading and external sources</li> <li>• reduce the cost of purchasing supplies and services</li> <li>• work with others to achieve better outcomes</li> <li>• look for opportunities for residents or community groups to take or share responsibility for services</li> </ul>

**APPENDIX B**

<b>Director</b>	<b>Head of Service Budget</b>	<b>Description</b>	<b>Savings 2024/25 £'000</b>
Corporate Services	Communications Service	Restructure corporate marketing	62
Corporate Services	Communications Service	Standardise official driver employment terms	17
Corporate Services	Communications Service	Restructure corporate support services (Delete 0.5 vacant post)	22
Corporate Services	Communications Service	Restructure corporate support services (Delivery Unit))	60
Corporate Services	Communications Service	Restructure corporate support services (Policy & Development Support)	62
Corporate Services	Digital and Customer Services	Contracts saving	290
Corporate Services	Digital and Customer Services	Licences saving	33
Corporate Services	Digital and Customer Services	Mobile Phone saving	16
Corporate Services	Digital and Customer Services	No renewal of RecordPoint Licences Contract	48
Corporate Services	Digital and Customer Services	Restructure digital project management team	55
Corporate Services	Digital and Customer Services	Remove surplus training budget	15
Corporate Services	Director	Non-staff spend savings (different ways of working)	39
Corporate Services	Director	Reduce expenditure on senior management as part of review	45
Corporate Services	HR & Service Centre	Pay inflation increase to Schools WOD (human Resources) SLA	25
Corporate Services	Legal Democratic Services & Business Intelligence	Pay inflation increase to Legal SLA	7
Corporate Services	Legal Democratic Services & Business Intelligence	Restructure corporate support services (Cabinet)	36

Director	Head of Service Budget	Description	Savings 2024/25 £'000
Corporate Services	Legal, Democratic Services & Business Intelligence	Removal of surplus budget from Welsh Translation Unit budget	65
		<b>Corporate Services Total</b>	<b>897</b>
Education	Non-Delegated	ALN equipment for schools	25
Education	Non-Delegated	Better targeting of Education otherwise than at school (EOTAS) spending following full implementation of new model of provision	150
Education	Non-Delegated	Business support review	21
Education	Non-Delegated	Rationalisation of post-16 transport, reflecting reduced demand	30
Education	Non-Delegated	Continuing review and rationalisation of the directorate.	600
Education	Non-Delegated	Cost recovery of project officers for capital schemes	7
Education	Non-Delegated	Enhance in County provision reducing out of county costs	431
Education	Non-Delegated	Increase charge to clerk school governing body meetings	1
Education	Non-Delegated	Increase charge to schools for Home Tuition	5
Education	Non-Delegated	Increase charges for Catering service and SLA for schools	400
Education	Non-Delegated	Increase Cleaning SLA charges for schools	100
Education	Non-Delegated	Increase rent for caretakers' houses	1
Education	Non-Delegated	Independent and out of county school contracts	50
Education	Non-Delegated	New online payments provider for school meals	35
Education	Non-Delegated	Offset salary costs in School Improvement Team	32
Education	Non-Delegated	Reduce cost centre for historical pensions	20
Education	Non-Delegated	Transfer Health and safety budget and hold provision corporately	74
Education	Non-Delegated	Transfer Schools at Risk budget and hold provision corporately	109
Education	Non-Delegated	Reduced staff hours in Management Systems Team	10
Education	Non-Delegated	Delete absence management officer post from structure	48
Education	Non-Delegated	Review of ALN transport - minibus pilot	25
Education	Non-Delegated	Review of broadband contract for schools	15
		<b>Education (Non-Delegated) Total</b>	<b>2,189</b>
Finance	CTRS	Further CTRS savings on top up to another 10%	40
Finance	CTRS	Rebase Council Tax Reduction Scheme	1,400
Finance	Directorate	Miscellaneous budget reductions/efficiencies	97
Finance	Revenues and Benefits	Accelerate agreed Revs and Benefits changes	93
		<b>Finance Total</b>	<b>1,630</b>

Director	Head of Service Budget	Description	Savings 2024/25 £'000
Place	Building Services	Additional income generation through significantly increased work programme	700
Place	Cultural Services	Increase fees and income targets in line with inflation	10
Place	Cultural Services	Resume 'bid' payment reductions for Leisure partner	300
Place	Cultural Services	Reduce the Library staffing budget to reflect current staff turnover	179
Place	Cultural Services	Do not progress the additional proposed new Christmas Light show event as now established at Margam park.	60
Place	Directorate	Review Place management structure on completion of Council Job Evaluation scheme review	60
Place	Highways & Transport	Additional Energy saving from implementing LED lamps from extra investment	30
Place	Highways & Transport	Activate bus lane and other moving traffic offences camera enforcement at Junctions to assist in reducing traffic congestion and commuter delays	150
Place	Highways & Transport	Increase street works and licencing fees annually in line with inflationary	25
Place	Highways & Transport	Increase charges and income from Marina and Knab Rock In line with inflation	20
Place	Highways & Transport	Operate an Additional Parking Enforcement camera car	43
Place	Highways & Transport	Review Parking Services Team	25
Place	Housing & Public Health	Increase fees for burials and Cremations over the next 4 years by 5% annually.	137
Place	Housing & Public Health	Increase fees for registrars over the next 4 years by 5% annually.	32
Place	Housing & Public Health	Remove surplus security budget for cemeteries and crematory	11
Place	Housing & Public Health	Increase in Fee Income for Animal Licensing (food safety)	5
Place	Housing & Public Health	Increase Food Safety and Trading Standards Fees by 15%	5
Place	Housing & Public Health	Increase in Fees for next 4 years Building Control (in accordance with Land Authority Building Charges Regulations 2010)	24
Place	Housing & Public Health	Increase pest control fees to 15% for schools' contract and general pest control	5
Place	Housing & Public Health	Reduction in number of air quality monitoring sites across Swansea & associated maintenance/servicing of equipment from end-of-life system	10
Place	Housing & Public Health	Review Public Health Service	6

Director	Head of Service Budget	Description	Savings 2024/25 £'000
Place	Planning and Regeneration	Increase Land Charges Income	5
Place	Planning and Regeneration	Increase Planning Fee Income	25
Place	Planning and Regeneration	Review Nature Conservation, Regeneration, Economic Development, & Planning sections	39
Place	Planning and Regeneration	Revise Swansea Market Rent Charges (but also separately invest more core Council funding into market as well)	50
		<b>Place (Total)</b>	<b>1,956</b>
Social Services	Adult Integrated Services for Older People	Further remodelling in line with delivery of WG policy for a Healthier Wales and the rebalancing policy commitment. Ensuring appropriate levels of investment from WG and Health Board. Ensure S33 arrangement for intermediate care has equitable contributions. For Year 1 of the saving target this is about reviewing workforce skills mix of the Council therapy teams to support focus of admission avoidance and ensuring appropriate levels of care. This will underpin best use of in-house capacity.	750
Social Services	Adult Services	Reduce discretionary spend, where appropriate e.g. taxi, supplies and services.	50
Social Services	Adult Services	Through contract efficiencies review the council payments and contributions for third party top up fees in residential care settings where alternatives care homes are available	50
Social Services	Adult Services & Integrated Services for Older People	Continue progress to a different mix of delivery	350
Social Services	Adult Services, Prevention and Tackling Poverty	Change current model of extra care services and recommission a different operating model to achieve efficiencies and better outcomes for individuals	150
Social Services	Adult Services, Prevention and Tackling Poverty	Increase fees for some Life Long Learning courses	45
Social Services	Adult Services, Prevention and Tackling Poverty	Work though Complex Needs high cost placements and establish a collaborative approach with Health for funding these packages of care to achieve a reduction in the overall costs of these packages due to more efficient and effective working with health in terms of new guidance around continuing health care cases	500
Social Services	Child & Family Services	Reduce discretionary spend, where appropriate e.g. S17, taxi, supplies and services	100

Director	Head of Service Budget	Description	Savings 2024/25 £'000
Social Services	Child & Family Services	Reduce the number of 16 - 17 years olds who become homelessness by re-modelling provision as a preventative service to understand move on plan for young people and to make sure all family options have been explored before placing in supported accommodation in line with core and grant spend in this area	50
Social Services	Child & Family Services	Target financial support offered to care leavers in line with statutory duties, to ensure avoidable accommodation costs and discretionary spend is minimised, so that it is fair and equitable and in line with core and grant spend in this area	50
Social Services	Directorate	Ensure all back office processes are as business efficient as possible, which will reduce overall staffing costs through natural vacancies	300
Social Services	Directorate	Increase last year's re-introduced vacancy provision	1,000
Social Services	Directorate	Apply an uplift to areas of commissioned care services across Adult and Child & Family Services to enable providers to pay RLW and cover inflationary pressures	2,000
Social Services	Directorate	Fund non-statutory services to the minimum they require to successfully draw down grant funding (Training, Capital, Early Years)	300
Social Services	Directorate	Review senior management structure	350
		<b>Social Services Total</b>	<b>6,045</b>
		<b>Grand Total</b>	<b>12,717</b>