

Public

Neath Port Talbot County Borough Council
Cyngor Bwrdeistref Sirol Castell-nedd

Democratic Services
Gwasanaethau Democrataidd

Chief Executive: K.Jones

Date: 18th September 2023

Dear Member,

CABINET - WEDNESDAY, 20TH SEPTEMBER, 2023

Please find attached the following addendum report for consideration at the next meeting of the **Cabinet - Wednesday, 20th September, 2023.**

Item

7. **Outlook (Pages 1 - 14)**

Yours sincerely

T. Davies

p.p Chief Executive

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Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Cabinet

20th September 2023

Report of the Chief Executive

Matter for Decision

Wards Affected:

All wards

Outlook

Purpose of the Report:

1. To describe the context that is framing the Council's work to plan the 2024-25 budget and revised corporate plan.
2. To make proposals to establish a panel, with members drawn from each political group, to advise the Cabinet in the development of the 2024-25 budget strategy.

Background:

2023-24 proved to be a period characterised by challenges on several fronts, including:

- The economic shock that arose from the illegal war waged by the Russian Government on Ukraine with its associated energy and general inflation impacts;
- Exceptional workload demands arising from the legacy of the Covid-19 pandemic;
- Additional workload demands arising from the Cost of Living crisis;
- Pay awards agreed in excess of funds made available from the governments;
- Continuing supply chain disruption arising from Covid-19 and the wider impacts of BREXIT;
- Structural changes in the labour market creating recruitment and retention challenges across many occupational groups;
- A substantial programme of policy initiatives arising from the Labour-Plaid Cymru Co-operation agreement;
- Local policy initiatives prioritised by the Rainbow Coalition; and
- Significant new investor interest.

The budget agreed for 2023-24, following consultation, provided for an **increase** in unavoidable costs of **£42,189 million** (unfunded pay awards from 2022-23; pay awards and inflation in 2023-24; and unavoidable pressures). This was funded by £14,352 million net savings across the revenue budget; the use of £3.5 million general reserves; the use of £1.4 million from the leisure specific reserve; an increase in council tax of 4.5% (which in part provided for an increase in the Mid and West Wales Fire and Rescue Authority levy equivalent to 1.8% on council tax); and an increase in the council tax collection rate).

In proposing the budget strategy, members of council were advised by the Council's Chief Finance Officer that a number of significant risks would need to also be managed in-year. The most recent revenue budget monitoring report indicates that most elements included within the budget strategy are on track but some highlighted risks that were not funded within the budget have materialised. Officers are focusing on mitigating these risks with the objective of bringing overall spending back within budget by year end.

The Chief Finance Officer also noted that the prospects over the medium term were challenging, estimating a further £48 million pressures over the four year period 2024-28. A number of areas for review were highlighted in the budget report to inform the development of the budget strategy for future years, including:

- Further work to review the Council's accommodation portfolio, delivered in phases;
- Work to reduce energy consumption, improve energy efficiency and to accelerate the move to renewable energy sources;
- A review of the Council's fleet and wider transport arrangements;
- A series of reviews to examine external commissioning and procurement spend;
- Further re-basing of the Council budget to reflect changes to the operating model;
- Re-modelling of statutory services to meet the needs of our population differently and at lower cost;
- Work to re-model discretionary services with a focus on alternative income and efficiency;
- Further automation of services and functions;

- Consideration of increased council tax rates for empty properties and second properties; and
- A review of fees and charges.

The workstreams highlighted above have been progressed throughout this financial year. Additionally, officers have reviewed all of the budget ideas submitted as part of the public consultation exercise and which were noted in the final budget report. The outputs of this work will be introduced as the budget process gets underway.

2024-25 assumptions

Our current assessments indicate that the 2024-25 budget is likely to be another very challenging exercise:

Pay and Inflation

Inflation – although headline inflation has begun to fall, it is not falling as quickly as the Government initially predicted. At the time of writing, inflation was 6.8% and expected to temporarily rise to 7.1% before falling back to 5% by the end of the calendar year;

Interest rates – the Bank of England Monetary Policy Committee has increased rates steadily as part of the strategy to reduce inflation. Rates are now at 5.25% with further increases not ruled out;

Public Spending – the UK Government continues to exercise restraint over public spending with pay demands expected to be met from within existing departmental limits. This means that there have been no additional budgets provided to the Welsh Government to fund the costs associated with pay awards. The Welsh Government advised in summer 2023 that the Welsh Government Budget is under pressure by £900 million in-year;

Revenue Settlement – the medium term financial plan currently assumes 3.1% increase in the Revenue Settlement Grant for 2024-25 and that specific grants that underpin the budget continue;

Energy – energy prices remain volatile and whilst reducing are still above the prices seen before the onset of the illegal war in Ukraine; and

Pay awards – the April 2023 pay negotiations are yet to be fully concluded. Any award that exceeds the budget provision will need to be incorporated into the 2024-25 budget strategy. A 5% offer has been made to teaching staff from September 2024. We expect this to be fully funded by Welsh Government.

Service Pressures

In terms of service pressures, the most recent data suggests that demands in many areas of the Council continue to be at increased volume and in many instances increased complexity:

Homelessness- the number of people in temporary accommodation has increased from 313 people in 2019-20 to 832 in 2023-24. Without intervention, it is estimated that this will continue to increase to around 2,233 people in 2027-28. In cost terms this would see an increase from £2.6 million in 2023-24 to £4.4 million in 2027-28.

Demand is being driven by a number of factors:

- Policy change from Welsh Government which has not been fully funded but has lowered the threshold for qualifying for support from councils;
- Family pressures arising from the cost of living crisis;
- A reduction in affordable accommodation in the private rented sector;
- Insufficient accommodation due to market factors, particularly one-bedded accommodation; and
- An increase in care leavers and youth homelessness.

Children's Social Services – at the beginning of January 2023 there were 1,272 children and young people receiving some level of support from the Council. Contacts to the service were 2,209 in that month, compared with 1,435 in April 2021. Pressures are being experienced in relation to the complexity of need being presented to the service also. The number of children and young people requiring a high cost residential placement is circa 20 – double the number we would have experienced prior to the outbreak of Covid-19 and there are also a growing number of unaccompanied child asylum seekers being allocated by the UK Government who require support. This situation is compounded by the lack of suitable placements, further impacted by the Welsh Government's policy to eliminate profit from the care market. Ensuring a stable workforce will need to remain a priority focus throughout the period with the need to ensure remuneration and our wider employer offer remains attractive in a highly competitive labour market.

Adult Social Services – new contacts to the service were 9,265 in 2022-23 compared with 6,259 in 2018-19. Demand is projected to continue to rise given that the population is ageing and in particular, the number of people living with dementia is expected to double within 20 years. Covid-19 has had a major impact on the care market with a large number of providers withdrawing from the market entirely. The cost of providing care has also increased significantly, linked to the Welsh Government's policy to provide at least the Real Living Wage and the impact of infection control regimes. The number of people with disabilities requiring a specialist residential placement has seen a sharp increase linked to Covid-19. The number of people accessing health service continues at a very high level, placing additional pressure on social services to ensure care packages are available for those who need them, to expedite hospital discharge.

Education – Covid-19 and the policies implemented to protect the NHS and save lives has had a significant impact on children and young people. Many children and young people have experienced anxiety returning to school, have struggled with social isolation with

adverse impacts on their emotional wellbeing. The cost of living crisis is compounding this and there are increased waiting times for key services. Attendance rates are well below rates that were achieved prior to the pandemic (for example secondary school attendance was 93.15% in 2017-18 but 85.98% in January 2022-23) and it is of considerable concern that permanent exclusions from school have increased from 11 across secondary schools in 2017/18 to 23 in 2022-23. Furthermore, the Welsh Government's additional learning legislation has not been fully funded significantly adding to pressures at school level. Home to school transport is a further pressure requiring attention with more children and young people requesting transport and prices increasing well above budget.

Leisure and Culture – participation levels are slowly recovering but income levels remain below the levels seen prior to the pandemic. The cost of living and energy crises are also contributing to this. Given the significant pressures across statutory services and functions, there is greater pressure to reduce deficits and subsidies further.

Environment Services – public protection services were particularly impacted by Covid-19 and although recovering steadily, continue to address backlogs of inspection activity following the need to refocus the services to support public health policy throughout the pandemic period. Alongside inspection backlogs, contacts to the service have been unusually volatile and often complex. The planning service experienced a high volume of applications but has recovered well. It is however, continuing to experience an unusual level of very complex large applications, including the Global Centre for Rail Excellence and Wildfox Resort Afan Valley whilst also required to progress the review of the Local Development Plan within the required timescales. In common with other authorities it is proving difficult to recruit senior and experienced staff. All of this combining to place a continuing pressure.

The streetcare division has brought forward a revised Waste Management Strategy in the current financial to position the Council to achieve the next recycling target of 70% by 2024-25. This requires considerable change within the service if we are to avoid penalties. Residents' expectations of standards for the public domain, despite additional investment, exceed the capacity of the service and therefore continues to provide an ongoing challenge. The service continues to proactively draw down grant funding to address drainage and highways maintenance with some good impacts. However, the deteriorating age and condition of infrastructure, coupled with the impacts of climate change, supply chain challenges and inflation also presents an ongoing challenge.

Property and Regeneration – additional grant funding through Levelling Up and Shared Prosperity Funds have been very welcome but are challenging to deliver given the tight timescales within which eligible expenditure must be incurred. This work runs alongside the Innovation and Local Carbon Growth and the Homes as Power Stations programmes now in delivery as part of the Swansea Bay City Deal and the Celtic Freeport secured in February 2023 following a Freeport Competition launched by the UK and Welsh Governments. The recent announcement by Tata and the UK Government will add to workloads and are being accommodated within a considerably expanded capital programme that is also delivering improvements across the school estate; enhancements to child care provision; community regeneration projects; and delivering a rationalisation of office and depot accommodation. The priority being given to decarbonisation and climate change at all levels of policy making, together with the energy crisis, inflation, supply chain challenges and better remuneration available in the private sector for staff is also placing pressure on these functions at strategic and tactical levels.

Transport and Engineering – the service will need to continue to manage the introduction of the 20mph default limit introduced by Welsh Government and also changes to the funding of the bus network. Both of these areas are impacting significantly on local

residents with concern that a much reduced bus service may develop as the Welsh Government makes further cuts to bus subsidies. Car parking income remains well below pre-pandemic levels requiring a review of parking infrastructure and fees. Good progress is being made with a number of major and minor highways projects and increased capacity within the service will help increase the amount of funding secured to support the development of active travel routes across the county borough. Managing the legacy infrastructure of the Council will continue to be a challenge given the limits on funding available to the Council with most grant income available to support new infrastructure development and limited scope to bring in additional income to address legacy infrastructure. This service also leads work to decarbonise the fleet. Current funds are insufficient to transition the fleet within the timescales government is expecting and there are emerging supply chain and grid/infrastructure constraints which further complicate matters.

Corporate Services and Governance Systems – the summary of pressures identified above combine to place ongoing pressure on corporate services and governance systems to adapt and facilitate the change needed. Additionally, further work will need to continue in 2024-25 to fully restore governance systems, such as performance management, as we move beyond Covid-19 recovery. Our corporate policy framework will similarly need revision to reflect the current position, in particular our equalities policies; our climate change and nature emergency frameworks; as well as new legislative burdens, such as social partnership duties. Regional structures, such as the corporate joint committee are placing additional demands on officer time whilst statutory duties placed on the CJC are not yet fully funded by the Welsh Government with the risk that these will be incorporated into the levy.

Budget Timetable

The Chancellor of the Exchequer is not due to make his Autumn Statement until 22nd November 2023. The Welsh Government has

pushed back the provisional Welsh Government Budget announcement to 19th December 2023 and at present there is no date set for the Provisional Local Government Settlement announcement which follows on. This means we will be heading into the Christmas period before we have any certainty over the level of funding for 2024-25 and the late notifications from both governments will inevitably impact on the time available for public consultation on the draft budget strategy.

As indicated in the early sections of this report, work commenced on the development of the 2024-25 budget early in this financial year based on the framework agreed as part of the 2023-24 budget process. Through the autumn, a number of opportunities will be established to brief members on the emerging detail and to seek members' feedback and contributions. The Cabinet Member for Finance, Performance and Social Justice intends to establish a formal panel with membership drawn from each political group to support this process, providing a new and additional opportunity for elected members to shape the budget strategy during its formative stages. The proposed terms of reference for the panel are set out at Appendix 1.

The Cabinet made a clear commitment following their public engagement exercise in 2022 to continue to interact with residents and businesses in developing future year budgets. Through the summer and into mid-autumn a Let's Keep Talking campaign is running, capturing details of what is important to people right now and what is important to people as we look further into the future. This information will inform the budget setting process. Every member of council has also had an opportunity to contribute to this process. The workforce and trade unions have also been encouraged to have their say as part of the exercise.

Given the late notification of budget details from the governments it will be necessary to develop budget proposals based on a number of scenarios and given the scale of the anticipated budget gap, we need

to be able to implement any proposal that can assist in closing the budget as quickly as possible.

Financial Impacts:

There are no specific financial impacts that flow from this report as it is meant to describe the context within which the financial strategies of the council are being progressed.

Integrated Impact Assessment:

There is no requirement for an Integrated Impact Assessment to support this report as it provides information to inform members of the budget context.

Valleys Communities Impacts:

There are no specific valleys communities impacts flowing from this report.

Workforce Impacts:

There are no direct implications from this report.

Legal Impacts:

No impacts

Risk Management Impacts:

This report seeks to address the risk that if members do not understand the budget context they will be less able to engage with the budget process as it progresses over the autumn-winter period.

Consultation:

There is no requirement for external consultation on this report.

Recommendations:

1. Members note the report.
2. The Cabinet establishes a Budget Strategy Panel with the terms of reference and membership set out Appendix 1.

Reasons for Proposed Decision:

To ensure that each political group has a formal opportunity to shape budget proposals at a formative stage, additional to the mechanisms that currently exist. This will provide an opportunity for wider political engagement at a time when the scale of the budget challenge and the level of risk and uncertainty is significant. This will mitigate the condensed timetable that is likely to be necessary if the UK and Welsh governments provide very late notifications of budget available, as is currently indicated.

Implementation of Decision:

The decision is proposed for implementation immediately after consultation with the relevant Scrutiny Committee

Appendices:

Appendix 1 – Budget Strategy Panel – Terms of Reference

List of Background Papers:

2023-24 Revenue Budget Proposals – Council 2nd March 2023

Officer Contact:

Karen Jones, Chief Executive, e-mail chief.executive@npt.gov.uk

Budget Strategy Panel

Reports to: Cabinet

Chair: Cabinet Member Finance, Performance and Social Justice

Membership: one member from each political group – Green; Liberal Democrat; Duffryn Clydach Independents; Independents; Plaid Cymru; Labour

Terms of Reference:

- To receive and comment upon budget assumptions;
- To receive and comment upon budget proposals;
- To receive the outputs from budget consultation and engagement and offer views on how this might inform the setting of priorities and policy
- To encourage ideas, suggestions and contributions from all members of council
- To test the budget strategy Integrated Impact Assessment at its formative stage

Frequency of meeting: three weekly or at other intervals agreed by the Group

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