

## EDUCATION YOUTH & CULTURE OVERVIEW AND SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Thursday, 19 <sup>th</sup> October 2023
<b>Report Subject</b>	Budget 2024/25 – Stage 2
<b>Cabinet Member</b>	Cabinet Member for Education, Welsh Language, Culture and Leisure & Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
<b>Report Author</b>	Corporate Finance Manager and Chief Officer (Education and Youth)
<b>Type of Report</b>	Strategic

### **EXECUTIVE SUMMARY**

As in previous years, the budget for 2024/25 will be built up in stages.

The first stage has been concluded by the establishment of a robust baseline of cost pressures together with Member workshops to ensure Members had a full understanding of service budgets including current cost pressures and risks.

In September, Cabinet and Corporate Resources Overview and Scrutiny Committee received an updated position on the budget for 2024/25, which showed that we had a minimum additional revenue budget requirement estimated at £32.386m.

The report also provided an update on the work undertaken by portfolios over the Summer to review pressures, their historic outturn position and to consider further proposals for efficiencies to be considered as part of the strategy to balance the budget.

The review by Overview and Scrutiny Committees throughout October and November of budget pressures and proposed efficiency options will form Stage 2 of the budget setting process, alongside the receipt of the Welsh Local Government Provisional Settlement, anticipated on 20<sup>th</sup> December. Stage 3 will be the identification of the full set of budget solutions required to ensure a legal and balanced budget is set.

A further meeting of the Corporate Resources Overview and Scrutiny Committee (open to all Members) will be held on 16<sup>th</sup> November 2023 which will summarise the work undertaken so far to meet the budget gap.

The details of the cost pressures and proposed efficiency options for the Education and Youth portfolio and Schools, which falls within the remit of this Committee are included

within this report. The Committee is invited to review and comment on these cost pressures, proposed efficiencies, and associated risks.

The Committee is also invited to advise on any additional areas of cost efficiency it believes should be explored further and the reasoning behind the request.

A slide presentation will be made at the meeting.

## RECOMMENDATIONS

1	Review and comment on the Education and Youth portfolio's cost pressures.
2	Review and comment on the schools' budget cost pressures.
3	Review and comment on the Education and Youth portfolio's options to reduce budgets.
4	Review and comment on the options to reduce the delegated schools' budget.
5	To advise on any areas of cost efficiency it believes should be explored further.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE BUDGET POSITION 2024/25</b>
1.01	The first stage for budget setting was concluded in September where we established a robust baseline of cost pressures. The review by Overview and Scrutiny Committees throughout October and November of these cost pressures and proposed efficiency options will form part of stage 2 with stage 3 being the identification of the full set of budget solutions required to ensure a legal and balanced budget is set.
1.02	<p>In September, Cabinet and Corporate Resources Overview and Scrutiny Committee received an updated position on the budget for 2024/25, which showed that we had a minimum additional revenue budget requirement estimated at £32.386m.</p> <p>The report also provided an update on the work undertaken by portfolios over the summer to review pressures, the outturn position and to consider further proposals for efficiencies to be considered as part of strategy to balance the budget.</p>
1.03	<p>The purpose of this report is to set out in detail the cost pressures and proposed efficiency options for the Education and Youth portfolio and for the schools' budget, for consideration by the members of this Committee.</p> <p>Given the scale of the potential budget gap all services have been tasked with generating options to manage their service with a reduced budget. These options are included in the report for consideration by members of this Committee.</p>

1.04	<p><b>Education and Youth – Cost pressures and proposals for budget reductions</b></p> <p>These are set out in the paragraphs which follow.</p>																								
1.05	<p><b><u>Table 1: Education and Youth – Cost Pressures</u></b></p> <table border="1" data-bbox="288 416 1409 835"> <thead> <tr> <th data-bbox="288 416 1129 454">Cost Pressure Title</th> <th data-bbox="1129 416 1289 454">£m</th> <th data-bbox="1289 416 1409 454">Note</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 454 1129 492"></td> <td data-bbox="1129 454 1289 492"></td> <td data-bbox="1289 454 1409 492"></td> </tr> <tr> <td data-bbox="288 492 1129 530"><b>Strategic Decisions</b></td> <td data-bbox="1129 492 1289 530"></td> <td data-bbox="1289 492 1409 530">.</td> </tr> <tr> <td data-bbox="288 530 1129 607">Additional capacity for supporting schools with safeguarding</td> <td data-bbox="1129 530 1289 607">0.037</td> <td data-bbox="1289 530 1409 607">1.</td> </tr> <tr> <td data-bbox="288 607 1129 683">Increase in demand and complexity of Education Other Than At School (EOTAS) / Specialist provision</td> <td data-bbox="1129 607 1289 683">0.075</td> <td data-bbox="1289 607 1409 683">2.</td> </tr> <tr> <td data-bbox="288 683 1129 759">Additional health and safety monitor working with schools</td> <td data-bbox="1129 683 1289 759">0.050</td> <td data-bbox="1289 683 1409 759">3.</td> </tr> <tr> <td data-bbox="288 759 1129 797"></td> <td data-bbox="1129 759 1289 797"></td> <td data-bbox="1289 759 1409 797"></td> </tr> <tr> <td data-bbox="288 797 1129 835"><b>Total Cost Pressures</b></td> <td data-bbox="1129 797 1289 835"><b>0.162</b></td> <td data-bbox="1289 797 1409 835"></td> </tr> </tbody> </table> <p data-bbox="288 880 379 909">Notes:</p> <p data-bbox="288 949 1273 1021"><b>1. Additional capacity for supporting schools with safeguarding (£0.037m)</b></p> <p data-bbox="288 1043 1422 1256">The number of potential child protection cases identified by schools and their complexity has increased significantly following the pandemic. Is it also an area of increased focus by Estyn. Due to the increased demand and complexity of cases there is a requirement to increase the capacity within the School Improvement team to support schools through provision of advice and guidance on this challenging service area.</p> <p data-bbox="288 1301 1422 1373"><b>2. Increase in demand and complexity of Education Other Than At School (EOTAS) / Specialist provision £0.075m 2024/25 &amp; £0.236m in 2025/26</b></p> <p data-bbox="288 1373 1422 1917">Pupils who are not in mainstream education due to exclusion or complex needs are registered on a virtual base under Plas Derwen (pupil referral unit). The numbers of pupils registered on a virtual basis in this way has increased, this was the subject of concern during the recent inspection of Plas Derwen giving rise to a recommendation for clarity of responsibility for this provision. The Council has a statutory duty to provide educational provision for a child who is permanently excluded, and where no alternative placement can be found. The requirements of this group of learners are complex, there are limited or no places available with specialist providers who are struggling to meet their needs. A new service is being developed by Plas Derwen in response to the presenting need. The service has been successful in securing grant funding to deliver until December 2024; the calculated costs of the pressure are for running the service after this time and are indicative as the actual costs of delivery will be better understood during the role out in the current academic year 2023/24.</p> <p data-bbox="288 1973 1315 2011"><b>3. Additional health and safety monitoring officer schools £0.050m</b></p>	Cost Pressure Title	£m	Note				<b>Strategic Decisions</b>		.	Additional capacity for supporting schools with safeguarding	0.037	1.	Increase in demand and complexity of Education Other Than At School (EOTAS) / Specialist provision	0.075	2.	Additional health and safety monitor working with schools	0.050	3.				<b>Total Cost Pressures</b>	<b>0.162</b>	
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There is a joint responsibility between schools and the Council to formally monitor the compliance of health and safety standards. Legally the Council has duties under the Health and Safety at Work Act and the Management of Health and Safety at Work Regulations to ensure appropriate and effective monitoring and that reviews are carried out. Whilst control of maintained school budgets for health and safety is delegated to governing bodies, the Council retains the ultimate legal responsibility for health and safety matters where it is the employer. Delegation does not, therefore, mean that the Council does not have any further involvement in health and safety matters in schools. The Council should play a full role in the monitoring and compliance with health and safety standards.

The current budget allocation to the Corporate Health and Safety Team is insufficient to undertake these duties and demands, and the request is to increase the team by 1 professionally qualified officer.

1.06

**Table 2: Education and Youth – Budget Reductions**

<b>Budget Reduction Proposals – (From Outturn Review)</b>	<b>£m</b>	<b>RAG</b>	<b>Note</b>
Review of Youth Services	0.100	Red	1.
<b>Total</b>	<b>0.100</b>		

**Notes:**

1. Review of Youth Services (£0.100m Red risk) – Given the scale of the budget gap all portfolios have been tasked with identifying budget solutions. Initially it had been identified that a review of Youth Services could result in efficiencies of circa £0.100m from restructuring the team and a review of how assets are used. As the review has progressed it is clear now that the efficiency cannot be met for reasons outside the control of the service. The bulk of the savings planned have been offset by necessary changes to terms and conditions of employees within Youth Services, and the balance of efficiencies planned concerned assets which now need to be considered as part of a wider strategic review of those assets.

All Portfolios were required to review the budget reduction proposals which were initially proposed to assist with the 2023/24 budget but were not eventually taken forward. All the proposals from the Education and Youth portfolio that were not taken forward to form the 2023/24 budget related to offsetting base budget with grants which came with significant risk as those grants and their longevity had not been confirmed. The options of using these grants are no longer feasible, two of the three grants have ended or been reduced during 2023/24. The third related to Additional Learning Needs within the Inclusion and Progression Service. Given the increase in demand and complexity the service is experiencing, both grant and base budget are necessary to meet statutory obligations. The service is concerned about its ability to manage within budget should the grant be reduced by Welsh Government in 2024/25.

1.07

**Use of Balances and Reserves**

A review of the portfolio's balances and reserves has identified there is a one-off amount of £0.115m which will contribute to the overall general reserves.

**1.08 Schools' Budget – Cost pressures and proposals for budget reductions**

These are set out in the paragraphs which follow.

**1.09 Table 3: Schools Budget – Cost Pressures**

<b>Cost Pressure Title</b>	<b>£m</b>	<b>Note</b>
NJC Pay Award April 2023 – Est. shortfall in base	1.033	1.
NJC Pay Award Estimate – 2024/25	1.718	2.
Teachers Pay Award Sept 2022 – Shortfall in base	1.152	3.
Teachers Pay Award Sept 2023 – April to Aug 2024	1.671	4.
Teachers Pay Award Sept 2024 Estimate – Sept 2024 to March 2025	2.472	5.
Management of Specialist Foundation Provision	0.105	6.
Specialist Primary – Revenue costs of 2 additional classrooms	0.218	7.
<b>Total Cost Pressures</b>	<b>8.369</b>	

**1. NJC Pay Award April 2023 (£1.033m)**

The current budget (2023/24) contained an estimate of the costs of the in-year NJC pay award from April 2023 for schools at 5%. As things stand the final offer from the employers, a flat rate of £1,925 on all scale points, the costs of which, with on-costs for employers' national insurance and pension contributions, is higher than what was included in the budget. The pressure reflects the recurring shortfall in the base budget affecting 2024/25. The trade unions rejected the final offer and have or are in the process of balloting their members for industrial action.

**2. NJC Pay Award estimate 2024/25 (£1.718m)**

An estimate of the costs of the April 2024 NJC pay award for schools currently calculated at 5%.

**3. Teachers Pay Award Sept 2022 (£1.152m)**

An estimate of the costs of the teachers' pay award from September 2022 for schools was included in the current budget for 2023/24 at 5%. The Minister for Education made an amendment to pay for teachers in Wales in March 2023 (after budgets had been set) which increased the recurring element of the September 2022 pay awards to 6.5% from the 5%. The pressure reflects the recurring shortfall of 1.5% in the base budget.

**4. Teachers Pay Award Sept 2023 – April to August 2023 (£1.671m)**

The pressure reflects the costs of the September 2023, 5% pay award in the new financial year from April – August 2024.

**5. Teachers Pay Award Sept 2024 Estimate – September 2024 to March 2025 (£2.472m)**

An estimate of the costs of the September 2024 pay award for teachers calculated at 5%. This will have a part year effect on the 2024/25 financial year from September 2024 to March 2025.

**6. Management of Specialist Foundation Provision (£0.105m)**

During the recent Estyn inspection of Plas Derwen concerns were raised about the suitability of the management of specialist foundation provision which is where responsibility currently resides. Options have been considered and the preferred option is to transfer responsibility for management of provision from Plas Derwen to a specialist setting the specialist primary school, Ysgol Pen Coch and negotiations have been initiated with the school.

**7. Specialist Primary – Revenue costs of two additional classrooms (£0.218m 2024/25 and £0.156m 2025/26)**

The number of pupils requiring education in our specialist schools continues to grow. The primary school, Ysgol Pen Coch is full, and pupils are being educated in mainstream settings in resources that would be better placed in our specialist schools. WG capital grant has been received to fund works linked with additional learning needs and that enables an additional two modular classrooms to be built at the school, increasing its capacity by 20 learners. The pressure relates to the revenue costs associated with increasing the number of pupils at the school over the academic year 2024/25 which crosses over both financial years 2024/25 and 2025/26.

1.10

**Schools Delegated Budget – Budget Reductions**

Ensuring our learners receive the highest standards of education in our schools has always, and continues to be, a priority for the Council. The Council has always sought to protect front line education services (schools' budget) as far as possible.

The schools' budget is the largest budget in the Council. The schools delegated budget was reduced by 3% in setting the 2023/24 budget (after fully funding costs pressures for pay and energy inflation and demographic increases). Given the scale of the challenge in being able to set a balanced budget again in 2024/25 it may not be possible to protect the schools' budget from further reductions.

1.11

**Ongoing Risks**

A number of ongoing risks, outlined below, are being monitored and given further consideration which may change the additional budget forecast requirement further.

- Reliance on WG grant funding – ALN, Specialist Provision and EOTAS.**  
 The Inclusion and Progression service has seen significant increases in demand and complexity for Additional Learning Needs, Specialist Provision and Education Other Than At School (EOTAS) which is currently being further supported by additional Welsh Government grant. There are risks relating to the continuation of grant funding into 2024/25 which need to be kept under review. The service is doing everything it can to mitigate the increase in demand such as increasing in house provision where possible, however should the grant reduce without notice from Welsh Government, steps being taken to mitigate increase in demand may not have been in place long enough to avoid the need to include a budget pressure for 2024/25.
- Increase in the cost of employer teachers’ pension contributions.**  
 Anticipated from April 2024 which could be significant. There are no specific indications of the likely scale of the increase at this stage, although it is expected that it will be fully funded by UK Government.
- Further work is being undertaken to calculate the costs of demographic changes, the costs of free school meals and the impact of any changes on revenue costs due to the school modernisation programme on the schools’ budget.

1.12 **Out of County Placements**

The position on Out of County placements remains an ongoing risk and the projected overspend in the current financial year is now more than £1m. An amount of £0.500m is included in the current forecast which will need to be kept under review throughout the budget process.

1.13 **Budget Timeline**

An outline of the local budget timeline at this stage is set out in the table below:

**Table 4: Budget Timeline**

<b>Date</b>	<b>Event</b>
October/November 2023	Overview and Scrutiny Committees
19 December 2023	Welsh Government Draft Budget
19 December 2023	Cabinet
20 December 2023	Provisional Local Government Settlement
11 January 2024	Corporate Resources Overview and Scrutiny Committee
16 January 2024	Cabinet – Budget Review
20 February 2024	Cabinet and Council – Final Budget Setting
1 March 2024	WG Final Budget/Settlement

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	<p><b>Revenue:</b> the revenue implications for the 2024/25 budget are set out in the report.</p> <p><b>Capital:</b> there are no new implications for the approved capital programme for either the current financial year or for future financial years – the capital programme will be subject to a separate report</p>
<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	<ul style="list-style-type: none"> <li>• Cabinet</li> <li>• Member Budget Briefings July and October 2023</li> <li>• Specific Overview and Scrutiny Committees</li> <li>• Corporate Resource Overview and Scrutiny Committee Meetings</li> </ul>
<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As set out in the report.
<b>5.00</b>	<b>APPENDICES</b>
5.01	None.
<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<ul style="list-style-type: none"> <li>• MTFS and Budget 2024/25 Cabinet Report July 2023</li> <li>• MTFS and Budget 2024/25 Cabinet Report September 2023</li> <li>• Member Briefing Slides</li> </ul>
<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Medium Term Financial Strategy (MTFS):</b> a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p><b>Revenue:</b> a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p>

**Budget:** a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.

**Budget Requirement:** The amount of resource required to meet the Councils financial priorities in a financial year.

**Forecast:** An estimate of the level of resource needed in the future based on a set of demands or priorities.

**Capital:** Expenditure on the acquisition of **non-current assets** or expenditure which extends the useful life of an existing asset.

**Revenue Support Grant:** the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.

**Specific Grants:** An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.

**Welsh Local Government Association:** the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.

**Financial Year:** the period of 12 months commencing on 1 April.

**Local Government Funding Formula:** The system through which the annual funding needs of each council is assessed at a national level and under which each council's Aggregate External Finance (AEF) is set. The revenue support grant is distributed according to that formula.

**Aggregate External Finance (AEF):** The support for local revenue spending from the Welsh Government and is made up of formula grant including the revenue support grant and the distributable part of non-domestic rates.

**Provisional Local Government Settlement:** The Provisional Settlement is the draft budget for local government published by the Welsh Government for consultation. The Final Local Government Settlement is set following the consultation.

**Funding Floor:** a guaranteed level of funding for councils who come under the all-Wales average change in the annual Settlement. A floor has been a feature of the Settlement for many years.