

EDUCATION, YOUTH & CULTURE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Thursday, 17 th October 2024
Report Subject	Budget 2024/25 – Stage 2
Cabinet Member	Cabinet Member for Education, Welsh Language, Culture and Leisure; and Cabinet Member for Finance and Social Value
Report Author	Corporate Finance Manager and Chief Officer (Education and Youth)
Type of Report	Strategic

EXECUTIVE SUMMARY

As in past years, the budget for 2025/26 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 and individual Group Briefings to ensure Members had a full understanding of the Council's concerning overall financial position.

In September, Cabinet and Corporate Resources Overview and Scrutiny Committee received an updated position on the budget for 2025/26, which showed that we had an additional revenue budget requirement estimated at £38.420m which presents a serious and major budget challenge for the Council – proposed solutions to bridge this gap are currently being developed and will be shared with members in due course.

This review by Overview and Scrutiny Committees throughout October and November is aimed at reviewing and scrutinising the portfolio cost pressures to provide assurance that they are an essential requirement for the 2025/26 budget and that there is no scope to remove / defer them to assist with dealing with the budget challenge.

The draft Welsh Government Budget is scheduled to be announced on 10 December and the Provisional Welsh Local Government Settlement is expected to be received on 11 December.

Stage 3 of the budget process will be the identification of the full set of budget solutions required to ensure a legal and balanced budget is set in line with the Council's overall available funding envelope.

The details of the cost pressure options for the Education & Youth Portfolio and Schools which fall within the remit of this Committee are included within this report. The Committee is invited to review and challenge these cost pressures and associated risks.

RECOMMENDATIONS

1	Review and comment on the Education and Youth portfolio's cost pressures.
2	Review and comment on the schools' budget cost pressures.

REPORT DETAILS

1.00	EXPLAINING THE BUDGET POSITION 2025/26								
1.01	The first stage of the 2025/26 budget process has been concluded by the establishment of a robust baseline of cost pressures together with Member workshops and individual Group Briefings to ensure Members had a full understanding of the Council's concerning overall financial position.								
1.02	In September, Cabinet and Corporate Resources Overview and Scrutiny Committee received an updated position on the budget for 2025/26, which showed that we had an additional revenue budget requirement estimated at £38.420m which presents a serious and major budget challenge for the Council – proposed solutions to bridge this gap are currently being developed and will be shared with members in due course.								
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1.04	<p>The draft Welsh Government Budget is scheduled to be announced on 10 December and the Provisional Welsh Local Government Settlement is expected to be received on 11 December.</p> <p>Stage 3 of the budget process will be the identification of the full set of budget solutions required to ensure a legal and balanced budget is set in line with the Council's overall available funding envelope.</p>								
1.04	<p>Education & Youth – Cost pressures</p> <p>These are set out in the paragraphs which follow.</p>								
1.05	<p><u>Table 1: Education & Youth – Cost Pressures</u></p> <table border="1"> <thead> <tr> <th>Cost Pressure Title</th> <th>£m</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td>Joint Archive Service – Borrowing Costs</td> <td>0.008</td> <td>1.</td> </tr> </tbody> </table>			Cost Pressure Title	£m	Note	Joint Archive Service – Borrowing Costs	0.008	1.
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Management of Specialist Foundation Provision	0.135	2.
EOTAS / Specialist Provision – Estyn Inspection of Plas Derwen	0.382	3.
EOTAS / Specialist Provision – Medical Need	0.274	4.
ALN Reforms – Transfer of Post 16 Responsibilities	0.135	5.
Youth Justice Service – Grant Funding Reduction	0.093	6.
Youth Services – Grant Funding Reduction/Loss	0.278	7.
Eligible Free School Meals – Holiday Provision	0.462	8.
21C Schools Band B Borrowing Cost	0.804	9.
Sustainable Communities for Learning - Rolling Capital Investment Programme	0.285	10.
Total Cost Pressures	2.856	

Notes:

1. Joint Archive Service – Borrowing Costs £0.008m

Additional borrowing costs related to the joint archive service capital investment scheme.

2. Management of Specialist Foundation Provision £0.135m

During the 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 the specialist primary school, Ysgol Pen Coch and negotiations have been initiated with the school. The pressure relates to additional leadership and management costs.

3. EOTAS / Specialist Provision – Estyn Inspection of Plas Derwen £0.382m

Review of the provision of education to the growing numbers and needs of pupils accessing education other than at school (EOTAS). An alternative service delivery model has been developed using Shared Prosperity Fund in the first instance, however it is uncertain whether this funding will continue past December 2024.

4. EOTAS / Specialist Provision – Medical Need £0.274m

Review of the provision of education to learners accessing tuition through specialist provision or education other than at school (EOTAS), due to medical needs. There has been an increase in demand for this alternative provision which has resulted in an increased reliance on grant funding to make this statutory provision. This is unsustainable going forward and needs to be factored into the base budget.

5. ALN Reforms – Transfer of Post 16 Responsibilities £0.135m

Under the Additional Learning Needs and Education Tribunal (Wales) Act 2018, local authorities are required to make decisions on placements at Independent Special Post 16 Institutions (ISPIs) and to secure such placements as young people move across to the ALN system. This has previously been funded through the Local Authority Education Grant, however, it is unclear how long this arrangement will continue and we are awaiting the final proposals from Welsh Government.

6. Youth Justice Service – Grant Funding Reduction £0.093m

In 2022 the Ministry of Justice indicated a 3 year funding programme to deliver the “Turnaround” prevention programme. The Ministry of Justice have indicated that the funding will not be continued past March 2025. This grant has been utilised towards core staffing provision and therefore a pressure will be required to support continuation of service.

7. Youth Services – Grant Funding Reduction/Loss £0.278m

Two grants which support Youth Services (Families First and the Youth Support Grant) are subject to recommissioning and it is unknown what the funding commitment will be beyond March 2025. These grants have historically been utilised towards the staffing provision and therefore a pressure will be required to support continuation of service.

8. Eligible Free School Meals (eFSM)– Holiday Provision £0.462m

Welsh Government (WG) previously committed to fund eFSM throughout the school holidays to ensure the most vulnerable learners had access to meals throughout the school breaks. Since WG have withdrawn the funding, the Council has chosen to support families who would be entitled locally, with a fixed payment. In 2024/25 this has been met from reserves and therefore it will need to be transferred into the base budget if the Council were to commit to continuing this fixed payment throughout the summer, Easter and Christmas holidays, going forward.

9. 21C Schools Band B Borrowing Costs £0.804m

Ongoing borrowing costs relating to the previously approved 21st Century Schools Band B programme.

10. Sustainable Communities for Learning - Rolling Capital Investment Programme £0.285m

Additional borrowing costs relating to the rolling Sustainable Communities for Learning capital investment programme.

1.06

Schools’ Budget – Cost pressures and proposals for budget reductions

These are set out in the paragraphs which follow.

Table 2: Schools Budget – Cost Pressures

Cost Pressure Title	£m	Note
NJC Pay Award Estimate – 2025/26	1.517	1.
Teachers Pay Award – April to Aug 2025	1.831	2.
Teachers Pay Award – Sept 2025 to March 2026	2.164	3.
Resource Provision at Flint High	0.185	4.
Specialist Primary – Revenue costs of additional accommodation	0.198	5.
Specialist Secondary - Mobile Classroom Provision	0.119	6.
School Deficits	0.750	7.
Total Cost Pressures	6.764	

Notes:

1. NJC Pay Award estimate 2025/26 £1.517m

An estimate of the costs of the April 2025 NJC pay award for schools, currently calculated at 4%.

2. Teachers Pay Award April to August £1.831m

The pressure reflects the costs of the September 2024 pay award (assumed at 5%) in the new financial year from April to August 2025.

3. Teachers Pay Award September to March £2.164m

An estimate of the costs of the September 2025 pay award for teachers, calculated at 4% (7 months impact; September 2025 to March 2026). This will also have a part year effect on the 2026/27 financial year from April to August 2026.

4. Resource Provision at Flint High £0.185m

Flint High School has an Enhanced Class Base catering for 10 KS3 pupils who do not require a specialist school, but need a high level of support. It is anticipated that the number within this provision will increase over a 5 year period to a potential maximum of 25 pupils. This resource has been funded using ALN Provision Grant since it was established in September 2022, however there is no confirmation of grant funding post 2024/25, therefore, to continue providing this service, a base budget provision is required in 2025/26 and beyond.

5. Specialist Primary – Revenue costs of additional accommodation £0.198m

Demand for specialist education has increased sharply. The County's Specialist Primary school is full, with approx. 20 pupils waiting for provision. It is difficult to find suitable placements externally due to limited capacity and increased national demand and places are costly ranging from £50k-£100k per placement. Using capital ALN funding from WG, we are exploring a medium-term solution

for alternative accommodation and this cost pressure relates to the revenue costs associated with the increase in the number of places in the school.

6. Specialist Secondary - Mobile Classroom Provision £0.119m

This pressure relates to the revenue costs associated with the provision of temporary classroom space to create additional capacity in our Specialist Secondary school from September 2024, which was approved as part of the 2024/25 budget. This pressure is required to adjust the budget for the full year impact. Risks remain around the cost of the pressure, due to the ever-increasing demand for Specialist provision.

7. School Deficits £0.750m

This funding was previously set aside following Estyn recommendation to provide additional support to schools in financial difficulty. Based on future budget forecasts, school deficit balances are likely to increase further, and the reinstatement of this budget would assist schools through the transition phase of restructuring, to enable them to set balanced budgets going forward.

1.08

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.

- Increased demand and reliance on Welsh Government 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 2025/26 which are somewhat factored into the pressures listed for the Education and Youth Service. The service is doing everything it can to mitigate increases in demand, such as increasing in house provision where possible, however, steps being taken to mitigate increase in demand may not have been in place long enough to avoid the need to include a further budget pressure for 2025/26.
- Increase in the cost of employer teachers' pension contribution from April 2024, which we are currently assuming will be fully funded by UK Government. We are awaiting confirmation of the exact settlement for 2024/25 and future years.
- 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.

1.09	<p><u>Out of County Placements – Cost Pressure</u></p> <p>The current forecast includes an additional budget requirement of £0.500m for out of county placements split between Education and Social Services. The pooled budget service is already projecting an overspend in excess of this due to the continuing high demand for specialist provision in Education and Social Services so will need to be kept under continuous review. Although in-house provision is being further developed in both areas, this cannot meet the levels of demand currently being experienced with significant numbers of new placements being made in 2024/25 and no sign of any future reduction in demand. There are also market supply issues and inflationary factors which are further influencing this overspend. There is a significant risk that the current level of pressure allocated will not meet the total cost of the full year impacts in 2025/26 of the new placements made during 2024/25, together with further new placements which will need to be made during 2025/26. The cost pressure is continually under review and will be considered further as part of Stage 3 of the budget process.</p>																		
1.10	<p>Budget Timeline</p> <p>An outline of the local budget timeline at this stage is set out in the table below:</p> <p><u>Table 5: Budget Timeline</u></p> <table border="1" data-bbox="288 1010 1353 1435"> <thead> <tr> <th>Date</th> <th>Event</th> </tr> </thead> <tbody> <tr> <td>October/November 2024</td> <td>Overview and Scrutiny Committees</td> </tr> <tr> <td>10/11 December 2024</td> <td>Draft Welsh Government Budget and Provisional Local Government Settlement</td> </tr> <tr> <td>17 December 2024</td> <td>Cabinet</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>16 January 2025</td> <td>Overview and Scrutiny Committees – as required</td> </tr> <tr> <td>21 January 2025</td> <td>Cabinet – Budget Review</td> </tr> <tr> <td>18 February 2025</td> <td>Cabinet and Council – Final Budget Setting</td> </tr> <tr> <td>February 2025</td> <td>Welsh Government Final Budget/Settlement</td> </tr> </tbody> </table>	Date	Event	October/November 2024	Overview and Scrutiny Committees	10/11 December 2024	Draft Welsh Government Budget and Provisional Local Government Settlement	17 December 2024	Cabinet			16 January 2025	Overview and Scrutiny Committees – as required	21 January 2025	Cabinet – Budget Review	18 February 2025	Cabinet and Council – Final Budget Setting	February 2025	Welsh Government Final Budget/Settlement
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2.00	<p>RESOURCE IMPLICATIONS</p>
2.01	<p>Revenue: the revenue implications for the 2025/26 budget are set out in the report.</p> <p>Capital: 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>

3.00	<p>CONSULTATIONS REQUIRED / CARRIED OUT</p>
3.01	<ul style="list-style-type: none"> • Cabinet • Member Budget Briefings July and October 2024

	<ul style="list-style-type: none"> • Specific Overview and Scrutiny Committees • Corporate Resource Overview and Scrutiny Committee Meetings
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4.00	RISK MANAGEMENT
4.01	As set out in the report.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • MTFS and Budget 2025/26 Cabinet Report July 2024 Agenda - Cabinet 23.07.2024 • MTFS and Budget 2025/26 Cabinet Report September 2024 Agenda - Cabinet 25.09.2024 • Member Briefing Slides

7.00	GLOSSARY OF TERMS
7.01	<p>Medium Term Financial Strategy (MTFS): 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>Revenue: 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> <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.</p> <p>Budget Requirement: The amount of resource required to meet the Councils financial priorities in a financial year.</p> <p>Forecast: An estimate of the level of resource needed in the future based on a set of demands or priorities.</p>

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.