

15th December 2023

FINANCE UPDATE 2024-25

Purpose

1. This paper provides an update the position presented to the WLGA Executive on 24th November. It also sets out the forthcoming key dates in the finance calendar at Appendix 1.

Analysis

2. There are now more accurate estimates of the teachers' and firefighters' pension pressure from the Welsh Government. The publication of the Autumn Statement by the UK Government in November signalled an increase in employer contributions for the teachers' pension scheme of 5%, from 23.6% to 28.6% from 1st April 2024 which will cost £64.3m. These costs have been based on no increase to pay for 2024-25 academic year.
3. A similar revaluation of the fire and rescue services pension scheme will lead to an overall increase in employer contributions for FRAs from 1st April 2024 of £2.8m. The WLGA, and most local authorities, are assuming that this will be fully funded, as it was at the last revaluation.
4. Also, at the end of October, it became apparent that part of the teachers' pay award for 2023-24 would not be funded on a recurrent basis from 2024-25. This puts an additional unfunded pressure of £21.3m on next year's budget, this is despite an assurance in the Minister's letter of 9th March 2023 that it was fully funded.
5. Estimates contained in the original report can now be reprofiled. In 2024-25 local authorities will face an increased estimated pressure of £809m rather than £720m – an additional £89m. In 2025-26 it will be £604m and £613m in 2026-27.
6. If the pensions contributions are funded but the pay pressure is not, the aggregate annual budget gap in each of the next 3 years is £432m, £429m and £433m in the run up to 2026-27. Leading to a potential cumulative funding gap of £1.294bn.

Recommendations

7. **Members are asked to:**

- 7.1 **Note the contents of the report.**

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Appendix 1

Finance Key Dates 2023-24

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|-----------------|---|
| 06 September | Distribution Sub-Group formula workshop |
| 07-08 September | SOLACE Conference |
| 08 September | SWT Survey deadline |
| 08 September | SWT Development Day |
| 11 September | Senedd returns from summer recess |
| 14 September | WLGA Conference |
| 15 September | WLGA Executive Board |
| 26 September | Joint Council for Wales |
| 29 September | SWT |

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| 12 October | Finance Sub-Group on Administrative Burden Review |
| 16 October | Fairer Council Tax - Leaders' meeting with Minister for Finance & Local Government |
| 24 October | Local Taxation Working Group |
| 25 October | Finance Sub-Group |
| 27 October | WLGA Management Sub Committee |
| 27 October | WLGA Executive Board |

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| 07 November | Finance Cabinet Members' Network Meeting |
| 09 November | Welsh Government Tax Conference |
| 09 November | Senedd Engagement – South West Wales (Sponsor- Mike Hedges, Leaders – Rob Stewart, Steve Hunt, Hugh David) |
| 09 November | Senedd Engagement - Mid and West Wales (Sponsor- Mabon ap Gwynfor, Leaders - Darren Price, Bryan Davies, David Simpson) |
| 10 November | Senedd Engagement - North Wales (Sponsor- Sam Rowlands, Leaders- Dyfrig, Jason and Ian) |
| 13 November | Fairer Council Tax - Leaders' meeting with Minister for Finance & Local Government |
| 14 November | Local Taxation Working Group |
| 14 November | Distribution Sub-Group |
| 17 November | Senedd Engagement* - South Wales East and South Wales Central (Sponsor- Peter Fox MS, Leaders- Anthony, Andrew, Lis Burnett, Sean Morgan) |
| 22 November | CIPFA Wales Conference |
| 22 November | Autumn Statement and OBR Forecasts |
| 23 November | Finance Seminar |
| 24 November | WLGA Executive Board |
| 24 November | SWT |
| 30 November | Deadline for Senedd Inquiry in WG Budget 2024-25 |

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| 15 December | WLGA Executive Board |
| 15 December | SWT |
| 18 December | Senedd Christmas recess to 07 January |
| 19 December | Draft Welsh Government Budget |
| 20 December | Provisional LGF Settlement |

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| 16 January | Unison Local Government Seminar |
| 18 January | Local Government & Housing Committee – Scrutiny of WG Budget 2024-25 - Cllr Lis Burnett, Cllr Jane Gebbie, Cllr Dyfrig Siencyn & Cllr Charlie McCoubrey, |
| 18 January | Finance Committee – Scrutiny of WG Budget 2024-25 - Cllr Andrew Morgan, Cllr Llinos Medi, Cllr Mary Ann Brocklesby & Cllr Anthony Hunt |
| 19 January | Senedd Engagement Session: South East Wales and South Wales Central |
| 25 January | Local Government & Housing Committee – LGF Bill |
| 26 January | WLGA Executive Board |

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| 01 February | Senedd Engagement Session: South Wales West |
| 24 February | WLGA Executive Board |
| 27 February | Welsh Government Final Budget and LGF Settlement |