

CABINET: DYDD IAU, 13 IONAWR 2022 at 2.00 PM

Cynhelir Cyfarfod Cabinet ar ffurf Cyfarfod Ar-lein ar 13 Ionawr 2022 am 2pm

A G E N D A

- 1 DIWEDDARIAD MODELU CYLLIDEB 2022/23 A'R GOFYNION YMGYNGHORI
(*Tudalennau 3 - 24*)

PAUL ORDERS
Chief Executive

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**CARDIFF COUNCIL
CYNGOR CAERDYDD**



CABINET MEETING: 13 JANUARY 2022

2022/23 BUDGET MODELLING UPDATE AND CONSULTATION REQUIREMENTS

**FINANCE, MODERNISATION AND PERFORMANCE
(COUNCILLOR CHRIS WEAVER)**

AGENDA ITEM: 1

Reason for this Report

1. To provide an update on budget preparation for 2022/23, including the impact of the Provisional Local Government Financial Settlement (Provisional Settlement).
2. To provide details of the consultation that will take place to inform Cabinet's final Budget Proposal for 2022/23.

Background

3. The 2022/23 Budget Strategy Report was considered by Cabinet in July 2021 as part of an update to the Council's Medium-Term Financial Plan (MTFP). It set out a potential budget reduction requirement ('budget gap') of £21.3 million for 2022/23 and £80.9 million for the period 2022/23 - 2025/26. The budget gap was a result of anticipated funding failing to keep pace with financial pressures.
4. In the absence of indicative Welsh Government funding figures, the July 2021 position was based on an assumed level of general grant funding for 2022/23. Since then, the Provisional Settlement for 2022/23 has provided clarity on the funding position.
5. The MTFP presented in July 2021 was set against the unprecedented backdrop of the COVID-19 pandemic which has resulted in significant financial challenges for the Authority. As such, it has remained critical that budget modelling, including the impact of all external factors have been kept under continuous review, and updated as appropriate.
6. In light of the issues set out above, and in order to ensure that consultation is based on the most up to date information available, this report updates budget modelling for 2022/23 in order to reflect the Provisional Settlement, other emerging issues and most recent data modelling.

7. This year, the 'Ask Cardiff' survey included budget-themed questions. This report summarises the findings from 'Ask Cardiff' and uses them as the basis for framing the budget consultation that is shortly due to commence.

Issues

8. Cabinet is required, prior to the 11th March 2022 to place before the Council, proposals, which if approved, would result in the adoption of a balanced budget for 2022/23. The public consultation proposed by this report will inform the preparation of Cabinet's final draft budget for consideration by Council in early March 2022.

Timescales

9. Due to the timing of the UK Autumn Budget, which took place in late October, the Provisional Settlement was not received until the 21st December 2021. The Provisional Settlement is a critical factor in drafting the budget strategy and, as identified later in the report can significantly affect the overall position.
10. The timing of the proposed consultation ensures that the draft budget that underpins the consultation fully reflects the Provisional Settlement, so that the position being consulted upon is as accurate as possible. Subject to Cabinet approval, consultation on the 2022/23 Budget will commence on 13th January 2022 and run until 4th February 2022.

COVID-19 Pandemic

11. The COVID-19 virus and associated public health measures have had significant financial implications for the Council, both in terms of additional costs and loss of income. During 2020/21, the Welsh Government put in place a COVID-19 Hardship Fund to support Local Authorities in managing additional costs, or income loss, as a direct result of the pandemic. Hardship Fund Support was subsequently extended into 2021/22 and will run until the end of this financial year. However, the Hardship Fund is not expected to be in place during 2022/23, and this represents a significant risk to the Council in terms of budgetary planning and financial resilience. This is illustrated in the paragraphs below, which set out the significant levels of support the Council has required from the Fund to date.
12. For the financial year 2020/21, the Council's hardship fund claims totalled £47.7 million in respect of expenditure, and £38.2 million in respect of income. For the financial year 2021/22, the Council's hardship expenditure claims to date (April to November) total £18.7 million, with income claims for the first two quarters of the financial year totalling £9.9 million.

13. Additional costs incurred and supported from the fund include the procurement of protective equipment and operational changes required to ensure the safe delivery of services. Costs also include the provision of emergency accommodation for homeless people, and the continued provision of food / financial assistance to those entitled to free school meals whilst schools were closed, and to pupils self-isolating. In addition, they reflect the provision of financial support to care providers, and other schemes run on behalf of WG, including self-isolation payments and statutory sick pay enhancement.
14. Income loss directly associated with the pandemic relates to the closure of the Council's cultural and sporting venues, including theatres, Cardiff Castle and Cardiff International White Water. At periods during the last two years, there has also been a reduction in activity in other income generating areas including parking, moving traffic offences, trade waste and school catering.
15. The level of financial support received by the Council from the Hardship Fund during 2020/21 and 2021/22 emphasises the extent of the impact that the pandemic has had on Local Authority finances. It should also be noted that whilst the figures quoted above represent the immediate impact Covid has had, there are significant longer tail challenges, both akin to the issues outlined above, but also with regards to significant demand increases now being seen in some areas, including Social Care. Whilst vaccination programmes had supported the easing of restrictions for part of 2021, the situation remains uncertain, with the Omicron variant now presenting significant challenges. This is the critical contextual backdrop against which the 2022/23 Budget is being set. The Budget will need to be sufficiently robust to ensure that the Council can continue to cope with these financial pressures in the absence of future year Hardship Fund Support.

Provisional Local Government Settlement

16. On the 21st December 2021, the Minister for Housing and Local Government announced the Provisional Settlement for 2022/23. The Minister's statement and key data table is attached at **Appendix 1**.
17. The headlines of the settlement are included below:
 - On average, Welsh Local Authorities will receive a 9.4% increase in general revenue funding next financial year.
 - Individual Authority Settlements range from +8.4% to 11.2%.
 - Grants totalling £18.6 million at an All Wales level will transfer into Revenue Support Grant (RSG) in 2022/23. The most significant of these are Gate Fees and an element of the Social Care Workforce Grant.
 - There will be no 'floor' protection in 2022/23.

- Individual Local Authority allocations are for one year only. However, indicative All Wales allocations of 3.5% and 2.4% are set out for the years 2023/24 and 2024/25 respectively.
18. Cardiff will receive a 10.7% increase in Aggregate External Finance (AEF) in 2022/23 (£52.6 million in cash terms after adjusting for transfers). Included within the settlement is funding for additional pressures, for example agreed support for the payment of the Real Living Wage in the care sector as announced by the Deputy Minister for Social Services on 21st December 2021. ([Statement linked here](#)) It also includes allowances for increased pay and national insurance contributions from April 2022. From a financial resilience and risk perspective, as noted earlier in the report, in the absence of any Local Authority Hardship Fund next year, the Council will need to ensure it can cover any ongoing COVID 19 related pressures (both expenditure and income) from within this allocation.
19. In addition to AEF, the Provisional Settlement provides some details on specific revenue grant streams, with the majority continuing at existing levels, although information on specific individual local authority allocations is still awaited. Notable changes (at an all Wales level) include:
- A new £40 million grant associated with Welsh Government's recently announced plan to extend Free School Meal provision
 - A £22.8 million increase to the Childcare grant, also associated with recent Welsh Government announcements.
 - A £12.0 million increase to Pupil Development Grant
 - A £14.6 million decrease to the Regional Consortia Improvement Grant
 - A £31.3 million decrease to the Recruit Recover Raise Standards Grant
20. As indicated above, specific grant announcements include significant new allocations linked to recent WG policy announcements, including Free School Meals and Childcare. It is difficult to comment on the quantum of these sums at present. As further detail emerges on the implementation of these policies in 2022/23, the associated cost implications will need to be carefully worked through in the context of these funding allocations.
21. Cardiff's Capital Settlement is a £0.480 million increase in General Capital Funding for 2022/23 (2.7%). Indicative increases are £3.9 million in each of 2023/24 and 2024/25. At present, it is unclear whether these increases will be sustained in baseline GCF allocations beyond 2024/25. There is little detail in terms of specific grant awards for Cardiff. As in previous years, these would need to be on a bid basis which can make long term financial planning difficult. This applies to the £20 million decarbonisation sum announced at an All-Wales level. Whilst the additional GCF allocation is welcome in future years, there are significant cost pressures inherent in the existing programme due to supply chain

cost increases, demand for investment to maintain condition, and capital receipt assumptions. Cabinet's final budget proposal will include an update on the programme and major projects.

Comparison to Planning Assumptions

22. In the absence previously of any indicative figures, it has been very difficult to gauge future funding allocations. The position is linked to economic uncertainties at a UK level, what these may ultimately mean for the Welsh Block Grant, and in turn the Local Government Settlement. Wales Fiscal Analysis (WFA), a research unit within Cardiff University's Wales Governance Centre, does however regularly undertake useful modelling in this area.
23. The UK Government's pre-COVID spending plans were significantly dampened in both November 2020 and March 2021 as a result of the pandemic. Taking those into account, WFA modelling suggested 0.9% to be a realistic assessment of 2022/23 AEF increases in the earlier part of the year. However, the position turned around significantly in recent months, following the UK's Autumn Budget, which was set against an improved economic outlook that included a favourable reassessment of the extent to which the pandemic has done lasting damage to the economy, lower forecasts of borrowing and improved projections for unemployment.
24. Locally in response to these national forecasts, the planning assumption reflected in the Council's September MTFP was a potential 1% funding increase for 2022/23 which was significantly lower than the actual Provisional Settlement received and now reflected in this update report.
25. This shows the difficulties in projecting funding settlements, and the speed with which things can change. Consequently, whilst projected allocations for 2023/24 and 2024/25 are a welcome step forward, it is important to recognise that these are just indicative at this stage. It must also be emphasised once again, that whilst the 2022/23 settlement is more favourable than expected, it comes with the expectation that additional pressures will need to be funded and most significantly, that COVID-19 related pressures will be managed without recourse to additional external funding support.

Budget Modelling Update

26. The Council's MTFP undergoes regular review to ensure it reflects the most up to date and robust information. Updates since the last MTFP report in September include the impact of:
 - The Provisional Settlement, announced on 21st December 2021.
 - The Voluntary Living Wage rate announced in November 2021.
 - Announcements and updates associated with the October 2021 UK Budget, including NLW rates for 2022/23 and updated inflation forecasts.
 - Review of pay award assumptions in light of updated inflation forecasts.

- Most recent pricing information in relation to key commissioned services.
 - Pupil numbers on role in September 2021
 - The need to address base pressures, evident through in year monitoring in some areas.
27. In addition to the areas of update noted above, careful consideration has also been given to the ongoing impact of the pandemic on the Council's finances in 2022/23. As set out in paragraphs 11-15, the pandemic has had a significant financial impact on the Council in terms of both additional costs and lost income. In the absence of a 2022/23 Hardship Fund, these pressures will need to be factored into the Council's 2022/23 Budget Plans. Modelling undertaken during the Autumn suggested potential significant ongoing income losses during 2022/23 as facilities continue to build back to pre-pandemic levels of receipts. In recent weeks, the emergence of the Omicron variant has added to the risk, where again it has been necessary to close some Council facilities. In terms of expenditure, we are likely to still require significant levels of PPE, testing supplies etc, there is still the likelihood of high staff absence necessitating cover in critical areas and the full-service impact of changes post pandemic are not yet known. At this stage, a sum has been set aside in the base to cover both the expenditure and income impact in 2022/23 of £10M. The adequacy of this sum will need to be regularly reviewed and may need to be supplemented by one off resources if necessary. The financial impact of the pandemic is a key area of financial risk for the Council next year that will require careful management
28. Taking account of the above updates, the current resource requirements modelled for 2022/23 are set out in the table below:

Resources Required	£000	
Base Budget B/F	687,358	Adjusted for transfers
Pay Award and NI changes	6,034	• Assumed 3% NJC award & NI changes
Price Inflation	5,773	• Includes: £4.4m Adult Social Care
Financial Pressures	20,497	• Covid Recovery (£10m) • Real Living Wage (care) sum to be finalised • Social Services staffing pressures
Commitments	3,117	• £1.4m CTRS associated with Ctax increase • £0.550m levies & contributions
Realignments	5,100	• £4.687m Children's Services • Renewable energy, waste, EOTAS, legal
Capital Financing	2,972	• Associated with existing capital programme
Demographic Pressures	8,425	• £5.9m Adults, £1.8m Children's, £0.7m other
Schools Growth	8,685	• Assumed pay awards of (3%) for 22/23 • Pupil Number Growth and LDP implications • Net of Schools contribution to Band B
Savings	(9,123)	• See further below
Resources Required	738,838	

29. At Provisional Settlement, resources available are as shown in the table below:

	£000	
Aggregate External Finance	544,715	• Per Provisional Settlement
Council Tax	203,122	• With 2022/23 tax base & modelled 4% uplift
Resources Available	747,837	

30. Based on the modelling above, available resources currently exceed resource requirements by £8.999 million. However, at this stage, the draft nature of the modelling must be emphasised. The purpose of this report is not to present Cabinet's final draft budget for 2022/23. In arriving at that position, many details are yet to be finalised. Some of these areas of work / ongoing risk and uncertainty are set out below:

- The expenditure and income assumptions underlying the budget are continually being reviewed as part of normal budget preparation work.
- There is uncertainty on specific grant levels in some area next year, notably Integrated Care Fund (ICF) funding streams, which are a core area of support for Social Services.
- Work is required to fully quantify the financial impact of supporting the Real Living Wage in commissioned care rates.
- Assumptions regarding pay awards in light of inflation levels, and in the absence of an agreed award for the current financial year.
- Further clarity is required regarding new specific grants announced in support of specific initiatives (Free School Meals for foundation phase pupils and childcare) in order to determine the adequacy of the streams to deliver the required change
- The continually changing picture in relation to COVID19 needs to be further reviewed
- Any areas of targeted investment following feedback from the consultation exercise

31. In finalising work in relation to the above, additional sums may be required to fully deliver on initiatives announced as part of the settlement, and to protect the Council's financial resilience. Alongside that work, Cabinet will continue to carefully consider all aspects of the Budget Strategy in building their draft budget for next year. This will include proposed levels of Council Tax, savings and use of reserves, all of which are detailed further below. In addition, careful consideration will be given to the feedback from consultation, and targeted investment opportunities.

Aspects of Financial Strategy for Ongoing Review

Use of Reserves

32. The updated draft budget modelling does not include use of reserves. Over-reliance on reserves as budget funding should be avoided, as they are a finite resource. Reserves form an important part of financial

resilience, and this is more important than ever in light of the Covid-19 related risks set out earlier in the report.

Council Tax

33. The Council will have due regard to the level of the increase in council tax in 2022/23 but must balance this against the need to fund key services. The modelled increase assumed within the MTFP at July 2021 was 4%. At present, this assumption has been retained for illustrative purposes, but the final level of Council Tax will only be decided following the consultation process, as part of the final budget proposal.
34. A 4% increase would generate net additional income of £6.369 million after associated increases in the Council Tax Reduction Scheme (CTRS). As council tax represents just over a quarter of the Council's overall funding, an increase of 4% is approximately equivalent to a 1% increase in the Council's overall budget.
35. The CTRS will continue to be funded on all Wales basis at the same level provided within the Revenue Support Grant in 2014/15 (£244 million nationally). This means that costs associated with Council Tax uplifts and changing caseloads must be funded by the Council. Whilst a 1% council tax increase generates additional income of £1.953 million for the Council, it also costs £361,000 in additional CTRS requirements, thus reducing net additional income to £1.592 million. In other words, 18% of any Council Tax increase is required to support costs associated with the CTRS.

Budget Savings

36. The Council has identified over £200 million in savings over the past decade.
37. In the context of a more positive funding settlement, target savings for 2022/23 have been reviewed in order to ensure that they minimise impact on service delivery, especially given the pressures from external factors such as COVID-19 and Brexit, and that they are deliverable and appropriate in the context of the Council's financial resilience, both next year and over the medium term.
38. Savings currently reflected in the modelled position total £9.123 million. These include efficiency savings in Schools and across directorates together with targeted measures on other corporate budget heads.
39. Efficiency savings are defined as achieving the same output (or more) for less resource, with no significant impact on the resident / customer. Significant work has already progressed to identify efficiency savings across services that can deliver against target requirements.
40. In line with the Council's July 2021 Budget Strategy Report, in order to improve the deliverability of savings and maximise the chances of securing full year savings in 2022/23, efficiency proposals that do not

require a policy decision will be implemented in the current year wherever possible.

41. In terms of the split between Individual School Budgets (ISB) and other Council services, it is proposed at this stage to restrict the schools efficiency target to 1%. This would contribute £2.566M to the overall target.
42. The remaining £6.557 million is targeted at other Council services Corporate budget heads, and would include actions such as:
 - Review of staffing arrangements
 - Reductions in premises costs
 - Reductions in external spend
 - Budget review / alignment
 - Income opportunities
 - Re-design and changes in the operating model for services
43. There has been a continued focus on exploring income opportunities however, given the impact of the COVID-19 pandemic on income funded areas, such opportunities are more limited than in previous years.

Allocation of Resources

44. It is important to allocate scarce resources in line with the Council's priorities and with regard to their impact on future generations. Any proposals for savings or opportunities for investment will continue to be framed by the priorities and objectives set out in Capital Ambition and the Council's Corporate Plan, which is being updated alongside the budget.

Medium Term Planning Implications

45. Whilst the funding position for 2022/23 is more positive than initially assumed, the overall position both next year and beyond are layered with uncertainty. The Council must therefore continue to strengthen financial resilience and build a robust position from which to move forward. This must include ensuring that all savings newly proposed for 2022/23 are at a realistic and manageable level and that base budgets adequately reflect rising demand, inescapable pressure and further potential impact of COVID 19. There will also be a need to adequately resource service growth and modernisation, in order to help the Council approach the uncertainties of the medium term.
46. Whilst the focus of this report is the annual budget proposals for 2022/23, work is ongoing to revisit the assumptions within the MTFP and the detail of this will be reported along with the Council's other financial strategy documents, as part of the final 2022/23 Budget Report.

Consultation and Engagement

47. Budget consultation is an opportunity to understand what is important to our stakeholders and to encourage their involvement in shaping Council

services. Consultation on the 2022/23 budget commenced with the 'Ask Cardiff' survey which asked citizens to indicate their budgetary priorities both in the short and long term. 'Ask Cardiff' generated 2,704 responses across the city. Findings from the budget questions that focussed on the short term are set out below. These did not differ significantly to long term priorities.

1. Schools and Education including Youth Services.
2. Supporting vulnerable children and families.
3. Supporting vulnerable adults and older people.
4. Recycling & Waste Services incl. collections, disposal & Recycling Centres.
5. Neighbourhood Services (street cleansing & improvements to public realm).
6. Housing & Homelessness Services including the delivery of high quality sustainable low carbon housing.
7. Highways and Transport including delivery of the Transport White Paper and One Planet Cardiff Strategy
8. Parks and Sport including investment in new and existing green spaces and the city's waterfront.
9. Major projects including infrastructure to support businesses, local economy, city centre and local community centres.
10. Libraries and Community Hubs.
11. Culture, Venues & Events - showcasing and celebrating the diversity, culture and history of our city.
12. Digital Services - accelerating the Council's Digitalisation programme to facilitate Online Services and Hybrid Working throughout the city.

(Order is based on a score out of 12 (each vote for 1st place gets a score of 12, 2nd place gets a score of 11 etc. Scores are combined, and divided by the total number of votes for each option).

48. Building on the findings from Ask Cardiff, consultation in respect of the 2022/23 Budget, subject to Cabinet approval will begin immediately following Cabinet consideration on the 13th January 2022 and run until 4th February 2022. The results of the consultation will be key in supporting Cabinet as they prepare their final 2022/23 Budget Proposal for consideration by Council in March 2022.
49. Due to the current circumstances regarding the Omicron variant, face-to face engagement on the consultation will not be possible. As such, similar to last year, the focus of promoting the consultation will have to be done electronically. Key points to note for this year's consultation are:
 - The consultation document will be available for online completion on the Council's website.
 - A co-ordinated social media and press campaign, and partner involvement will seek to ensure citywide engagement.

- Links to the consultation will be made available on the Council's corporate social media accounts, with posts targeting localised community groups across the city, and targeted advertising aimed at groups with a typically lower response rates.
 - Links to the survey will also be shared with community groups, such as faith groups and community councils, and partners, including members of the PSB, to be shared with their contacts.
 - The consultation will also be promoted to Council staff via the intranet and Staff Information alerts via email and on DigiGov.
 - The Council will also work with the Access Forum, and relevant groups including the Deaf Hub and RNIB to make the survey available to those who may have difficulty accessing or completing the online link.
50. As a child-friendly City, the Council is keen to hear the thoughts of the younger members of the population to help frame their budget plans. To support this the survey will be shared with Cardiff Youth Council and will be promoted to schools to encourage pupil engagement.
51. Further opportunities for engagement, including with the Schools Budget Forum and Scrutiny Committees will also take place during the coming months. The need to engage effectively with the Council's own staff, both directly and through their trade unions will remain a high priority throughout the budget setting process. Stakeholder engagement opportunities are a valuable way of informing the budget process and Cabinet's final budget proposal.
52. The Budget consultation details are attached at **Appendix 2**.
53. In addition to public consultation where there are ongoing requirements for internal staff and trade union consultation, specifically in relation to ongoing delivery of efficiency savings, these will continue to be included as part of the ongoing employee engagement process.

Employee Engagement

54. Through the Council's Trade Union Partnership meeting, trade unions have been consulted in advance on the budget projections for 2022/23 and the likely impact on employees, particularly where posts are at risk of redundancy. Under the law relating to unfair dismissal, all proposals to make redundancies must involve reasonable consultation with the affected employees and their trade unions. Even with a better than anticipated settlement, it remains likely that there will be redundancies within the Council's workforce during the financial year commencing April 2022. This is mainly as a result of delivering efficiency savings in-year, through proactive workforce planning and potentially service changes linked to the ongoing impact of Covid-19 into 2022/23.
55. During the period of the consultation, trade unions and employees will have the opportunity to comment on proposals that may affect them. Once the final budget is approved by Council, any employees affected

will be supported. At that point, eligible employees will be given the opportunity to take voluntary redundancy or to access the redeployment process, which provide employees with a period of twelve weeks to look for alternative employment.

56. Whilst the exact number of proposed redundancies is not known at this stage, some as indicated above are likely to occur. The number is likely to be limited but as part of the budget process this year it is prudent to instigate formal consultation processes. This will mean that following Cabinet on 13 January 2022 and in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992, a Section 188 Notice will be formally issued to the trade unions, related to the budget and potential redundancies. The proposed redundancies and the issue of the Section 188 notice is related to the overall reduction in staff numbers required.
57. Formal consultation with employees and trade unions will take place as part of the budget preparation work and views and comments about ways of avoiding, reducing and mitigating the consequences of the numbers of staff being made redundant e.g. by redeployment, will be considered.

Reason for Recommendations

58. To issue the 2022/23 Budget Consultation and to provide stakeholders with the opportunity, through a range of mechanisms, to provide feedback to Cabinet. In addition, to note that the consultation will commence on the 13th January 2022 and run until the 4th February 2022.

Financial Implications

59. The financial implications are as described in the detail of the Report.

Legal Implications

60. Specific legal obligations relating to the setting of the budget and consultation are set out within the body of this report.
61. The obligation to consult can arise in some cases from express statutory provisions and in other cases from common law. In all cases, the consultation must be undertaken in such a way as to be meaningful and genuine. The results of the consultation must feed into the process for consideration and finalisation of budget decisions.
62. The Council has public sector duties under the Equality Act 2010 which require it, in exercising its functions, to have due regard to the need to (1) eliminate unlawful discrimination (2) advance equality of opportunity and (3) foster good relations between persons with and without protected characteristics. For example, protected characteristics include race, sex, gender, age, religion.
63. The Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic

disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010).

64. In order to be sure that the Council complies with its public sector equality duties, it is essential that Equality Impact Assessments are undertaken where appropriate in relation to specific budget proposals, that these are informed by the results of the consultation, and that any impact is taken into account in the decision-making on the budget.
65. The Well-being of Future Generations (Wales) Act 2015 requires the Council to consider how the proposals will contribute towards meeting its well-being objectives (set out in the Corporate Plan). Members must also be satisfied that the proposals comply with the sustainable development principle, which requires that the needs of the present are met without compromising the ability of future generations to meet their own needs.

HR Implications

64. The Human Resource implications are as described in the detail of the Report.

Property Implications

65. There are no property implications arising directly from this report.

RECOMMENDATIONS

Cabinet is recommended to

- (1) Note the updated Budget Position for 2022/23 at Provisional Settlement Stage.
- (2) Agree the proposed approach to Budget Consultation for 2022/23 and subject to that agreement note that the formal budget consultation will commence on the 13th January 2022 and run until 4th February 2022. The results of the consultation process will then be considered by Cabinet in preparing their final 2022/23 budget proposal.
- (3) Note that the Chief Executive as Head of Paid Service will be issuing all necessary statutory and non-statutory employment consultation in respect of the staffing implications of the proposals.

SENIOR RESPONSIBLE OFFICER	Chris Lee Corporate Director Resources and Section 151 Officer
	7 January 2022

The following appendices are attached:

Appendix 1 – Provisional Local Government Financial Settlement 2022/23 –
Statement and Key Data Table

Appendix 2 – Budget Consultation 2022/23 Details

The following background papers have been taken into account

- Budget Strategy Report 2022/23 and the Medium Term
- Equality Impact Assessments (EIAs) of Cardiff Councils 2022/23 Budget Savings Proposals
- WG Provisional Local Government Financial Settlement 2022/23

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/RE/4399/21

To:
Leaders of County and County Borough Councils in Wales

Copied to:
Chief Executives and Directors of Finance, County and County Borough Councils in Wales
Chief Executive and Director of Finance, Welsh Local Government Association

21 December 2021

Dear Colleagues

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2022-23 (the Settlement) for county and county borough councils (authorities) in Wales through a Cabinet Written Statement. This is attached for your information. I am also publishing Wales-level indicative core funding allocations for 2023-24 and 2024-25.

As in recent years, this Government's priorities continue to be health and local government services. My announcement outlines my intention to set local government core revenue funding for 2022-23 at £5.1 billion. This means, after adjusting for transfers, overall core funding for local government in 2022-23 will increase by 9.4% on a like-for-like basis compared to the current year. No authority will receive less than an 8.4% increase.

The indicative Wales-level core revenue funding allocations for 2023-24 and 2024-25 are £5.3 billion and £5.4 billion respectively – equating to an uplift in the first year of £177 million (3.5%) and, in the second year, of £128 million (2.4%). These figures are indicative and dependent on both our current estimates of NDR income over the multi-year settlement period, and the funding provided to us by the UK Government through the 2021 comprehensive spending review.

While I know local government has been facing significant pressures, I hope that this significantly increased Settlement enables you to continue to deliver the services your communities want and need as well as supporting national and local ambitions for the future, including responding to the climate and nature emergency and contributing to our Net Zero Wales plan.

In making decisions about the level of funding for local government I have responded to the need to ensure that hardworking staff receive well deserved pay-rises in the future. In particular I have included funding to enable authorities to meet the additional costs of introducing the Real Living Wage for care workers as set out by the Deputy Minister for Social Services today. This allocation includes a transfer of £5 million, for which the base of the Settlement has been adjusted, from the Social Care Workforce and Sustainability grant.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The funding provided through this Settlement also recognises the decision made around the 2021/22 teachers' pay deal and includes funding for the costs arising from the 2022/23 pay deal that fall within this Settlement year. Accordingly, I will not be making any further funding available in-year in recognition of the 2022/23 teachers' pay deal, and authorities' budget planning must accommodate these costs in the light of this Settlement.

More widely on public sector pay, this Settlement includes funding to cover the increased costs authorities will face arising from the UK Government's announcement to increase National Insurance Contributions for employers.

Alongside the Settlement we are continuing to provide funding to support local government to waive fees for child burials. This shared commitment ensures a fair and consistent approach across Wales.

In line with our focus on countering the effects of poverty, we remain committed to protecting vulnerable and low-income households from any reduction in support under the Council Tax Reduction Schemes, despite the shortfall in the funding transferred by the UK Government following its abolition of Council Tax Benefit. We will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2022-23 and are again providing £244 million for CTRS in the Settlement in recognition of this.

As I announced yesterday, I am maintaining the approach taken in 2021-22 and am continuing to freeze the NDR multiplier for 2022-23. I have provided an additional £35 million in RSG in 2022-23 to offset the reduced income and a further £1m for the following two years. Through this Settlement, I am also continuing to provide £4.8 million for authorities to deliver additional discretionary rates relief for local businesses and other ratepayers to respond to specific local issues.

In order to facilitate a smoother transition towards partial NDR retention for City and Growth Deal Regions, a technical adjustment has been made to the distribution of NDR between authorities and police forces. This amendment sees the proportion of distributed NDR that authorities receive increasing from 95% to 99.9%. This has been met by an equivalent reduction in the percentage amount received from RSG. This is purely a technical change, which will not result in any impact to the funding received by any authority: the cumulative total of NDR and RSG provided has not been affected.

The Local Government and Elections (Wales) Act 2021 (the Act) provides for the creation and ongoing development of corporate joint committees to allow authorities to work together on specific functions such as transport, economic development and planning. Following one-off specific grant funding this financial year to support preparatory work I am delivering ongoing additional funding to support the core operation of these committees through the Local Government Settlement.

A robust democracy is an essential feature of local government. In determining the overall Settlement I have also sought to recognise the need to build the capacity of electoral services to deal with Welsh electoral reform, following our reforms in the Act and to support our future work.

Given the significant increase in this Settlement, I am not proposing to include a floor this year and have allocated all the available funding in this Settlement.

The progress of the pandemic and its ongoing impact on our lives and on public services continues to be highly uncertain. The comprehensive spending review did not provide additional financial support, which is a concern, especially following the emergence of the new Omicron variant. I have carefully considered how to manage pandemic support for authorities and concluded the balance lies in providing funding in the first year through the Settlement. But in determining the overall Settlement, I have recognised the ongoing impact of the pandemic on services which authorities will need to manage. I should also like to again place on record my thanks, and those of my colleagues for the efforts of local government teams over the past eighteen months in responding to the pandemic's impact on our communities, families and businesses.

I will continue to engage closely with local government through the WLGA.

I set out the position on capital funding for the Welsh Government as part of my budget statement on Monday. The settlement we received from the UK Government was disappointing and is not sufficient to meet our ambitions to invest in Wales' future.

Following a review of our capital budgets, general capital funding for local government for 2022-23 will be set at £150 million. This will increase to £200 million for the following two years, including £20 million in each year to enable authorities to respond to our joint priority of decarbonisation. I should like to consider, through the Partnership Council and the Decarbonisation Strategy Panel how this funding might be best used.

The draft *Local Government Finance Report* and additional tables containing details of the Settlement by individual authority are also being published on the Welsh Government website. These tables include the individual authority allocations of Aggregate External Finance (AEF), comprising RSG and redistributed NDR. We are also providing information on revenue and capital grants which are planned for 2022-23, 2023-24 and 2024-25. This information will be further updated for the final settlement.

The publication of the Settlement in late December has enabled us to draw on the latest tax-base figures for 2022-23, meaning that there should be no change between provisional and final settlements as a result of updates to the tax base. While I cannot guarantee that there will be no other changes between the provisional and final settlements, due to the financial uncertainty that we currently face, I do not intend making any significant changes to the methodology or the data underpinning the distribution of this Settlement.

This is a good Settlement for local government and provides you with a stable platform for planning your budgets for the forthcoming financial year and beyond.

I and my colleagues have engaged closely with local government in the lead up to this Settlement. While this is a good Settlement, building on improved allocations in recent years, I recognise that this does not reverse the years of constraint as a result of overall austerity in public finances. You will still need to make some difficult decisions in setting your budgets and it is important you engage meaningfully with your local communities as you consider your priorities for the forthcoming year.

The setting of budgets, and in turn council tax, is of course the responsibility of each authority. You will need to take account of the full range of funding sources available to you, as well as the pressures you face, in setting your budgets for the coming year.

My announcement today launches a 7-week period of formal consultation on the Settlement for 2022-23. I would be grateful if you could ensure your response arrives no later than **Tuesday, 8 February 2022**. All responses to this consultation should be sent to:

Simon Edwards: LGFPSettlement@gov.wales

Comments are invited about the effects (whether positive or adverse) the proposed Settlement would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. In addition, we invite comments on whether the proposed Settlement could be formulated or revised to have positive effects, or decrease adverse effects, on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

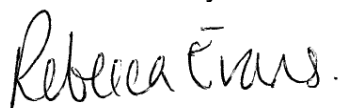
The Welsh Government intends to publish a summary of the responses. Normally, the name and address (or part of the address) of each respondent are published along with the response. If you do not wish to be identified as the author of your response, please ensure you state this explicitly in your response.

Copies of responses may be placed in the Welsh Government's library. If you wish your comments to remain confidential, please make this clear in your reply. This will be considered in light of our obligations under the Freedom of Information Act. The Welsh Government will consider all responses received by the due date before the final determination is made and published.

Authorities are reminded of the requirement to comply with the general equality duties set out in the Equality Act 2010, and also the specific equality duties where applicable. The equality impacts of budgetary options should be assessed and inform any final decisions.

Authorities also need to take account of their duties under the Well-being of Future Generations (Wales) Act 2015 and the Welsh language standards in preparing plans for 2022-23.

Yours sincerely



Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Table 1a: Change in Aggregate External Finance (AEF), adjusted for transfers, by Unitary Authority (£'000s)

This worksheet contains one table. Some cells refer to notes which can be found on the notes worksheet.

Unitary Authority	2021-22 Final Aggregate External Finance [Note 1]	2022-23 Provisional Aggregate External Finance	Percentage difference	Rank
Isle of Anglesey	104,872	114,549	9.2%	12
Gwynedd	195,905	213,210	8.8%	17
Conwy	167,356	183,308	9.5%	5
Denbighshire	159,060	173,637	9.2%	15
Flintshire	212,608	232,174	9.2%	14
Wrexham	189,233	207,060	9.4%	7
Powys	192,088	210,257	9.5%	6
Ceredigion	110,006	119,419	8.6%	19
Pembrokeshire	179,422	196,253	9.4%	8
Carmarthenshire	285,262	311,597	9.2%	11
Swansea	353,571	386,585	9.3%	9
Neath Port Talbot	237,289	258,068	8.8%	18
Bridgend	212,755	232,364	9.2%	13
The Vale of Glamorgan	168,128	186,011	10.6%	3
Rhondda Cynon Taf	407,050	441,433	8.4%	21
Merthyr Tydfil	101,493	110,616	9.0%	16
Caerphilly	292,712	317,453	8.5%	20
Blaenau Gwent	120,657	130,795	8.4%	22
Torfaen	146,560	160,117	9.3%	10
Monmouthshire	101,003	112,275	11.2%	1
Newport	240,957	265,612	10.2%	4
Cardiff	492,095	544,715	10.7%	2
Total unitary authorities	4,670,080	5,107,507	9.4%	

Mae'r dudalen hon yn wag yn fwriadol

Context for Web Page:**Background**

At the beginning of each year, the Council sets a budget for the next financial year that details how much money we will be able to spend on each of the services that the council provides. These include schools, street lighting, road maintenance, waste and recycling collections and providing care to vulnerable people of all ages, through Social Services. Across our service delivery, there will be continued commitment to climate change and decarbonisation in line with “One Planet Cardiff.” In the current financial year, the Council’s budget is £682 million. Almost two thirds of this, is spent on schools (£257 million) and Social Services (£189 million). Most of the money to fund these services comes from a Welsh Government grant (72%). The remainder (28%) comes from Council tax, without which, many important services valued by residents would be lost.

2022/23 Budget Challenges

To set the budget the Council must make sure the estimated cost of providing services next year matches the funding available. The cost of delivering services usually rises each year. This is because demand for services increases as the city’s population grows, and people’s circumstances change. The cost of delivering services is also affected by inflation.

As you might expect, a key factor to consider in setting the 2022/23 Budget is the ongoing impact of COVID 19. During the past two years, the Council received significant levels of support from the Welsh Government’s Covid 19 Hardship Fund to help cope with additional costs and lost income. This Fund will not continue next financial year, and so the cost of COVID-19 related pressures will need to be reflected in the Council’s 2022/23 Budget Plans. This is a major financial risk to the Council, with the Omicron variant presenting further challenges in recent weeks.

2022/23 Budget Funding

The funding the Council will receive in Welsh Government Grant next year is higher than we originally expected. However, the additional funding comes with extra cost pressures. These include increased pay and national insurance contributions, rising costs, and increased care costs linked to supporting the Real Living Wage in the Care Sector (in line with the Deputy Minister for Social Service’s December announcement). The Council must also be confident that it can continue to cope with COVID 19 pressures in 2022/23 without a separate fund to access for support.

Draft 2022/23 Budget

Further detail on the 2022/23 Budget is available in the Budget Update Report that can be accessed from this webpage. However, it’s important to emphasise that this position is still a work in progress. There are a lot of things to consider in finalising the 2022/23 Budget, including the continually changing picture in relation to COVID19, the level of budget savings to be delivered across our services and Council Tax requirements. The feedback you give us as part of this consultation will also play a key part in finalising the budget and we are keen to understand your priorities for investment. We know from the 2021 Ask Cardiff survey which services residents consider to be a priority for investment, and so this Budget Consultation will now look at these areas in more detail.

Survey:**2022/23 Budget Consultation**

In response to Ask Cardiff, you told us that your top service priorities were:

- Education and Youth Services
- Supporting vulnerable children and families
- Supporting vulnerable adults and older people
- Recycling and Waste Services
- Neighbourhood services such as street cleansing
- Homelessness and housing

We are already looking to allocate around £30 million of new funding to these areas as we know they are areas that are experiencing high demand and cost pressures.

1. Within each of the broad headlines identified above, we would like you to tell us if there are more specific services in which you would like to see investment? We have given some examples below, but please feel free to include any other related services you feel may not be listed. Please rank these services in order of importance with 1 being the most important.

Service	Rank
Schools (Teaching)	
Youth Service	
Schools (Building)	
Vulnerable Children and Families	
Vulnerable Adults and Older People	
Refuse Collection	
Recycling	
Street Cleansing	
Enforcement on littering & fly-tipping	
Homelessness	
Housing	
Other (Please Specify)	

2. Do you have any other comments?