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AGENDA

Committee POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

Date and Time of Meeting TUESDAY, 17 JANUARY 2023, 4.30 PM

Venue CR 4, COUNTY HALL - MULTI LOCATION MEETING

Membership Councillor Williams (Chair)
Councillors Ash-Edwards, Chowdhury, Ferguson-Thorne, Henshaw,
Hunt, Stubbs, Thomson and Waldron

*Time
approx.*

1 Apologies for Absence

To receive apologies for absence.

2 Declarations of Interest

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

3 Minutes (Pages 5 - 8)

To approve as a correct record the minutes of the previous meeting.

4 St David's Hall - Call-in of Cabinet Decision CAB/22-23/39 (Pages 9 - 396) 4.30 pm

(To consider the Outline Business Case for the future of St David's Hall and agree to proceed to the Full Business Case stage)

Appendices 1-7 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 of Schedule 12A of the Local Government Act 1972. In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Comfort Break - 10 mins

This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg

- 5 Budget Consultation 2023/24 (Pages 397 - 434)** 5.50 pm
Briefing and stakeholder engagement in respect of proposals put forward for consultation
- 6 Mid-Year Performance 2022/23** 6.20 pm
Pre-decision scrutiny of a report to Cabinet on the Council's Mid-Year Performance 2022/23.
To Follow
- 7 Urgent item (if any)**
- 8 Way Forward** 7.15 pm
- 9 Date of next meeting** 7.15 pm
1 March 2023 at 10.00am – Budget Scrutiny

Davina Fiore

Director Governance & Legal Services

Date: Wednesday, 11 January 2023

Contact: Andrea Redmond, 029 2087 2434, a.redmond@cardiff.gov.uk

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POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

14 DECEMBER 2022

Present: Councillor Williams(Chairperson)
Councillors Ash-Edwards, Chowdhury, Ferguson-Thorne,
Henshaw, Hunt, Stubbs and Thomson

35 : APOLOGIES FOR ABSENCE

Apologies had been received from Cllr Waldron.

36 : DECLARATIONS OF INTEREST

Cllr Joel Williams declared a personal interest in his capacity with Diverse Cymru.

37 : MINUTES

The minutes of 18 October 2022 and 15 November 2022 were agreed as a correct and signed by the Chairperson subject to the inclusion in the attendance of Cllrs Ash-Edwards and Waldron for the meeting on the 18/10/22 and the inclusion of Cllr Waldron's apologies for the meeting on the 15/11/22.

38 : RACE EQUALITY TASKFORCE: RESPONSE

Members were advised that this was an opportunity to consider the Council's response to the recommendations of Cardiff's Race Equality Taskforce (RET) report as published in March 2022. The report sets out the progress made and proposed actions of the new Cabinet since the original report was published, outlining the Council's response to each of the Taskforce recommendations.

The Chairperson welcomed Councillor Huw Thomas, Leader of Cardiff Council, Sarah McGill, Corporate Director People & Communities, Gareth Newell, Head of Performance & Partnerships, Cardiff Council, and Charlotte Amoss, Senior Policy Officer to the meeting.

The Leader was invited to make a short statement after which Officers provided a presentation to Committee.

The Chairperson invited questions and comments from Members.

Members discussed whether frontline staff were confident they had been trained accordingly in Race Equality issues and whether there was bespoke training available for staff with no access to a PC. Members noted that there was a need to refresh the Council's equalities training to include elements on unconscious bias and micro-aggressions. Members were pleased to hear that the BAME staff network will help to inform bespoke training for frontline staff.

Members discussed what training was mandatory and were reassured that this would be reviewed to determine what elements of equalities training should be made

mandatory in future. Members were also reassured that the training offered to staff would be in a hybrid format.

Members also highlighted a need for a bystander element to the training, assisting staff and members in how to handle incidents of racial discrimination viewed first hand. Members offered a note of caution that the quality of providers of anti-racism training needs to be well researched.

Discussing the reporting of issues, Members sought assurance that staff were clear on the Council's zero policy and reporting processes. Officers considered that the current arrangements for reporting discriminatory incidents are robust, and there are also Human Resources policies.

Officers stated that it is important to ensure such incidents are reported and that mandatory training should address this. Officers stated that they anticipate an increase in referrals following training.

Members asked about the progress made in encouraging BAME operational managers, through promotion and recruitment etc. Officers noted it was a recommendation from Committee in March 2022 and this was being addressed in the medium-long term career development opportunities for ethnic minority staff. Members were pleased to hear that Officers are committed to taking a proposal to the Senior Managers Forum and the Cardiff Managers Forum; and will continue to work with the BAME staff network; and subsequently plan to follow up the proposal with a communications campaign.

Members asked for more information on the recording and monitoring arrangements for discriminatory issues, both by staff and residents. Officer advised that arrangements for recording and monitoring incidents witnessed by staff are not comprehensive at the moment and there was more work to do in this area, however the Police and the Community Safety Partnership have such recording arrangements in place. Members asked where, for example, would a Councillor report a hate crime? Officers considered this would depend on where the complaint originates from. Officers also stressed the importance of analysing the intelligence gathered through such recording mechanisms.

Members sought assurances that the Council's clear policies and measures for recording incidents are also extended to those companies that have tendered contracts with the council. Officers assured Members that the Council are very clear about the expectations of those who are working with us, including social values. These areas are included in the planning and commissioning powers and there are regular conversations around this commitment.

Members expressed concern about the low numbers of BAME teaching staff. The Leader explained this was a national issue however pointed Members to the response 'to support the diversification of the teaching workforce through a teaching assistant 'Step into Teaching Programme' (2.4); and 'increase representation of ethnic minority residents in school leadership through a school Governors entry programme (2.5). The Leader added that it was also important to train Governors and that interview panels should reflect the City's diversity.

Members considered it would be useful to analyse data further by different types of school – English-speaking, Welsh-speaking and special schools, and by geographic area, to understand where there are particular gaps.

A discussion took place around the engagement strategy, lessons learnt from previous consultations, ideas for increasing community engagement in the future. Members noted that there was an ongoing programme of work to improve consultation and engagement with minority communities who often fall into hard-to-reach categories. Members were pleased to hear about the work underway as part of the Participation Strategy to deliver a baseline assessment, collaborating with community groups and learning from partner bodies with existing access routes. Members were assured to hear that response levels from ethnic minority groups in some areas were beginning to mirror communities, and that the Cabinet had already achieved a good level of diversity. Members also noted that Cardiff has signed up to the WLGA Diverse Council Declaration and an action plan is under development to deliver the Diverse Council Commitments.

Members referred to Health and Police partners and discussed the fact that some communities don't have total trust in the Police and that during a mental health crisis, it is usually the Police that they encounter. Members asked about a mechanism for the right people to attend the right incidents. Members were advised that partners recognise this is an issue and that work is underway to offer a *sanctuary* safe space.

Members referred to specific disabilities/illnesses within BAME groups and asked about tailoring provision of services. Members were pleased to note the work being undertaken with Health colleagues to develop accurate data on the vulnerability to specific illnesses amongst ethnic minorities and that a community engagement officer for the Southern Arc of the city will be appointed.

Members asked about issues with access to GP's by people in the BAME communities. The Leader advised that this was something he would pick up with the wider PSB.

Members asked for more information on Cultural Competency training. Officers advised that there would be a roll out of Cultural Competency training by the Criminal Justice Board, supported by the Community Safety Partnership, and that minority communities will assist in developing the training.

Members discussed the experience and legacy of Racism and asked what the Council can do to lead by example and make the Council a good place to work, the City a good place to live in and create and foster a culture of being proud and having conversations about racism. The Leader echoed and agreed with the comments and stated that this was a continuing journey. The establishment of the RET ensures the Council is at the forefront and takes seriously the role of being an exemplar.

AGREED: that the Chairperson, on behalf of the Committee, writes to the Cabinet Member conveying the observations of the Committee when discussing the way forward.

39 : COMMITTEE BUSINESS

The Chairperson drew Members attention to the extensive correspondence sent and received since the first formal meeting as a new committee in July 2022.

Members were asked to note the Forward Work Programme for January – March 2023.

The Chair advised Committee that he had attended the Economy & Culture Scrutiny meeting for the item on St David' Hall. Members discussed and agreed that they should seek a joint scrutiny meeting with Economy and Culture Scrutiny Committee to consider this item further.

40 : URGENT ITEMS (IF ANY)

None received

41 : DATE OF NEXT MEETING

Tuesday 17 January 2023 at 4.30pm

The meeting terminated at 6.15 pm

**CYNGOR CAERDYDD
CARDIFF COUNCIL**

**POLICY REVIEW AND PERFORMANCE
SCRUTINY COMMITTEE**

17 January 2023

CALL IN DECISION CAB/22-23/39 St David's Hall

Appendices 1-7 of Appendix A to this report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 of Schedule 12A of the Local Government Act 1972. In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Purpose of Report

1. To provide Committee Members with background information on the Council's Call-In procedure; the decision being called-in at this meeting; and the scope, process and structure of Call-In scrutiny.

Call-In Procedure

2. The Council's Constitution contains a Call-In Procedure which provides that any non-Cabinet Member may call-in a decision of which notice has been given, by writing to the Head of Democratic Services (HDS) within the Call-In Period (within seven clear working days after publication of the decision). The HDS shall then notify the Cabinet Business Office and call a meeting of the relevant Scrutiny Committee, where possible after consultation with the Chairperson of the Committee, and in any case within five clear working days of the decision to call-in.
3. Cabinet Decisions, for purposes of the Call-In Procedure, are those made by the Cabinet, a Committee of the Cabinet, the Leader, a Cabinet Member, the Chief

Executive or a Corporate Director (or other post holder/s within the same tier of management or responsibility).

Decision Being Called-In - CAB/22-23/39 St. David's Hall

4. On 15 December 2022 Cabinet resolved to:

- Note the Outline Business Case attached at Confidential Appendix 4.
- Approve, in principle the offer from AMG (set out as Option 2 in this report) and further described in the Outline Business Case at Confidential Appendix 4, the draft Heads of Terms at Confidential Appendix 5 and delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Culture, Parks and Events, the Section 151 Officer and the Legal Officer to progress negotiations with AMG and for Legal Services to prepare proposed contractual documentation.
- note that consultation will be undertaken as follows:
 - Public consultation as part of the Council's budget setting process, and;
 - Consultation with affected staff in relation to a potential transfer to AMG under the Transfer of Undertaking (Protection of Employment Regulations 2006 ("TUPE").
- note that findings of the consultation, together with an assessment of best value of the AGM offer will be brought back to Cabinet for consideration as part of a final decision on whether to proceed with the offer from AMG.

5. This Decision, known as **CAB/22-23/39** was published on 16 December 2022 in the Register of Cabinet Decisions, with a proposed implementation date of 30 December 2022. The purpose of taking this Decision was:

To consider the Outline Business Case for the future of St David's Hall and agree to proceed to the Full Business Case stage.

Structure of the Papers

6. The papers for this meeting consist of:

Appendix A – Cabinet Report – St David’s Hall 15 December 2022

Confidential Appendix 1 - Conditions Survey 2021

Confidential Appendix 2 - Conditions Survey Cost Report

Confidential Appendix 3 - Property Management Summary

Confidential Appendix 4 - Outline Business Case

Confidential Appendix 5 - AMG Proposal - Heads of Terms

Confidential Appendix 6 - Legal Advice

Confidential Appendix 7

Appendix 8 – HR Note

Appendix 9 - Equality Impact Assessment - Financial Overview

Appendix B – Cabinet Report – 2023/24 Budget Modelling Update and Consultation Requirements 22 December 2022

Appendix 1 – Provisional Local Government Financial Settlement 2023/24 Statement and Key Data Table

Appendix 2 – Budget Consultation 2023/24 Details

Reasons given for Calling-In Decision CAB 22-23/39

7. During the Call-In period after publication of the Cabinet decision in the Register of Decisions on 15 December 2023, a non-executive councillor submitted a request to call-in Decision **CAB 22-23/39**.
8. The reasons set out by the non-executive councillor for calling in the decision are set out in the following extract taken from the written request to the HDS, dated 19 December 2022:

Finance

'During the recent Economy & Culture Scrutiny Committee on Monday 12th December 2022, I stated the Council may have sufficient borrowing capacity in place, should it choose to keep St David's Hall in house and undertake the necessary refurbishment works. When this question was put to the Officers and Cabinet Members present, I was advised they were unable to answer these questions as they were not within the Cabinet portfolios of the Cabinet Members present.

It is also materially relevant that following the Cabinet Meeting on Thursday 15th December 2022, the Council received confirmation of the Welsh Government block grant to Cardiff for the next financial year. The better than anticipated block grant, an increase of 9%, means the Council does not have to undertake the same level of savings it was anticipating when the disposal of St David's Hall was considered by scrutiny and presented to the Cabinet for decision. It is therefore necessary to consider whether the Administration wishes to change approach in respects to the disposal of St David's Hall, given the outline business case may now change given this improved financial position....

...There is therefore new information relating to the budget settlement that materially impacts the Council's financial position. This in turn may have an impact on the disposal of St David's Hall and the decision taken by the Cabinet on Thursday 15th December 2022.'

9. In the absence of the HDS the Call-In request has been deemed valid by the Monitoring Officer on the basis that the 9% settlement which the Council was advised of subsequent to the decision taken on 15 December 2023 is significant new information which has not previously been considered by Scrutiny. The Call-in can consider the possible impact of this new information on the decision. However, it will not reopen all aspects of the decision.
10. The Call-in will therefore be undertaken by this Committee at its 17 January 2023 meeting.

Scope of Scrutiny

11. The role of Scrutiny Committees calling-in a decision is:
 - To test the merits of the decision;
 - To consider the process by which the decision has been formulated;
 - To make recommendations (to support the decision, change aspects of the decision or to invite the decision-making body to reconsider);
 - To suggest further steps before a decision is made.
 - To come to a view in a relatively short time scale, so as not to compromise the speed and efficiency of the decision-making process.

12. The scope of this scrutiny is limited to exploring the Finance reasons for the call-in highlighted in paragraph 8 and the role of scrutiny listed in paragraph 9. If questions are judged as probing areas not within the remit of the call-in, the Chair will deem it necessary to disallow the line of inquiry.

13. For clarity, Members must restrict their questioning to how the Provisional Settlement will change the Council's financial position, and whether exploring an alternative operating model for St. David's Hall continues to be a legitimate savings proposal for the Council to put forward.

Process for Scrutiny

14. The Committee needs to consider this call-in in accordance with the requirements of the Call-In Procedure, as set out in the Constitution. If the Scrutiny Committee chooses to consider the Decision, it may refer the Decision back to the decision maker for reconsideration, setting out in writing the nature of its concerns. The decision maker shall then reconsider the matter before adopting a final decision or formally deferring the matter for further consideration. The relevant Scrutiny Committee or Council as appropriate would be advised of the outcome at its next meeting.

15. If following a Call-In, the matter is not referred back to the decision maker, the decision shall take effect on the date of the relevant Scrutiny Committee or

Council meeting which considers the issue, or the expiry of the Scrutiny Period or the Council Scrutiny Period as appropriate, whichever is the later.

Structure of Scrutiny

16. To assist Members, Councillor Chris Weaver, (Cabinet Member for Finance, Modernisation & Performance), and Chris Lee, (Corporate Director Resources and Section 151 officer), have been invited to respond to the Call-In and answer Committee Members questions.
17. This decision has been called in by the Chair of the Policy Review and Performance Scrutiny Committee, Councillor Joel Williams. As such Councillor Williams will present the issues and reason he has called in the decision to the Committee.
18. The confidential information at Appendices 1-6 of the Cabinet papers for CAB/22-23/39 are included in this pack of papers to assist Members preparation. However, the scope of the scrutiny is restricted to the new information in Appendix B and how that impacts on the decision taken in respect of St. David's Hall. Therefore, Members are reminded of the need to stay within the agreed parameters as set out in paragraph 8 and to maintain confidentiality with regard the confidential information provided in respect of paragraph 14 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972. This will assist in ensuring that the scrutiny stays open for public observation and avoid entering closed session to enable discussion of this information.

Legal Implications

19. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if, and when, the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out

any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

20. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications at this stage.

RECOMMENDATION

The Committee is recommended to:

- Consider Cabinet Decision **CAB/22-23/39** in accordance with the Call-In Procedure;
- Determine whether to refer the matter to the Decision-maker or not;
- Agree whether it wishes to forward any comments, observations or recommendations to the Decision-maker in writing.

DAVINA FIORE

Director of Governance & Legal Services

11 January 2023

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CABINET MEETING: 15 DECEMBER 2022

ST DAVID'S HALL**CULTURE, PARKS & EVENTS (COUNCILLOR JEN BURKE-DAVIES)****AGENDA ITEM:**

PORTFOLIO: INVESTMENT & DEVELOPMENT

Appendices 1-7 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 of Schedule 12A of the Local Government Act 1972. In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Reason for this Report

1. To consider options for the future operation of St David's Hall following an offer made by Academy Music Group ("AMG") to secure investment in the building and to protect the long-term delivery of the classical music programme.

Background

2. St David's Hall opened in September 1982 as the National Concert Hall and Convention Centre for Wales. The building is located in the Hayes in Cardiff city centre and can accommodate 2,000 people in the main auditorium, making it the city's second biggest venue outside of sporting stadia, and the largest venue dedicated to the arts. The venue was established to deliver a wide range of events and performances, including symphonic orchestral performances in a purposely designed setting, rock and pop, comedy, dance and conferences.
3. The building is owned, operated and funded by Cardiff Council and was developed by Seymour Harris Partnership with contractors John Laing & Son to provide a superlative performing arts and conference venue befitting the capital city of Wales. To that end, significant effort was undertaken to ensure that the building was appropriate for international classical music performances, working with renowned acousticians Sandy Brown to create the perfect conditions for audiences to enjoy a full symphony orchestra. As a result of this work St David's Hall has become world renowned for the acoustic quality of the hall, recognised as being amongst the top ten of the world's best

sounding concert halls and one the UK's highest-ranking classical music venues.

4. The Council works with promoters and partners such as the BBC National Orchestra of Wales, Welsh National Opera and the Royal Welsh College of Music and Drama in developing a classical programme which has evolved over the past four decades. The venue also presents youth orchestras and community activities. St David's Hall has programmed world class artists as diverse as Andres Segovia, Rudolf Nureyev, Bryn Terfel, Rebecca Evans, Shirley Bassey, Dionne Warwick, Tom Jones, Blondie, U2, Metallica, Manic Street Preachers and Little Simz to perform since its inception.
5. The venue continues to deliver a wide range of events, complimenting existing and new venues across the city such as the Wales Millennium Centre. This includes high profile events such as the BBC Cardiff Singer of the World competition, which is due to celebrate its 40th anniversary, the world class International Concert Series, and the Welsh Proms. The BBC National Orchestra of Wales has been the resident symphony orchestra for the venue since its opening and regularly broadcasts live on BBC Radio 3. As such the auditorium is an integral part of the city's cultural landscape.

Current Usage

6. The classical music programme consists of approximately 70 days including get-in set-up, get-out and rehearsal days. The main series consists of 16-18 concerts including 7 concerts delivered by the BBC National Orchestra of Wales; 2 by the orchestra of the Wales National Opera; and 7 concerts from traveling orchestras that make up the "International Series". This is supplemented by a range of additional classical performances and community events, including the Welsh Proms, performances by the National Youth Orchestra of Wales, Cardiff Philharmonic, the Royal Welsh College of Music and Drama, Cardiff University and numerous county music services and schools, youth and community orchestras and the Wales Festival of Remembrance. In addition, the Arts Active Trust utilises 3 days each year for performances in the main auditorium taking the total to 73 days. Bi-annually the Cardiff Singer of the World competition requires an additional 14 days, taking the total to 87 days (from 73 days) every other year.
7. The funding model for classical performances varies, for example, the BBC National Orchestra of Wales pays a hire fee for the hall retaining ticket income whilst Welsh National Opera perform for a box office split. The seven international orchestras booked by St David's Hall for the International Series range from top UK orchestras to renowned European orchestras. These orchestras often require a large upfront financial guarantee, ranging from £25,000 to £42,000 per single performance with the Council taking a risk on recouping these costs through retaining a proportion of ticket sales.
8. St David's Hall also hosts rock, pop, jazz, folk, comedy, lunchtime concerts and choir performance to generate income to offset against the costs of the classical and community programmes. As part of this, St David's Hall also often programmes tribute acts and even though these are often popular and well

attended, the public regularly comments that they wish more current and high-profile music acts would perform more regularly at St David's Hall.

9. Overall, in 2019-20 there were 310 performances and there will be a similar number this year.

Arts Active Trust

10. The Arts Active Trust is a registered independent charity operating out of St David's Hall. The Trust aims to attract funding from external sources such as the Arts Council for Wales to facilitate and implement an outreach programme to promote the activities of St David's Hall, the New Theatre and other partners, to engage with communities in Cardiff and beyond; to encourage interest in and appreciation of music, performing arts and multidisciplinary arts projects through participation, education and audience development. The work of the Trust is carried out by three full time staff employed by St David's Hall.
11. In the current financial year, Arts Active Trust has secured c£300k of funding from various sources for their outreach work in support of the classical programme. This sum includes funding from the Arts Council of Wales from a National Lottery programme which is applied for each year (normally circa £99k per annum). In 2022/23, around 40% of this Arts Council funding was allocated towards the direct up-front costs of attracting international orchestras, and 60% supported engagement and outreach activities connected to the classical series, such as pre-concert talks, young composers scheme, schools' composition projects and podcasts.
12. The Arts Active Trust use 3 days for performances/events in the main auditorium, supplemented by an extensive programme on Level 1 and other areas for the Gamelan, Soundworks, workshops, performances and events.

Council Policy

13. St David's Hall plays a significant role in the city's wider economic and cultural agenda, notably as part of Cardiff's Music City ambitions. Subsequently, the Council's Corporate Plan 2022-25 includes a commitment to "*considering development and investment opportunities for St David's Hall to retain its position as a world-class auditorium.*" This is in response to a recommendation from the 'Sound Diplomacy' report to "*ensure St David's Hall maintains its reputation as a world-class concert venue*".
14. Stronger, Fairer, Greener - the administration's five-year strategy for Cardiff - also includes a commitment to "*ensure St David's Hall retains its position as a world-class auditorium*".
15. In 2019, prior to the pandemic, Cabinet considered the *Securing the Future of Cardiff's Heritage Buildings* report, that outlined the Council's need to secure a future for the city's most important heritage and cultural assets, including St David's Hall. The report indicated that due to impending significant maintenance liabilities and high operating costs, the Council faced increasing capital and revenue implications relating to the continued operation of St David's Hall. The report also outlined that significant investment is required to

ensure St David's Hall remained safe to use and of sufficient quality to adequately meet service requirements. The Heritage Buildings report subsequently provided authority for officers to develop a modernisation proposal and to present options back to Cabinet.

Issues

16. Whilst St David's Hall remains a renowned classical music venue, it is slowly falling into a state of disrepair which threatens to undermine its reputation and on-going operation. The lack of national funding to support the venue has meant the burden of responsibility for maintaining the building and delivering the classical programme has fallen on the Council. The Arts Council of Wales withdrew the venue's *Revenue Funded Organization* status in 2014 which provided c£65k per annum over approved 5-year periods. Although the scale of this contribution was relatively modest, it did nonetheless represent a gesture of support for a facility of 'national' significance. The Arts Council for Wales does still provide ad-hoc funding towards the classical series of £99k per annum, through Arts Active, however this funding is required to be applied for each year.
17. Despite the Council's sustained and significant financial contribution towards the venue (over an extended period of 40 years) the operational budget has not been sufficient to both protect the delivery of the classical programme and to release investment to maintain and modernize the building. The Council has only been able to afford to implement a basic maintenance programme to cover general wear and tear amounting to circa £2m of capital and circa £600k of revenue over the last 10 years. This has become increasingly insufficient as the building has grown older.
18. In 2021, the Council procured a detailed condition survey of St David's Hall following the identification of several issues, primarily with the roof. The condition survey sets out a detailed schedule of priority works relating to the fabric of the building and the mechanical and electrical equipment together with associated indicative costs of repair. The condition survey was presented to Cabinet in December 2021 as part of the Corporate Property Strategy 2021-26 and is attached at Confidential Appendix 1, supported by a cost report at Confidential Appendix 2. As Cabinet will note, the cost of essential works, consequential improvements, addressing the maintenance backlog and the general modernisation of the building has an overall financial implication which stretches into the tens of millions. These costs are likely to have increased since the condition survey was drafted in 2021 due to inflationary pressures.
19. Health and safety requirements associated with these priority works has escalated over recent months. The condition survey uncovered that the ceiling at St David's Hall is formed of Reinforced Autoclaved Aerated Concrete (RAAC) planks. This led the Council to implement a building management and health and safety strategy (set out at Confidential Appendix 3) based on professional advice and government bulletins, to ensure St David's Hall could continue to operate safely over the short term. However, in recent months government guidance on the risk associated with RAAC planks has been updated and has escalated the need for remedial works as set out in Confidential Appendix 3. The current management approach can only

reasonably be continued over the short term as a stop gap to permanent remediation.

20. The scale of capital investment required to address both the short-term repairs, the longer-term maintenance backlog, and general modernisation to ensure a good quality provision consistent with industry standards, is not available from within existing Council resources and any borrowing to fund the works would have a significant additional revenue implication on the Council at a time when many services are facing significant cuts.
21. The allocated revenue subsidy from the Council for St David's Hall is £688,700 in the current year. However, the venue regularly achieves lower box office revenue than forecast and as such the actual level of Council financial support regularly exceeds £1m per annum. The unallocated budget spend is required to be absorbed within wider directorate budgets and each year this is becoming increasingly difficult to achieve due to the growing pressure on Council budgets. This problem will be magnified significantly in the next financial year as the Council is forecasting a revenue budget shortfall of circa £53m.
22. For nearly a decade, since the onset of public sector austerity, the Council has been keen to identify ways to reduce the burden of St David's Hall on the public purse. In 2016, the Council undertook a full OJEU Competitive Dialogue public procurement process to identify an external operator for both St David's Hall and the New Theatre, which at the time were managed as one combined entity. Although the process generated interest from the market, it was clear that the interest was contingent on the Council retaining full responsibility for the maintenance of St David's Hall. There was strong interest in the New Theatre as a separate going concern and in 2019 the Council separated the operation of the two venues and proceeded with a strategy which secured an external operator for the New Theatre only, through a property lease.
23. The level of subsidy of the classical programme has had a consequential knock-on effect on the level of investment the Council has been able to make towards the maintenance and modernisation of the building. As the building has grown older, the maintenance backlog has grown more significant, with the Council only able to support general day to day repairs. In December 2021, following the update to Cabinet on the condition of the building, Cabinet requested the development of an Outline Business Case for St David's Hall that would consider the options for dealing with the implications of the condition survey and seek to remove or at least reduce the operational subsidy. The Outline Business Case is attached at Confidential Appendix 4.
24. The Council has received an unsolicited offer from AMG to take over the operation of St David's Hall without subsidy and to take away all of the building's risks and liabilities from the Council. The details of AMG's offer are set out later in this report. Given the emerging pressure on resources, and the growing Health and Safety requirements for the venue, the Council has considered the offer as a means of securing much needed investment into the building. The Council's consideration of the offer has been on the clear basis of a firm commitment from AMG to work to enhance the venue's reputation as the National Concert Hall of Wales (alongside the introduction of their Academy music venue) by continuing to maintain and develop the classical

music programme, Their proposal would protect the Classical Series including the events delivered by the BBC National Orchestra of Wales, the orchestra of the Welsh National Opera, the Royal Welsh College of Music and Drama and the International Series.

25. The timing of AMG's offer enabled external consultants to consider the proposition as part of an Outline Business Case. The work involved engagement with external parties in 2022 to gauge current market interest and in particular to determine if anything fundamental had changed since the public procurement process undertaken in 2016. The consultants also engaged with the main users of the venue to test the offer from AMG, to ensure that adequate provisions had been made to protect the classical programme. Engagement with these organisations was positive and productive.

Outline Business Case

26. Whilst the Council has been open to consideration of alternative operating models for St David's Hall since 2014, it has always been centered around a number of minimum requirements. Firstly, the Council has always wanted to retain the freehold ownership of the property and would only consider leasehold arrangements. The Council has been open to interest from parties prepared to protect the classical and community programme, ideally without any subsidy being provided by the Council, and at the same time securing an arrangement which would result in a commitment to investing in the building and taking the building liability away from the Council. The public procurement process undertaken in 2016 did not identify a party that matched the Council's aspirations or key requirements. Bidders required the building liabilities to remain with the Council. Since then, the building has deteriorated further as it has grown older, and the pandemic has made the business model even more difficult to succeed. Despite this, the Council has received an unsolicited offer from AMG setting out a proposal to continue to operate St David's Hall by way of a property lease. The offer includes taking full responsibility for the liability of the building, protecting the classical and community programme, protecting the acoustic value of the auditorium and securing existing jobs. The offer is attached as part of Confidential Appendix 4 and is detailed at Confidential Appendix 5.
27. The Council has appointed specialist consultants to consider an Outline Business Case based on the following options:
 - a. Option 1 (Council Retained) – consider whether there are opportunities through a continued in-house operational model to mitigate the current operational subsidy and to address the immediate health and safety risks and the longer-term maintenance backlog and modernisation investment required.
 - b. Option 2 (AMG Offer) – consider the value and benefit of the offer made by AMG.
 - c. Option 3 (The Market) – consider the appropriateness and viability of undertaking a public procurement exercise to establish whether the wider market would be able to provide improved value.

28. The Outline Business Case is attached at Confidential Appendix 4. The offer from AMG is considered the preferred option. The option for the Council to retain the building would leave the building liability with the Council and would still require an on-going revenue subsidy, albeit this could potentially be reduced over time. The market engagement work in 2022 (relating to Option 3) confirmed that little had changed since the public procurement process undertaken in 2016 meaning that the building liability would need to remain with the Council, and that the offer from AMG was based on a unique set of circumstances and was unlikely to be matched.

The AMG Offer (Option 2)

29. The AMG offer is set out in detail at Confidential Appendix 5. The offer includes:

- A commitment to take on full responsibility for the building, taking the liability away from the Council and removing the need for the Council to provide any ongoing subsidy towards the up-keep and operation of the building.
- Allowing AMG, as tenant, to operate the venue as an independent commercial enterprise. This would allow AMG to have discretion over programming and ticket, including the pricing of classical events where AMG provides an up-front guarantee to attract travelling orchestras.
- A commitment to fully retain and provide a long-term future to the National Concert Hall of Wales whilst optimising the overall event calendar, including:
 - A commitment to allocate a minimum of 60 days within the peak event calendar to accommodate key classical events. These dates would be secured annually in the event calendar over the full term of the lease. The 60 days offer is not intended to limit the number of days, but rather is a commitment to set aside an appropriate number of high quality (peak-time) days to the classical programme that can be committed to up to 12 months in advance (or earlier as required).
 - A commitment to accommodate the remainder of the classical and community programme around the commercial event calendar including in the peak period if dates are available up to 3 months in advance. Where possible these events would be accommodated on days when the venue is already scheduled to be opened for an event. Where this is not possible and the venue is required to open specifically for an event when it would otherwise be closed, a 'community rate' would be chargeable, equivalent to the cost of operating the venue. Most events, including community events, are already subject to fees from St David's Hall. The community rate card would be agreed by the Council prior to completion of any lease.
 - A commitment to continue to work with the Arts Active Trust by providing continued access to the venue. The St David's Hall staff currently

employed to deliver the Arts Active programme will remain employed by the Council.

- A commitment to continue to utilise the expertise of an independent classical music programme advisor;
- A commitment to maintain the venue's key musical instruments including the 5 Steinway pianos and the St David's Hall organ;
- A commitment to enter into a User Agreement with the key classical and community stakeholders to develop an optimum classical and community programme, with the Council providing a dispute resolution role.
- A commitment to employing existing Council staff on existing terms and conditions through a TUPE agreement and in full compliance with the Code of Practice;
- A commitment to invest in a series of repairs to address the current Health & Safety requirements to ensure the building can be kept open for use.
- In addition, AMG has outlined to the Council investment plans for the building, which include:
 - Investment in the communal areas of the building (foyers / bars etc.) to modernise the building.
 - Investment in the stage area to enable more flexible and up to date use.
 - Investment in the main auditorium to improve the experiential offer including a range of cosmetic improvements such as new seat coverings, flooring etc without affecting the integrity of the auditorium and/or its acoustic quality.
 - Investment in the lower stalls area to allow for the installation of removable seating to enable standing for a wide range of music events. This proposal has been tested and approved by the original acoustic engineers Sandy Brown to confirm no noticeable impact on acoustic quality.
 - A commitment to utilising an independent acoustic engineer (to be approved by the Council) to review any modifications that could affect the acoustic quality of the auditorium before proceeding with works.
 - Delivering the AMG Academy music product to Cardiff bringing a significant number of high-quality rock and pop music events to Cardiff each year. This will provide the residents of Cardiff and the wider region with access to up-and-coming rock and pop artists which at present they need to travel to the nearest Academy venues in Bristol, London or Birmingham to experience.

30. AMG operates 21 venues across the UK and this includes a track record of operating important heritage buildings, including the Shepherds Bush Empire, the Leeds Coliseum (a Grade I listed gothic-style building opened as the Coliseum concert hall in 1885) and City Hall Newcastle, amongst others. AMG also has experience of managing venues such as the O2 Guildhall Southampton that provide a varied calendar including a significant programme of classical and community events.
31. A high-level comparison of the cost to the Council for both Option 1 and Option 2 are set out in Confidential Appendix 7 and can be summarized as follows:
 - a. Option 1 - assumes Council capital investment into property repair and refurbishment in line with professional advice and continuation of the £688,700 annual budget subsidy over a 40-year period.
 - b. Option 2 – AMG offer requiring no Council capital investment and no annual revenue subsidy. This option offers the Council an equivalent saving compared to Option 1 of £133m over a 40-year capital repayment programme (see Confidential Appendix 7 for details).
32. This report recommends proceeding with Option 2 as the most sustainable and affordable solution to protect St David’s Hall, its classical programme, and the venue’s staff.

Market Considerations

33. In 2016, the Council undertook a full OJEU public procurement process to seek an operator for both St David’s Hall and the New Theatre. The procurement involved an extensive Competitive Dialogue process which lasted 18 months to complete at significant cost to the Council. The process was not successful in securing a suitable outcome for either venue. In terms of St David’s Hall, the Council was unable to secure a commitment from a commercial operator to invest the necessary resources to improve the fabric of the building whilst at the same time eliminating or significantly reducing the subsidy from the Council for the continuation of the classical programme. (A position that has been reconfirmed in recent work on the Outline Business Case).
34. Following the feedback received through the Competitive Dialogue process, in 2019, the Council took the New Theatre back out to the market, in isolation from St David’s Hall, and secured an external operator through a property lease rather than a service contract.
35. In 2021, the Council received an unsolicited offer from AMG to operate St David’s Hall without subsidy, whilst protecting the classical programme and accepting full responsibility for the liability of the building and its on-going maintenance. AMG’s offer therefore meets the Council’s minimum requirements when it took the opportunity to the market in 2016, that is, eliminating the operating subsidy, protecting the classical programme, and committing to remove the building liabilities from the Council.

36. The Council's appointed consultants undertook an element of market testing as part of their work to develop the Outline Business Case. The focus of this work was to determine if the market's appetite for operating the building without subsidy and taking on full responsibility for the building had changed since 2016. They confirmed that any transfer would still require the Council to retain responsibility for the building at the very least.
37. The AMG offer is different and is based on a unique set of circumstances. The proposal would provide AMG with an opportunity to secure a presence in Cardiff city centre in advance of the closure of the Cardiff International Arena that is scheduled to close once the new Indoor Arena is delivered in Cardiff Bay. It would also provide a smaller venue to develop a pipeline of talent in the local marketplace that can be showcased in the new Indoor Arena in the future.
38. If, following the public consultation exercise that will be undertaken as part of the Council's budget setting process, the Council is minded to proceed with AMG's offer, the Council intends to publish a Voluntary Ex-Ante Transparency Notice ("VEAT Notice"). The purpose of the VEAT Notice is to provide transparency to the market of the intention to enter into the proposed contractual arrangements on the basis that it is a land transaction which is exempt from the procurement rules. In doing so the Council will observe a standstill period prior to entering into the contractual arrangements with AMG.
39. Legal advice regarding the proposed transaction is set out at Confidential Appendix 6.

Reasons for Recommendation

40. To establish a sustainable long-term future for the National Concert Hall of Wales and to protect the delivery of the classical music programme.

Financial Implications - DRAFT

1. The report recommends approval in principle for the Council to enter into a long-term property lease with AMG as tenant for the operation of St David's Hall and as an independent commercial enterprise. Any final decision would be subject to the public consultation process to be undertaken as part of the Council's budget setting process for 2023/24 and the proposed publication of a VEAT notice.
2. It is proposed that a further report be brought to a future meeting of Cabinet for consideration and approval of a final lease agreement. The proposal will be subject to completion of the detailed Heads of Terms to include final detail of the transfer of building liabilities and the transfer of relevant staff under TUPE regulations.
3. Subject to the final detail, the proposal is aimed at the removal of the ongoing operating subsidy to the Council with a current annual revenue budget set at £688,700.

4. A detailed condition survey carried out in 2021 is noted to have identified several significant issues relating to the fabric of the building with the value of these works exceeding available capital budgets. The report additionally notes that temporary building management and health and safety strategies in place are only suitable for the short term and in advance of permanent remediation.
5. The offer from AMG as it is currently drafted would require no Council capital investment, no future buildings liability, and no committed annual revenue payments or subsidy to the new tenant. The draft offer also provides for the continuation of the classical programme requiring no on-going contribution from the Council.
6. Whilst there are no works specified for the Council to undertake prior to any transfer at this stage, any liabilities on the Council should be clearly identified and agreed as part of the final Heads of Terms for the lease. Any commitments in this regard would need to be agreed and form part of future budget setting processes for both capital and revenue budgets.
7. The recommendation assumes the transfer of all staff associated with St David's Hall under TUPE regulations. This and any Pension Fund implications in relation to any transfer of responsibilities will need to be fully set out as part of the completion of the proposed lease.
8. The timing of the transfer, staff consultation and exact detail of the lease agreement may also have an impact on the achievability of budget savings for 2023/24 and any ongoing liabilities for the Council and will need to be reviewed accordingly as part of the finalisation of the contractual terms.
9. Initial VAT advice received by the Council on the status of the lease suggests that any potential future Council contribution may be subject to VAT. Therefore, in such an arrangement and in order for the Council to recover this VAT, the Council will need to exercise an option to tax over the whole site prior to any completion of the lease, in order that any interests in land granted are taxable rather than exempt supplies. In principle, this would allow for VAT recovery on any costs directly associated with these interests. Similarly, the Council has included a clause that the operator cannot dis-apply the option to tax in relation to the Land and will not do, or cause to be done, or omit to do anything which could lead to the option to tax being revoked or dis-applied by operation of law or otherwise.
10. Procurement and legal advice with regard to the draft Heads of Terms are set out in Confidential Appendix 6. Prior to agreeing the recommendations within this report and prior to the finalisation of any lease agreement, decision makers should ensure that they are satisfied with the findings in this regard.
11. The Subsidy Control Act 2022 comes into force in January 2023 and prior to finalisation of any contractual documentation, the Council must determine the requirements of this Act and ensure that any transactions proposed to be entered into are fully compliant.

12. Further consideration must be given to the legal, procurement and VAT implications of the report proposals as the Heads of Terms and ancillary documentation are finalised. It is recommended therefore that the Directorate seek further specialist advice in these areas as appropriate in order to ensure that the structure of any final contract sufficiently protects the Council's interests.

Legal Implications

13. Procurement and legal advice with regard to the draft Heads of Terms are set out in Confidential Appendix 6 and prior to agreeing the recommendations within this report, decision makers should ensure that they are satisfied with the findings in this regard.
14. Further consideration should be given to any legal, procurement and VAT implications of the report proposals as the Heads of Terms and ancillary documentation is finalised. It is recommended that the Directorate seek further specialist advice in these areas as appropriate in order to ensure that the structure of any final contract sufficiently protects the Council.
15. Section 123 of the Local Government Act 1972 enables the Council to dispose of land "in any manner they wish", provided that best consideration is obtained, for any interest for a term exceeding 7 years (or an assignment which still has more than 7 years to run). Disposals of land for more than 7 years for less than best consideration require the consent of the Secretary of State. The Council intends to grant a lease for a term in excess of 7 years so it has instructed an independent surveyor to assess whether the offer it has been presented with for the leasehold transaction represents the best consideration reasonably obtainable.
16. Section 145 of the Local Government Act 1972 enables the Council to do, or arrange for the doing of, or contribute towards the expenses of the doing of, anything necessary or expedient for the provision of entertainment of any nature or the provision of a theatre, concert hall, dance hall or other premises suitable for the giving of entertainments and any purposes incidental to that provision.
17. In coming to its decision the Cabinet needs to take account of the Council's fiduciary duties to local residents and taxpayers.
18. The Cabinet must also make its decision having due regard to the Council's public sector equality duties pursuant to the Equality Act 2010 (including specific Welsh public sector duties). This requires the Council, in the exercise of its functions, to have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The protected characteristics are: age, gender reassignment, sex, race - including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief. If the recommendations in this report are accepted and when any alternative options

are considered, the Council will have to consider further the equalities implication and an Equality Impact Assessment may need to be completed.

19. Equalities impact assessments will be undertaken as necessary as the proposals described within this report, are developed.
20. The Well-Being of Future Generations (Wales) Act 2015 (“the Act”) places a ‘well-being duty’ on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
21. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff’s Corporate Plan 2022-25.
22. The well-being duty also requires the Council to act in accordance with the ‘sustainable development principle’. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
 - Look to the long term;
 - Focus on prevention by understanding the root causes of problems;
 - Deliver an integrates approach to achieving the 7 national well-being goals;
 - Work in collaboration with others to find shared sustainable solutions; and
 - Involve people from all sections of the community in the decisions which affect them.
23. The Cabinet must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible here:

<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>
24. The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language.

Procurement Law

25. Detailed procurement advice in relation to the proposed transaction is set out in Confidential Appendix 6.

Subsidy Control

26. Detailed subsidy control advice in relation to the subsidy control implications of Options 1, 2 and 3 is set out in Confidential Appendix 6.

Employment Law

27. The Council currently employs 38 staff to deliver the Music and Arts programme at St David's Hall.
28. As Option 1 is essentially "as is" (albeit with the Council needing to invest in the venue), the staff would remain employed by the Council and the Council would retain responsibility for the cost of employing them.
29. If Option 2 is chosen, there is the potential for some or all of those staff to transfer from the Council to the Third Party under the Transfer of Undertakings (Protection of Employment Regulations 2006) (TUPE) and, in any event, the Heads of Terms provide for the Council and the Third Party to treat all staff currently employed by the Council at the venue as transferring under TUPE. The expectation from the Third Party is therefore likely to be that, whilst it would be responsible for those staff after the transfer, it would want certain indemnities from the Council under the Business Sale Agreement including for: all staff costs arising pre transfer; claims from transferring staff arising from pre transfer acts and omissions of the Council when the Council was their employer; and the risk of staff who have not been identified as being in scope to transfer alleging they should also transfer. The Council would also have obligations under TUPE to inform, and potentially consult, with the affected employees' representatives in relation to the transfer.
30. If Option 3 is chosen, as this would likely involve a procurement process and then a service/service concession arrangement to deliver the same/similar services, there is the potential for TUPE to apply to transfer staff to the operator and/or for it to be treated by agreement as a transfer under TUPE. If so, the position in terms of indemnities and obligations is likely to be as per Option 2 above.

Pensions

31. Any existing employees will likely be in the LGPS and it is likely that under any TUPE Transfer they will have Best Value Directions 2007 protection so any buyer would have to either enter an Admission Agreement to join the LGPS or set up a broadly comparable arrangement outside of the LGPS.
32. The Council should consider in advance any cost/ risk sharing processes it is prepared to use around both the buyer's ongoing contributions and any exit deficit, which may arise at some point in the future, to ensure they understand in advance the potential cost implications in allowing a negotiated pass through mechanism as part of the transfer.

Property Implications

33. All immediate property implications are contained within the body of the report and supporting appendices.
34. The Corporate Property Strategy 2021-26 sets out targets relating to Modernisation of the estate, Carbon reduction and reduction of property running's costs. The proposals set out in this report assist the Council in achieving these targets.
35. The key risks associated with the building are clearly identified within Confidential Appendices 1, 2 & 3 and are currently being managed through a Building Management and Health and Safety Strategy, involving practical maintenance and monitoring measures. However, it is important to note that the risks associated with the RAAC planks remain and unless adequate finances and suitable remediation actions are implemented at the earliest possible time, it puts Cardiff Council in an unsustainable risk management situation.

HR Implications

36. The legal implications set out in this report explain the TUPE requirements and pension implications. In addition to the requirements under the (Transfer of Undertakings (Protection of Employment Regulations) 2006 (TUPE), the requirements of the Welsh Government's Code of Practice on Workforce Matters (the Code) must be met (see Appendix 8).
37. The Code is designed to ensure that where public services are outsourced to a third party (including the private or third sector) and staff transfer: (a) TUPE will apply, and if TUPE does not strictly apply, the principles of TUPE will be followed unless there are exceptional reasons for not doing so; and (b) staff of the service provider (whether newly recruited or existing staff) undertaking work on that contract will be employed on terms and conditions which are no less favourable than those of transferred staff, with the exception of pension arrangements where reasonable pension provision must be made as indicated in the Code. The Code requires the contracting authority, in this case the Council, to monitor the implementation of the Code by service providers wherever it applies, and to provide an annual report to the Welsh Government.
38. Agency workers at St David's Hall that have been continuously engaged in the same role for a fixed number of hours per week for the last 4 years, and those that have been doing the same for a period of 2 years, will be offered contracts of employment in accordance with the Fair Worker Policy (either permanent contract or temporary). This will mean that they will be covered by the TUPE legislation. AMG would need to determine for themselves the future use of Agency workers.
39. The trade unions, staff and agency workers have been briefed on the recommendations set out in this report, with a commitment for further engagement once a decision is taken on the options by Cabinet. If required, a formal consultation period will need to take place with staff on a TUPE transfer.

RECOMMENDATION

Cabinet is recommended to:

- I. Note the Outline Business Case attached at Confidential Appendix 4.
- II. Approve, in principle the offer from AMG (set out as Option 2 in this report) and further described in the Outline Business Case at Confidential Appendix 4, the draft Heads of Terms at Confidential Appendix 5 and delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Culture, Parks and Events, the Section 151 Officer and the Legal Officer to progress negotiations with AMG and for Legal Services to prepare proposed contractual documentation.
- III. To note that consultation will be undertaken as follows:
 - a. Public consultation as part of the Council’s budget setting process, and;
 - b. Consultation with affected staff in relation to a potential transfer to AMG under the Transfer of Undertaking (Protection of Employment Regulations 2006 (“TUPE”).
- IV. To note that findings of the consultation, together with an assessment of best value of the AGM offer will be brought back to Cabinet for consideration as part of a final decision on whether to proceed with the offer from AMG.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	Date

The following appendices are attached:

Appendices

- Confidential Appendix 1** - Conditions Survey 2021
- Confidential Appendix 2** - Conditions Survey Cost Report
- Confidential Appendix 3** - Property Management Summary
- Confidential Appendix 4** - Outline Business Case
- Confidential Appendix 5** - AMG Proposal - Heads of Terms
- Confidential Appendix 6** - Legal Advice
- Confidential Appendix 7** - Financial Overview
- Appendix 8** – HR Note
- Appendix 9** - Equality Impact Assessment

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St David's Hall

TUPE/Welsh Government's Code of Practice on Workforce Matters/Agency Workers

Briefing Note

Introduction

1. The following explains the impact of TUPE legislation and the Welsh Government's Code of Practice on Workforce Matters (the Code) arising from Options 2 and 3 of the Cabinet Report in relation to St David's Hall, Cardiff. It also sets out the implications for agency workers.
2. The Cabinet report states that the Council has received an unsolicited offer from Academy Music Limited ("AML") setting out a proposal to acquire and operate St David's Hall as an Academy venue by way of a long-term lease. The offer includes taking full responsibility for the liability of the building, ring-fencing and protecting a classical programme, protecting the acoustic value of the auditorium and securing existing jobs. This is Option 2.
3. Option 3 within the Cabinet report is to consider the appropriateness and viability of undertaking a public procurement exercise [by engaging with providers in the market] to establish whether the wider market would be able to provide improved value.

TUPE

4. Should Option 2 or 3 be chosen, and the venue and its operations transfer from the Council to AML or another organisation, the result would be that the Council's employees would transfer under the Transfer of Undertakings (Protection of Employment Regulations 2006) (TUPE).
5. Under TUPE, employees have certain protections in law. Their terms and conditions of employment, such as pay, holidays and sick pay provision, (apart from occupational pensions) and continuity of service transfer with them. They also receive certain protections around dismissal and redundancy.

The Code of Practice on Workforce Matters (The Code)

6. The Code should be applied whenever public services in Wales are to be outsourced to a third party. Procurement and contracting exercises should be conducted on the basis that the TUPE Regulations 2006 will apply unless there are exceptional reasons why this should not be the case.
7. The implications for Cardiff Council are that at the earliest possible stage in the contracting process the Council must state that employees will be eligible to transfer and this will normally have the effect of causing TUPE to apply.

8. Even where TUPE does not strictly apply, the Code requires that the principles of TUPE should be followed, and the employees should be treated no less favourably than they would have been had the Regulations applied. This includes compliance with the provisions of A Fair Deal for Staff Pensions, which was revised in 2013.
9. The Code requires the contracting authority, in this case the Council, to monitor the implementation of the Code by service providers wherever it applies, and to provide an annual report to the Welsh Government.
10. The Code also requires that new joiners to the transferred-out workforce are offered terms and conditions (e.g, pay, holidays, sickness provisions) which are no less favourable than those of the transferred employees. This does not apply to pensions, but new joiners must also be offered a reasonable pension provision as indicated in the Code.

Pensions

11. Existing employees are likely to be in the Local Government Pension Scheme (LGPS) and under any TUPE and the Code the Third Party would have to either enter an Admission Agreement to join the LGPS or set up a broadly comparable arrangement outside of the LGPS.
12. The Council has experience of TUPE transfers and the most significant are the Leisure Services contract, and more recently, the transfer of the New Theatre.
13. In the case of the Leisure Services contract the Council required the operator to acquire 'Admitted Body' status to the LGPS and this pension scheme should both continue to apply to the employees who transferred, but also new employees employed after the transfer to deliver the leisure services in Cardiff.
14. In the case of the New Theatre, the operator secured 'Admitted Body' status for the employees who transferred, and new employees can access the organisations' own pension scheme.

Issue for Decision

15. There is a clear expectation of the Code that new employees are offered no less favourable terms. This needs to be clearly set out in contract arrangements.
16. As the Council has experienced different arrangements in the application of the Code as far as pension arrangements are concerned, there needs to be a decision on the expectations of the Third Party with regard to the pension provisions.
17. Whilst the expectation for the Third Party to secure 'Admitted Body' status is clear, does the Cabinet wish for new employees to be able to access the LGPS as was the case for the Leisure Services contract/TUPE transfer, or to apply the same arrangements as applied to the New Theatre.

Agency Workers

18. The Council recently agreed a Fair Worker (Long Term Agency Worker) Policy which provides for offers of permanent employment to those agency workers who have 4 or more years continuous assignment (with breaks equivalent to annual leave) in a role with the Council. Those with more than 2 years, but less than 4 years, continuous assignment (with breaks equivalent to annual leave) will be offered a temporary contract of employment with the Council.
19. The pool of agency workers engaged at St David's Hall who meet the criteria set out in the Fair Worker Policy will be offered either permanent or temporary contracts, as appropriate. It is expected this will apply to those agency workers who have been continuously engaged in the same role for a fixed number of hours per week, for either 4 or 2 years. This will mean that they will be covered by the TUPE legislation.
20. Those agency workers who do not meet the criteria will be engaged continuously in a role for 4 years or more. Agency workers at SDH who have been continuously engaged in the same role for a fixed number of hours per week for the last 4 years, and those that have been doing the same for a period of 2 years, will be offered contracts of employment in accordance with the (either permanent contract or temporary).
21. In other cases, AMG will need to determine for themselves the level of use of agency workers moving forward. They will be provided with the names of the agencies used by the Council for St David's Hall.

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Equality Impact Assessment
Corporate Assessment Template

Mae'r ddogfen hon ar gael yn Gymraeg / This document is available in Welsh

Policy/Strategy/Project/Procedure/Service/Function Title: St. David's Hall Project
New/Existing/Updating/Amending: New

Who is responsible for developing and implementing the Policy/Strategy/Project/Procedure/Service/Function?	
Name: Chris Barnett	Job Title: Operational Manager
Service Team: Major Projects	Service Area: Economic Development
Assessment Date: October 2022	

1. What are the objectives of the Policy/Strategy/Project/ Procedure/ Service/Function?

The Corporate Property Strategy report was presented to Cabinet on 16th December 2021 and highlighted the findings of full Conditions Surveys and associated costings for St. David's Hall. Approval was given by Cabinet to develop an Outline Business Case to consider the future investment requirements for St. David's Hall taking into account the recent surveys.

An external consultancy with industry knowledge and expertise was commissioned to produce an Outline Business Case exploring the following options:

- The Council retaining control of the venue
- Accepting a proposal made by a third party to become a commercial operator of the venue
- Investigation of market opportunities

2. Please provide background information on the Policy/Strategy/Project/Procedure/Service/Function and any research done [e.g. service users data against demographic statistics, similar EIAs done etc.]

As part of the commissioned OBC report, regional/local demographic information and cultural engagement information was reviewed to understand current product-based use and demand and how this may change with an alternative delivery model in the future.

**Equality Impact Assessment
Corporate Assessment Template**

This data highlights a demographic profile of St. David’s Hall catchment area and cultural engagement levels and as such suggests how this data may be used to widen / strengthen the diversity of venue customers in the future.

Following the completion of this Outline Business Case, a report will be presented to Cabinet in December 2022 to present the findings of the OBC and to seek a decision on the options proposed.

Depending on which option Cabinet decide to proceed with will result in different impacts both positive and negative.

The responses to Section 3 offer suggested, potential impacts to these options.

3 Assess Impact on the Protected Characteristics

3.1 Age

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative/]** on younger/older people?

	Yes	No	N/A
Up to 18 years	P		
18 - 65 years	P		
Over 65 years	P		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Option 1 - an in-house Council retained option would result in no change and therefore no differential impact, however if this option becomes unviable in the future then the Council may be in a position where the facility closed which would have a negative impact on all user groups.

Option 2 – the AMG proposal seeks to expand the diversity of acts/events by bringing an Academy product to the city centre which would have a positive impact to all age groups. The offer also outlines a commitment to continuing to accommodate a classical and community programme. Therefore, should this continue to support events such as youth orchestra and school activities then no differential impact would take place for younger people.

The classical programme tends to appeal to an older demographic. Retention of a classical programme would result in no differential impact to this group.

CARDIFF COUNCIL

**Equality Impact Assessment
Corporate Assessment Template**

What action(s) can you take to address the differential impact?

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3.2 Disability

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on disabled people?

	Yes	No	N/A
Hearing Impairment			
Physical Impairment			
Visual Impairment			
Learning Disability			
Long-Standing Illness or Health Condition			
Mental Health			
Substance Misuse			
Other			

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

An as-is position by proceeding with an in-house retained model would result in no differential impact. However, the current accessibility of the building has its limitations and needs investment to improve accessibility. If a decision were taken to retain St. David's Hall in-house then such improvements would likely be delayed due to budget constraints.

If the in-house option proved unviable due to budget considerations the council may be forced to close the facility. The impact of closure would have a negative on all user groups.

Option 2, with acceptance of the AMG proposal would result in significant investment to the building thus improving and modernising communal areas.

What action(s) can you take to address the differential impact?

Option 1 - access improvements to be made as and when budget allows.

Option 2 - access improvements as part of AMG proposal.

3.3 Gender Reassignment

CARDIFF COUNCIL

**Equality Impact Assessment
Corporate Assessment Template**

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on transgender people?

	Yes	No	N/A
Transgender People (People who are proposing to undergo, are undergoing, or have undergone a process [or part of a process] to reassign their sex by changing physiological or other attributes of sex)			

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

An as-is position by proceeding with an in-house retained model would result in no differential impact.

The AMG proposal to invest in the building would result in upgrading and modernisation of communal areas. This presents an opportunity for the provision of gender-neutral toilets which would have a positive impact.

What action(s) can you take to address the differential impact?

3.4. Marriage and Civil Partnership

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on marriage and civil partnership?

	Yes	No	N/A
Marriage			X
Civil Partnership			x

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Neither option would make a differential impact.

What action(s) can you take to address the differential impact?

CARDIFF COUNCIL

**Equality Impact Assessment
Corporate Assessment Template**

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3.5 Pregnancy and Maternity

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on pregnancy and maternity?

	Yes	No	N/A
Pregnancy	<input type="checkbox"/>	<input type="checkbox"/>	X
Maternity	<input type="checkbox"/>	<input type="checkbox"/>	x

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Neither option would make a differential impact.

What action(s) can you take to address the differential impact?

3.6 Race

Will this Policy/Strategy/Project//Procedure/Service/Function have a **differential impact [positive/negative]** on the following groups?

	Yes	No	N/A
White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mixed / Multiple Ethnic Groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asian / Asian British	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Black / African / Caribbean / Black British	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Ethnic Groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

The venue currently operates a diverse programme of community events, therefore an in-house Council retained option would result in no change and no differential impact.

**Equality Impact Assessment
Corporate Assessment Template**

The impact of closure would have a negative impact on all user groups.

The AMG proposal seeks to expand the diversity of acts/events by bringing an Academy product to the city centre which may include music genres not currently part of the St. David's Hall offer which may appeal to community groups that don't currently use the venue, this would result in a positive impact. The offer also outlines a commitment to continuing to accommodate a community programme, therefore should this continue to support events community group events then no differential impact would take place.

What action(s) can you take to address the differential impact?

Option 2, seeks to expand provision of acts as part of the AMG proposal.

3.7 Religion, Belief or Non-Belief

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on people with different religions, beliefs or non-beliefs?

	Yes	No	N/A
Buddhist			
Christian			
Hindu			
Humanist			
Jewish			
Muslim			
Sikh			
Other			

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Option 1 would make no differential impact.

Option 2 may present a positive impact with an expansion in programme diversity.

What action(s) can you take to address the differential impact?

Equality Impact Assessment
Corporate Assessment Template

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3.8 Sex

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on men and/or women?

	Yes	No	N/A
Men			
Women			

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Neither option would make a differential impact.

What action(s) can you take to address the differential impact?

3.9 Sexual Orientation

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on the following groups?

	Yes	No	N/A
Bisexual			
Gay Men			
Gay Women/Lesbians			
Heterosexual/Straight			

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

CARDIFF COUNCIL

Equality Impact Assessment
Corporate Assessment Template

Neither option would make a differential impact.

What action(s) can you take to address the differential impact?

3.10 Socio-economic Duty

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on the Socio-economic Duty?

	Yes	No	N/A

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

An as-is position by proceeding with an in-house retained model would result in no differential impact. The impact of closure would have a differential impact based on the current demographics of the user groups

Should the Council proceed with the AMG proposal there may be a change to ticket prices. If these were to increase this would result in a negative impact.

What action(s) can you take to address the differential impact?

3.11 Welsh Language

Will this Policy/ Strategy/Project/Procedure/Service/Function have a **differential impact (positive/negative)** on the Welsh Language?

	Yes	No	N/A

CARDIFF COUNCIL

Equality Impact Assessment
Corporate Assessment Template

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Please give details/ consequences of the differential impact, and provide supporting evidence, if any.

Neither option would make a differential impact.

What action(s) can you take to address the differential impact?

4. Consultation and Engagement

What arrangements have been made to consult/engage with the various Equalities Groups?

A decision on the future of St. David's Hall is required before a comprehensive engagement programme can be developed and implemented.

The project will commit to undertaking a full consultation and engagement programme with Equalities groups.

5. Summary of Actions [Listed in the Sections above]

Groups	Actions
Age	

CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template

Disability	
Gender Reassignment	
Marriage & Civil Partnership	
Pregnancy & Maternity	
Race	
Religion/Belief	
Sex	
Sexual Orientation	
Socio-economic Duty	
Welsh Language	
Generic Over-Arching [applicable to all the above groups]	

6. Further Action

Any recommendations for action that you plan to take as a result of this Equality Impact Assessment (listed in Summary of Actions) should be included as part of your Service Area's Business Plan to be monitored on a regular basis.

7. Authorisation

The Template should be completed by the Lead Officer of the identified Policy/Strategy/Project/Function and approved by the appropriate Manager in each Service Area.

Completed By : Chris Barnett	Date:
Designation: Operational Manager – Major Projects	
Approved By:	
Designation:	
Service Area:	

- 7.1 On completion of this Assessment, please ensure that the form is submitted to the Equality Team mailbox so that there is a record of all assessments undertaken in the Council- equalityteam@cardiff.gov.uk.

For further information or assistance, please contact the Equality Team- equalityteam@cardiff.gov.uk

CABINET: THURSDAY, 22 DECEMBER 2022 at 2.00 PM

A Cabinet Meeting will be held in CR 4, County Hall - Multi Location Meeting on at 2.00 pm

A G E N D A

Finance, Modernisation & Performance

- 1 2023/24 Budget Modelling Update and Proposals for Consultation (*Pages 3 - 32*)

PAUL ORDERS

Chief Executive

This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg

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**CARDIFF COUNCIL
CYNGOR CAERDYDD**



CABINET MEETING: 22 DECEMBER 2022

2023/24 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 2023/24, 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 2023/24.

Background

3. In July 2022, Cabinet received an Update Report on the 2023/24 Budget and the Medium Term Financial Plan which indicated an estimated 2023/24 budget gap of £29.080 million. The Report highlighted the volatility of the position and noted the absence of agreed pay awards, the energy crisis, and wider inflationary challenges as among factors requiring ongoing review.
4. In October 2022, a further Budget Update Report was presented to Cabinet that updated the indicative budget gap for 2023/24 to £53.159 million. The increase reflected changes in the interceding period including the receipt of pay offers, indicative energy pricing and unprecedented demand pressure in Children's Services. This report provides a further update on the budget gap for 2023/24 and incorporates the impact of Provisional Settlement, which was received on 14th December 2022.
5. Budget consultation commenced earlier in the year as part of the Ask Cardiff Survey. This requested citizens to prioritise areas in which they would like to see resources directed, both in the short and longer term. This report provides an update on Ask Cardiff findings and sets out the arrangements for a more detailed consultation in relation to 2023/24 Budget Proposals.

Issues

6. Cabinet is required, prior to the 11th March 2023 to place before the Council, proposals, which if approved, would result in the adoption of a balanced budget for 2023/24. The public consultation proposed by this report will inform the preparation of Cabinet's final draft budget for consideration by Council in early March 2023.

Timescales

7. Due to the timing of the UK Autumn Statement, which took place in late October, the Provisional Settlement was not received until the 14th December 2022. The Provisional Settlement is a critical factor in drafting the budget strategy and can significantly affect the overall position.
8. 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 2023/24 Budget will commence on 23rd December 2022 and run until 29th January 2023.

Provisional Local Government Settlement

9. On the 14th December 2022, the Minister for Finance and Local Government announced the Provisional Settlement for 2023/24. The Minister's statement and key data table is attached at **Appendix 1**.
10. The headlines of the settlement are that:
 - On average, Welsh Local Authorities will receive a 7.9% increase in general revenue funding next financial year.
 - Individual Authority Settlements range from +6.5% to +9.3%.
 - There will be no 'floor' protection in 2023/24.
11. Cardiff will receive a 9.0% increase in Aggregate External Finance (AEF) in 2023/24. In cash terms this equates to £48.165 million. The above average settlement for Cardiff is largely linked to data underpinning the settlement including, population changes and numbers of children in receipt of free school meals.
12. In addition to AEF, the Provisional Settlement provides some details on specific revenue grants at an All Wales level. At summary level specific grants appear to have increased by £63.466 million. However, after taking into account increases of £132.6 million for rate relief for Retail, Leisure and Hospitality Businesses and an already notified increase of £30 million related to Universal Primary Free School Meals, there is an underlying reduction of £99.134 million across other grant streams. The table below summarises key changes in revenue specific grants:

Change		Change £m
Ceasing	FSM Holiday Provision NQT Grant Reducing Infant Class Sizes Grant Summer of Fun Family Intervention Fund	(23.765) (3.813) (2.500) (5.500) (3.200)
Reducing	Childcare Offer (then ceasing 2024/25)	(55.750)
Increasing	ALN Transformation Eliminating Profit from LAC Whole school approach to emotional & mental well being Coastal Risk Management Programme	5.400 7.987 1.225 8.145
TBC	Sustainable Waste Management (£16.4m at 22/23 level) Homelessness – No one Left Out (£10m at 22/23 level) Discretionary Homelessness Prevention (£6m-22/23 level) <i>(WG budget announced on 13th December refers to an increase in support for Discretionary Homelessness Prevention which provides a level of assurance.)</i>	TBC TBC TBC

13. Cardiff's Capital Settlement at Provisional is a £3.055 million increase in General Capital Funding (GCF) for 2023/24. This is £135,000 more than the increase assumed when setting the 2023/24 capital programme, (0.75%) which was based on indicative allocations from Welsh Government in March of this year. This increase is also assumed for 2024/25, but for 2025/26 and beyond that, it is unclear whether this will be sustained in baseline GCF allocations.
14. There is little detail in terms of specific capital 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 also applies to the £20 million decarbonisation sum announced by Welsh Government in the Provisional Settlement at an All-Wales level.
15. Whilst the small additional GCF allocation is welcome, there are significant cost pressures inherent in the existing capital 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.
16. It should be noted that the funding position outlined above reflects the Provisional Settlement and that the Final Settlement for 2023/24 will not be received until the first week of March 2023. Whilst the Provisional Settlement stated that significant changes are not anticipated to be made at final settlement, there is one expected change. This relates to the transfer in of a grant linked to increased employer costs of Fire and Rescue Authority (FRA) pensions. The potential financial impact of this will depend on the amount of funding that is transferred into the settlement,

and how this compares with Cardiff's associated increase in levy to the South Wales Fire Service. This will be kept under review between now and Final Settlement.

Comparison to Planning Assumptions

17. As part of the 2022/23 Local Government Settlement, an indicative All Wales funding allocation of +3.5% was issued in respect of 2023/24. To date, this indicative allocation has been the basis of the Council's planning assumptions for 2023/24 funding. As noted at each budget update, there is always a risk that indicative allocations may change.
18. The difference between the indicative allocation of 3.5% and the Provisional Settlement of 9% equates to £29.100 million in cash terms, after taking account of tax base changes in the formula. The impact of this on budget modelling, along with other updates is set out in paragraphs 21-26.

Council Tax Base

19. On 15th December 2022, Cabinet approved the tax base for 2023/24. Future tax base increases are not reflected in financial planning assumptions until after receipt of Provisional Settlement. This is because they can have a negative distributional impact through the AEF funding formula. For 2023/24, for Cardiff, this impact was £0.9m, and its impact is reflected in the AEF figures outlined above.
20. Setting aside the impact on AEF, which has now been captured, the net increase in Council Tax linked to the new 2023/24 tax base is £1.436 million. This is the additional amount that will be generated before any increase in the rate of council tax. It is a net increase, which takes into account costs associated with Council Tax premia.

Budget Modelling Update

21. The Council's MTFP undergoes regular review to ensure it reflects the most up to date and robust information. Updates since the last budget update report in October include the impact of:
 - The Provisional Settlement, announced on 14th December 2022.
 - The Council Tax Base for 2023/24 approved by Cabinet on 15th December 2022.
 - Announcements and updates associated with the Autumn Statement, including updated inflation forecasts.
 - Review of pay award assumptions.
 - Most recent pricing information.
 - The need to address base pressures, evident through in year monitoring in some areas.

22. Taking account of the above updates, the current resource requirements modelled for 2023/24 are set out in the table below. They show an estimated cost increase of £74.998 million for 2023/24.

Resources Required	£000	Includes
Base Budget B/F	743,746	
Pay Award, NI & LGPS changes	29,677	<ul style="list-style-type: none"> • Shortfall in funding for 2022/23 pay award • Assumed pay award for 2023/24 • Reversal of NI increases & reduced LGPS rate following actuarial review
Price Inflation	27,967	<ul style="list-style-type: none"> • Energy and Fuel • Commissioned Care Costs (inc RLW impact) • Home to School Transport • Levy increase to South Wales Fire Service
Commitments & Realignments	10,653	<ul style="list-style-type: none"> • Risk based realignments linked to Month 6 • Total figure is £16.653m – offset by release of £10m former Covid 19 contingency budget
Demographic Pressures	6,701	<ul style="list-style-type: none"> • Adult Services • Pupil Numbers, Special Schools, LDP places
Resources Required	818,744	

23. At Provisional Settlement, resources available are set out below:

	£000	Reflects:
Aggregate External Finance	592,891	• Per Provisional Settlement
Council Tax	200,856	• 2023/24 tax base at 2022/23 prices
Earmarked Reserves	1,500	<ul style="list-style-type: none"> • Baseline assumption of £1.5m • Including specific use of £1m energy reserve
Resources Available	795,247	

24. The difference between resources available and resources required is £23.497 million. This is the updated budget gap for 2023/24 which must be addressed in finalising the draft budget for 2023/24. Current modelling is predicated on the following:

	£000	Reflects
Budget Gap	23,497	Resources required less resource available
Council Tax increase	(4,975)	Draft only - modelled at 3%
Efficiency Proposals	(8,500)	Current target
Shortfall still to be addressed	10,022	

25. The shortfall still to be addressed will need to be bridged through a combination of factors. Subject to consultation, these will include:
- Agreed service change proposals included post budget consultation
 - Finalisation of the position on schools' budgets for 2023/24 – outlined further at paragraph 33

- Further scope to extend efficiency proposals - including corporate measures, grant maximisation opportunities and expressions of interest in voluntary redundancy
 - Further consideration of the overall level of reserves to be used in support of the budget
26. The position outlined above is a draft position. All assumptions will be kept under close review in finalising the budget for 2023/24 and Cabinet will continue to carefully consider all aspects of the Budget Strategy in finalising their draft budget proposal for Council consideration. As part of this, careful regard will be given to the feedback from consultation.

Aspects of Financial Strategy for Ongoing Review

Use of Reserves

27. The draft budget modelling includes total reserve use of £1.5 million. This reflects £0.5 million use in support of the budget generally, and £1 million specific support from energy reserve. The latter is linked to an anticipated fall back in prices for 2024/25, which makes use of a temporary funding mechanism appropriate in this instance. Over-reliance on reserves as budget funding should be avoided because they are a finite resource. This means that using reserves to fund ongoing cost pressures immediately creates a gap in the finances of the following year. The sum included will continue to be reviewed as the Budget Strategy is developed with the ongoing aim to strike an appropriate balance between use of reserves and protection of front line services.

Council Tax

28. The Council will have due regard to the level of the increase in council tax in 2023/24 but must balance this against the need to fund key services. The increase currently modelled is 3%. This is below inflation, and is consistent with previous modelling assumptions. The final level of Council Tax will only be decided following the consultation process, as part of the final budget proposal.
29. A 3% increase would generate net additional income of £4.975 million after associated increases in the Council Tax Reduction Scheme (CTRS).
30. 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 £2.000 million for the Council, it also costs £0.350 million in additional CTRS requirements, thus reducing net additional income to £1.650 million. In other words, almost 18% of any Council Tax increase is required to support costs associated with the CTRS.

Budget Savings

31. The modelled position reflects an efficiency target of £8.500 million. 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.
32. In line with the Council's July 2022 Budget Strategy Report, in order to improve the deliverability of savings and maximise the chances of securing full year savings in 2023/24, efficiency proposals that do not require a policy decision will be implemented in the current year wherever possible.

Schools Budgets

33. In light of the better than anticipated settlement, at present, the draft position for consultation as outlined above, does not currently assume any efficiency contribution from schools. This is a change from previous years, and from MTFP planning assumptions. It effectively means that schools would receive their full growth requirement for 2023/24. At present, this is as set out below, and would result in schools receiving growth next year of £24.988 million (9.3%). In percentage terms this is slightly higher than the headline AEF increase for Cardiff of 9%.

	£000
Pay Award and NI changes	16,127
Price Inflation	6,900
Commitments	400
Contribution to Band B and Asset Renewal	(1,090)
Demographic Pressures	2,651
	24,988

Allocation of Resources

34. 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 Stronger, Fairer, Greener and the Council's Corporate Plan, which is being updated alongside the budget.

Medium Term Planning Implications

35. Whilst the funding position for 2023/24 is more positive than initially assumed, the overall position both next year and beyond is set in the context of ongoing uncertainty. In finalising the 2023/24 Budget proposal, it will therefore be important to conserve financial resilience wherever possible. Whilst the focus of this report is the annual budget proposals subject to consultation for 2023/24, 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 2023/24 Budget Report.

Consultation and Engagement

36. 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 2023/24 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 3,856 responses across the city. Findings from the budget questions that focussed on the short term are set out below. In terms of top priorities, 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. Housing and homelessness services
 5. Recycling and Waste Services including collections, disposal and Recycling Centres
 6. Neighbourhood Services such as street cleansing
 7. Highways and Transport
 8. Libraries and Community Hubs
 9. Parks and Sport
 10. Major projects including infrastructure to support businesses, local economy, city centre and local community centres
 11. Delivery of the One Planet Cardiff Strategy
 12. Culture, Venues and Events
37. Building on the findings from Ask Cardiff, consultation in respect of the 2023/24 Budget, subject to Cabinet approval will begin on the 23rd December 2022 and run until 29th January 2023. The results of the consultation will be a key consideration for Cabinet in preparing their final 2023/24 Budget Proposal for consideration by Council in March 2023.
38. The Budget consultation details are attached at **Appendix 2**, and the proposals being consulted upon will form part of the approach to addressing the residual budget gap outlined in paragraph 24. Key points to note in relation to 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 Public Service Board 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 share 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.
39. 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.
40. 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

41. Through the Council's Trade Union Partnership meeting, trade unions have been consulted in advance, on the budget projections for 2023/24. In addition, they have been consulted on the savings proposals that form part of public consultation, and their 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. In light of the budget gap outlined, it remains likely that there will be redundancies within the Council's workforce during the financial year commencing April 2023.
42. 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 provides employees with a period of twelve weeks to look for alternative employment.
43. Whilst the exact number of proposed redundancies is not known at this stage, some as indicated above are likely to occur. In light of this, and following on from the October Budget Update Report, a Section 188 Notice has been formally issued to the trade unions, related to the budget and potential redundancies.

44. 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

45. To issue the 2023/24 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 23rd December 2022 and run until the 29th January 2023.

Financial Implications

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

Legal Implications

47. Specific legal obligations relating to the setting of the budget and consultation are set out within the body of this report.
48. 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.
49. 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.
50. 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).
51. 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.
52. 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

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

Property Implications

54. There are no direct property implications arising from this report. Full implications will need to form part of any decisions taken following consultation.

RECOMMENDATIONS

Cabinet is recommended to

- (1) Note the updated Budget Position for 2023/24 at Provisional Settlement Stage.
- (2) Agree the proposed approach to Budget Consultation for 2023/24 and subject to that agreement note that the formal budget consultation will commence on the 23rd December 2022 and run until 29th January 2023. The results of the consultation process will then be considered by Cabinet in preparing their final 2023/24 budget proposal.

SENIOR RESPONSIBLE OFFICER	Chris Lee Corporate Director Resources
	16 December 2022

The following appendices are attached:

Appendix 1 – Provisional Local Government Financial Settlement 2023/24 Statement and Key Data Table

Appendix 2 – Budget Consultation 2023/24 Details

The following background papers have been taken into account

- Budget Update Report 2023/24 and the Medium Term
- Budget Update Report 2023/24 (October 2022)
- Equality Impact Assessments (EIAs) of Cardiff Councils 2023/24 Budget Savings Proposals
- WG Provisional Local Government Financial Settlement 2023/24

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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/3705/22

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

14 December 2022

Dear Colleagues

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2023-24 (the Settlement) for county and county borough councils (authorities) in Wales through a Cabinet Written Statement. This is attached for your information.

As you know the funding announced in the Chancellor's autumn statement was not sufficient to protect public service budgets against the immense challenges caused by record inflation. While there was some additional funding for Wales in the Autumn Statement – £1.2bn over two years – almost half of this came from decisions made about non-domestic rates policy in England. This will not fill the big gaps in Wales' settlement over the three-year spending review period (2022-23 to 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 2023-24 at £5.5 billion. This means, after adjusting for transfers, overall core funding for local government in 2023-24 will increase by 7.9% on a like-for-like basis compared to the current year. No authority will receive less than a 6.5% increase.

The indicative Wales-level core revenue funding allocation for 2024-25 has also increased as the additional funding for the revenue support grant in 2023-24 is baselined, the impact of the multiplier freeze continues for the second year as does the transitional rates relief (although this is at a reduced rate in 2024-25). The AEF for 2024-25 is £5.69 billion equating to an uplift of £169 million. This figure is indicative and dependent on our current estimate of NDR income.

In making decisions about the level of funding for local government I have responded to the need to support key front-line services. In particular I have included funding to enable authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

As a result of spending decisions made in relation to education in England, Wales received a consequential of £117m a year in the Autumn Statement. This is being provided in full to local government through a combination of the Settlement and the Education MEG. The funding provided through this Settlement will therefore need to cover the costs arising from the 2023/24 pay deal which fall within the 2023-24 Settlement year. I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2023/24 teachers' pay deal. Authorities' budget planning must therefore accommodate these costs.

I know local government has been facing significant pressures and has sought to recognise the impact of inflation on the living standards of those who work in local government as well as the broader community. I hope that this increased Settlement enables you to continue to deliver the services your communities need as well as supporting national and local ambitions for the future.

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 2023-24 and are again providing £244 million for CTRS in the Settlement in recognition of this.

The current economic context, including high inflation, is placing significant pressure on businesses and other ratepayers in Wales. Those pressures are also being felt by the public services we all rely on, and which are themselves reliant on the revenue raised through local taxes. To support all ratepayers during this period I am providing a package of non-domestic rates support worth more than £460m over the next two financial years. I am maintaining the approach taken in previous years and freezing the non-domestic rates multiplier for 2023-24. This ensures there will again be no inflationary increase in the amount of rates businesses and other ratepayers are paying.

I am also introducing a £113m, fully funded, transitional relief for all ratepayers whose bills increase by more than £300 following the UK-wide revaluation exercise, which takes effect on 1 April 2023.

Finally, the NDR support package also provides over £140m of non-domestic rates relief for retail, leisure, and hospitality businesses in Wales. Eligible ratepayers will receive 75% non-domestic rates relief for the duration of 2023-24, capped at £110,000 per business across Wales. Our approach means that businesses in Wales will receive comparable support to that provided in other parts of the UK.

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

I set out the position on capital funding for the Welsh Government as part of my budget statement on Tuesday. The settlement we received from the UK Government was disappointing and is not sufficient to meet our ambitions to invest in Wales' future, with our overall capital budget 8.1% lower in real terms than the current year.

Following the review of our capital budgets, general capital funding for local government for 2023-24 will remain as indicated in the final 2022-23 budget at £180 million, an increase of £30m over the current year. This will continue for 2024-25.

Even as we meet the challenges posed by inflation, and respond to humanitarian needs arising from conflict, we must not lose sight of the need to maintain our focus on responding to the climate and nature emergency and contributing to the Net Zero Wales plan we have developed together. Separately I am providing £20 million capital in each year to enable authorities to respond to our joint priority of decarbonisation. I have not considered hypothecating revenue funding to support authorities' response to climate change recognising that all our decisions must consider how to reduce our ongoing emissions and to allow authorities maximum flexibility to do so and to manage their budgets.

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 2023-24 and 2024-25. This information will be further updated for the final settlement.

The publication of the Settlement in mid-December has enabled us to draw on the latest tax-base figures for 2023-24, 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. There is one change planned for final budget which I should draw to your attention and that is the intention to transfer funding for the increased employer costs related to Fire and Rescue Authority (FRA) pensions from a grant to the FRAs into the final local government settlement. Your officers will wish to ensure that they consider this with each appropriate FRA during the usual discussions on funding.

This Settlement 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 relatively good Settlement, building on improved allocations in recent years, I recognise that the rates of inflation we have experienced over the last few months and the forecasts from the OBR of continuing significant levels of inflation means that you will still need to make 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.

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

My announcement today launches a 7-week period of formal consultation on the Settlement for 2023-24. I would be grateful if you could ensure your response arrives no later than **Thursday, 2 February 2023**. All responses to this consultation should be sent to:

Tim Evans: 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 (£000)**

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

Unitary Authority	2022-23 Final Aggregate External Finance [Note 1]	2023-24 Provisional Aggregate External Finance	Percentage difference	Rank
Isle of Anglesey	114,490	123,555	7.9%	12
Gwynedd	213,017	227,843	7.0%	19
Conwy	184,915	198,413	7.3%	16
Denbighshire	173,596	187,871	8.2%	10
Flintshire	232,336	251,747	8.4%	8
Wrexham	207,279	224,621	8.4%	7
Powys	210,090	228,388	8.7%	5
Ceredigion	119,238	129,050	8.2%	9
Pembrokeshire	196,776	212,415	7.9%	11
Carmarthenshire	311,585	338,017	8.5%	6
Swansea	388,409	417,775	7.6%	14
Neath Port Talbot	258,174	276,397	7.1%	17
Bridgend	232,109	249,895	7.7%	13
The Vale of Glamorgan	185,931	202,535	8.9%	3
Rhondda Cynon Taf	441,596	470,847	6.6%	21
Merthyr Tydfil	110,704	118,497	7.0%	18
Caerphilly	317,789	339,610	6.9%	20
Blaenau Gwent	131,057	139,597	6.5%	22
Torfaen	160,218	172,223	7.5%	15
Monmouthshire	112,020	122,490	9.3%	1
Newport	265,502	289,211	8.9%	4
Cardiff	543,810	592,891	9.0%	2
Total unitary authorities	5,110,643	5,513,888	7.9%	

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Budget Consultation Survey (Text Version for Approval)

Budget Context

Introduction

We are striving to build a Stronger, Fairer and Greener Cardiff.

A stronger city, with an economy offering well-paid jobs, an education system that allows young people to reach their potential, and where good, affordable housing in safe communities is available to all.

A fairer city, where the opportunities of living in Cardiff can be enjoyed by everyone, whatever their background. Where those suffering the effects of poverty will be supported and where a fair day's work receives a fair day's pay.

A greener city, responding to the climate emergency, promoting biodiversity and ensuring high-quality open spaces are available to everyone. All this will be accessible by convenient, safe and affordable, sustainable transport options.

But, like Local Authorities across the UK, Cardiff is once again facing a series of extraordinary pressures, driven by the cost-of-living crisis, the energy crisis, and the lasting impact of Covid-19.

This means that everything we do, every service we offer, now costs more to deliver to our residents. Next year, 2023/24, we estimate that delivering the day-to-day services you received this year – including schools and social services, waste collection and parks – will cost us an extra £75m because of price increases, inflation and demand pressures.

Despite an increase in funding from Welsh Government, that still leaves us with £23.5m we must find through savings and efficiencies, charges for services or by reducing or cutting services. It remains a significant budget gap and we know that, during difficult times, many of the city's residents will turn to the Council for support. We will not let them down.

That is why the savings proposals we are putting forward prioritise support for the most vulnerable, protect frontline services and ensure fair funding for education and social services. In fact, as we continue to prioritise education in Cardiff we are proposing, as part of this consultation, a growth in schools funding of £25 million.

To allow us to do this we have had to deliver a significant level of savings through back-office efficiencies. This has included driving down cost by reducing the use of our buildings and making better use of technology.

However, this alone is not enough to close the £23.5m budget gap and so the Council is considering a number of changes to our frontline services in order to balance the budget in 2023/24.

We want to know what you think of these proposals. So please, get involved, and respond to the questions contained in this consultation by noon on Sunday 29 January 2023.

Councillor Huw Thomas, Leader, Cardiff Council

Why is the Council Facing a Budget Gap?

The cost of delivering services has increased by almost £75m, which means that the Council is facing a projected funding gap of over £23.5 million. This is the gap between the projected cost of delivering our services and the amount of resources available. Despite Welsh Government providing funding which has increased the Council's budget for next year, it is not enough to cover the cost of delivering services, leaving a budget gap that needs to be closed.

There are a number of reasons why the Council is projecting such a large budget gap.

- **Increasing Demand for our Services:** As the cost-of-living crisis deepens, more and more people are turning to the Council for support, which means that the demand for our services is increasing. We know, for example, that the number of people claiming Universal Credit is almost double the pre-pandemic level, with the number of people accessing our advice service also having doubled since April last year. The amount of social services casework has also increased significantly over the past two years whilst free-school-meal caseloads have increased substantially. With more people seeking to access Council services, the cost of delivery is going up.
- **Inflationary Pressures:** With inflation now over 11%, the costs of delivering public services and investing in our buildings and infrastructure are all going up.
 - **Energy:** Soaring energy prices means that the Council is looking at paying an extra £13m next year to heat our buildings and light our streets.
 - **Pay:** We believe public sector employees – who deliver vital services across the city – should be paid fairly. Higher pay awards than were initially budgeted for are being agreed, although they are still significantly below the rate of inflation for a number of Council staff, and below the private sector pay increases that are being seen.
 - **Food, Fuel and Transport:** The costs of buying food, fuel and transport – to deliver school meals and school transport – are all going up
- **Legacy of Covid:** The lasting impact of Covid is still being felt, with some services experiencing an ongoing loss of income whilst others are facing greater challenges and more complex issues as they support recovery.

Even though Cardiff Council is due to receive an increase in Welsh Government support of 9% for next year, it is not enough to meet the additional costs the Council is now facing.

How We Propose to Close the Gap

The budget gap will need to be closed through a combination of:

- **Efficiency Savings and Service Change Proposals:** The Council is committed to protecting frontline services and is therefore looking to generate as much savings as possible through back-office efficiencies. This means driving down the running cost of our buildings, reducing the amount of office space we need, and using new technology where it can save us money. The scale of the financial challenges also means that the Council has been looking at a managed reduction in the number of staff employed, using voluntary severance to generate savings, whilst keeping compulsory redundancies to a minimum.

Taken together, these efficiency savings will make the biggest contribution to closing the budget gap. Unfortunately, they will not be enough, and some changes to services may be necessary to balance the books. That is why we want to know what the people of Cardiff think about some of the potential changes that we could make to save money.

- **Council Tax:** Council Tax accounts for only 27% of the Council's budget, with the remainder coming from the Welsh Government. Each increase of 1% in Council tax generates around £1.6m, therefore closing the budget gap through tax increases alone is not realistic, especially in a cost-of-living crisis.
- **Use of Reserves:** The Council has to be very careful when using its financial reserves, there is only a limited amount available and once they're gone, they're gone. The majority of the Council's reserves are earmarked for specific purposes and are therefore already committed in support of delivering services, for example funding one-off community initiatives and supporting Homelessness Prevention Services. The Council does maintain a level of General Balance totalling £14.2M to cover unforeseen costs and this equates to less than 2% of the Council's overall net budget.

Budget Consultation 2023/24 Survey

There is a legal duty on all Councils in England and Wales to deliver a balanced budget to fund the running of our services.

Councils across the UK are facing huge financial pressures driven by the lasting impact of Covid-19 and the cost-of-living and energy crises. Cardiff Council is no exception and is facing cost increases of over £75m.

These cost increases and delivery pressures are as great as anything the Council has experienced over the past 15 years. This means that public services must continue to identify every possible opportunity to deliver efficiencies, drive down cost and, in some cases, even reduce the level of service being delivered.

When we consulted on your service delivery priorities earlier this year, you made clear that your top three priorities were:

- Schools and Education including Youth Services.
- Supporting vulnerable children and families.
- Supporting vulnerable adults and older people.

That is why the budget proposals will protect schools, education and social services. It does mean, however, that more savings will need to be found elsewhere in the Council's budget.

We are doing all we can to save money and reduce the impact on frontline services through working more efficiently and we have identified significant back-office efficiency savings for the year ahead. However, this is not enough to close the budget gap and so the Council is considering a number of options to balance the budget in 2023/24.

We want to know what you think of these.

The Use of Council Buildings and Assets

1. Funding for Schools

The Council anticipates that schools will face cost increases of £25m in 2023/24 and we propose to fund this amount in full, without asking schools to make any savings.

Do you agree with this approach?

- Yes
- No
 - If no, please tell us why you disagree?
- Not sure

2. Hubs and Libraries

There are 20 Hubs & Libraries in Cardiff which provide and host a variety of highly valued services across the city, including free wi-fi, public PCs and, of course, library provision. Some of the services on offer include essential advice and support to help people manage their finances and find work.

Hubs and Libraries are also a focal point for hosting community activities which are essential to well-being, particularly for vulnerable groups of people. These activities include providing warm spaces for people to spend time and have a coffee and engage in group sessions such as singing, walking or gentle exercise classes. Specialised provision is also available, such as dementia cafes, as well as book clubs for adults and story time for children.

The Council is considering changes to Hubs and Libraries to help save money. Over 60 volunteers already support our Hubs and Libraries and we are considering a number of different options to help reduce the costs of running the service. These options include using more volunteers to run the Hubs and Libraries; reducing opening hours or closing Hubs and Libraries for additional day/s each week.

Which of these options do you prefer?

- Option 1: Remove a small number of vacant posts at Hubs and Libraries, and recruit more volunteers to help run the service, saving £90,000
- Option 2: Reduce opening hours at Hubs and Libraries by closing on a Saturday afternoon, saving up to £80,000
- Option 3: Reduce the number of days Hubs and Libraries are open by an additional day each week, saving £262,000
- Option 4: Maintain current service levels, meaning savings will have to be found elsewhere

Do you agree that services should be protected in areas with the highest levels of financial deprivation?

- Yes
- No
- Don't know

3. St David's Hall – Alternative Operating Model

St David's Hall currently costs the Council £689K to run. Whilst £8.7m of the £9.4m operating cost is realised through income, any shortfall is subsidised by the Council. A reduction in attendance since the pandemic, as well as the rising cost-of-living pressures, means the income generated by the Hall is likely to fall in 2023. If the Council continues to support the Hall, that subsidy is predicted to increase by £110,000 to a total of around £799,000.

The Council also needs to consider the condition of the building, now and in the future, and the tens of millions of pounds of investment in the building required to keep the venue open.

The Council does not think that ongoing support of the Hall in this way is financially sustainable. The Council is therefore proposing to secure a long-term lease arrangement with a tenant who would be responsible for carrying out works to keep the premises safe and operational. Under the proposed lease the tenant would also be required to maintain a classical and community programme, and will have a general obligation to keep the venue open. The proposed tenant has also indicated a willingness to invest in and enhance the venue as part of their plans. The Council would however, still own the building and associated land.

Do you support this proposal?

- Yes
- No
- Not sure
- Do you have any other comments on this proposal?

4. Cardiff International White Water – Alternative Operating Model

To meet the running costs of Cardiff International White Water, the Council currently provides a subsidy. In 2022/23 this was £238,000.

The Council would like to consider an alternative operating model including an arms-length arrangement or an external operator, to allow the Council to save money and ensure the Centre can continue to operate.

Would you support the Cardiff International White Water Centre being operated in a different way?

- Yes
- No
- Not sure

5. Museum of Cardiff

The Museum of Cardiff is located in The Old Library in the Hayes (and should not be confused with the National Museum of Wales in the Civic Centre). It tells the story of the history and heritage of the city through interactive displays and collections of artefacts representing Cardiff's communities, past and present.

Have you ever visited the Museum of Cardiff?

- Yes
- No
- Not sure

The Council has been planning to relocate the Museum out of the Old Library to an alternative more suitable venue. However, this would require a significant capital investment in addition to the revenue subsidy it receives of £498,000 per year.

The Council could close the Museum to save money but does not feel that this is the right option and instead proposes to take the Museum of Cardiff out of the Old Library and make it a mobile attraction. The Museum's displays and activities would move around Cardiff, and a small key team would be retained to continue with community engagement and manage the ongoing care of the collection. This would give a total saving of £266,000 per year and would allow the Council to re-open the museum in a permanent home in the future, if a suitable location was found, and funding secured.

Which of these potential options would you support?

- Option 1: Take the Museum of Cardiff out of the Old Library and make it a mobile attraction, saving £266,000 per year
- Option 2: Keep the Museum open and find the savings elsewhere

Do you have any other suggestions as to how the Council could save money on the running of the Museum of Cardiff?

Waste, Recycling and Street Cleansing

6. Have you used any of the Council's Recycling Centres in the last 12 months? Tick all that apply:

- Bessemer Road
- Lamby Way
- Commercial Recycling Centre at Bessemer Close
- None of these

7. Recycling centres – Reduce Operating Hours

The Council runs two Household Waste and Recycling Centres, which are free for Cardiff residents to use, with any visits to the centres requiring advance booking. Recycling centres operate at around 60% capacity, which means that 40% of booking slots are left unfilled each week.

The centres currently open between 7.30am-6.30pm in the summer, and 9am-6pm in the winter, seven-days-a-week. The Council could reduce the opening hours of these centres during the least busy periods, either by reducing the opening hours to between 9am and 5pm each day, or by closing the centres on Mondays.

Even with a reduction in operating hours, there would still be enough booking spaces to meet demand and recycling performance should not be affected. Either of these changes would save £60,000 per year.

Would you support:

- Option 1: Reducing the operating hours each day to between 9:00-17:00 seven days a week, saving £60,000.
- Option 2: Closing Household Waste Recycling Centres on Mondays, saving £60,000.
- Option 3: Maintaining the existing service levels and finding the savings elsewhere

Do you have any comments about this proposal?

Cost Recovery and Income Generation

8. School Meals

Cardiff Council's School Meals Service provides meals to almost every primary and secondary school in the city.

Does your family use the school meals service?

- Yes, I pay for my children's school meals
- Yes, my child is entitled to free school meals
- No, I provide my child with a packed lunch
- Not applicable

The Welsh Government will be rolling out free school meals for all primary school pupils in Wales by 2024 and will fund the Council to provide this service. Until then, the Council is required to fund the provision of school meals for primary as well as secondary school pupils. Inflation is at its highest level for decades, with the cost of buying and preparing the meals much more expensive than it was a year ago. The Council is therefore having to pay more to provide school meals.

This means that, without an increase in the cost of meals, the Council would face significant additional costs to deliver this service. For this year, meeting the full cost of delivering school meals may mean the Council providing a 25% subsidy, which is close to £2 million. The Council is therefore considering increasing the cost of school meals to meet this rising cost but thinks that passing on the increased cost in full would be too great a rise. In order to limit price rises to the options set out below, the Council would provide a subsidy to meet any additional cost for delivering the service.

The children eligible for Free School Meals (FSM) will continue to receive school meals for free.

Which of these options would you support:

- Limiting any increase to around 5% - meaning that the cost of primary school meals would go up from £2.60 to £2.75, and secondary school meals go up from £3.15 to £3.30
- Increasing the cost by around 10% - meaning that the cost of primary school meals would go up from £2.60 to £2.90, and secondary school meals go up from £3.15 to £3.50
- Increasing the cost by around 15% - meaning that the cost of primary school meals would go up from £2.60 to £3.00, and secondary school meals go up from £3.15 to £3.65
- No increase in the cost of school meals, meaning savings will need to be found elsewhere
- Do you have any other comments on this proposal?

9. Residential Parking Charges

Do you currently have a residential parking permit?

- Yes
- No
- Not sure

The Council offers parking permits as a service to residents in specific areas across the city. This service includes administering the relevant type and number of permits to applicants, and monitoring vehicles parking in restricted areas to ensure these areas are only used by permit holders.

Residents parking permits have not increased in cost since 2013 and the income generated by the permit charges does not meet the cost of delivering this service. The cost of parking permits in Cardiff are well below the average amount charged by similar local authorities across the UK, who charge an average of £42 for a first permit and £74 for additional permits. As local comparisons, Bristol charges up to £84 for a first permit whilst Newport charge £35.

The Council could increase the cost of a first permit from £7.50 to £24, and a second permit from £30 to £54, with similar proportional increases for visitors permits, generating around £481,000 per year to help meet the cost of managing the permit schemes across the city.

Do you think that increasing the cost of a first permit to £24 is

- Too high
- Too low
- About right

Do you think that increasing the cost of a second permit to £54 is

- Too high
- Too low
- About right

10. Pay & Display Charges

The average cost of parking in Cardiff is below that charged in a number of other cities.

The Council could increase the cost of on-street pay and display by, on average, 50p an hour, and for car parks, an increase of £1.00 for those parking longer than 2 hours:

ON STREET			CAR PARKS		
	Current	New		Current	New
1 hour	£2.10	£2.60	2 hours	Free	Free
2 hours	£3.40	£3.60	3 hours	£1.00	£2.00
3 hours	£4.20	£4.60	All day	£2.00	£3.00
4 hours	£5.10	£5.60			
5 hours	£6.10	£6.60			

This will generate an additional £740,000 in income.

Would you support an increase in the cost of parking?

- Yes
- No
- Not sure
- [If no] Why don't you support this proposal?

11. Council Owned Sports Pitches and Facilities in Parks

The Council currently spends £235,000 subsidising the cost for adults hiring sports pitches and changing facilities across the city. Fees vary by sport and whether changing rooms are included.

The Council does not charge for the hire of its pitches by mini and junior clubs and is the only local authority in Wales to provide free use of pitches to these groups.

The Council is not proposing to fully recover the costs of providing sports pitches and facilities but could increase prices by 10%, just under inflation, which would mean there would still be a subsidy of over £200,000. This would be a price increase of around £5-£8 per booking.

Would you support this increase?

- Yes
- No
- Not sure
- [If no] Why don't you support this proposal?

12. Asset Transfer of Municipal Sports Pitches

The Council is currently responsible for running a number of pitches and facilities used for community sports across the city. The Council could transfer the ownership of these pitches and sports facilities to the community groups that use them across the city.

Would you support transferring the ownership of Council owned pitches and sports facilities to the community groups that use them?

- Yes
- No
- Not sure
- [If no] Why don't you support this proposal?

13. Bereavement – Fees & Charges

The Council's Bereavement Service is responsible for undertaking over 4,000 funerals per year, as well as the upkeep and maintenance of nine sites across the city, including Thornhill Cemetery and Crematorium, Western Cemetery and Cathays Cemetery.

Cardiff Council charges less than most other UK cities for its cremation and burial services, however inflationary pressures have increased the cost of running this service. If the Council was to raise the price of the service to meet the additional cost, the price of cremation would increase by £40 (5.13%) and burials by £60 (6.82%).

Would you support increasing the price of the burials and cremation service to meet the cost of running the service?

- Yes
- No
- Not sure
- [If no] Why don't you support this proposal?

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**CYNGOR CAERDYDD
CARDIFF COUNCIL**

**POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE**

17 January 2023

Budget Consultation 2023/24

Reason for this Report

1. To update members on the Provisional Local Government Financial Settlement, brief the Committee on the budget consultation approach for 2023/24 and provide an opportunity for Members to contribute to the consultation as key stakeholders in the budget preparations for 2023/24.

Structure of the papers

2. Attached at **Appendix A** is a Cabinet report titled *2023/24 Budget Modelling Update and Consultation Requirements*, to which there are two appendices:
 - Appendix 1** – Provisional Local Government Financial Settlement 2023/24 – Statement and Key Data Table;
 - Appendix 2** – Budget Consultation 2023/24 details.

Background and Context

3. The Committee's Terms of Reference confer responsibility for scrutiny of the Council's citizen engagement and consultation activity. Members have regularly expressed an interest in ensuring that the Council's budget consultation with Cardiff residents comprehensively targets all sectors, particularly minority, seldom heard, underrepresented and hard to reach sectors of the population.
4. Delivering the budget consultation in a timely manner to inform budget decision making is often a challenge because of its dependency on the UK Autumn

Statement in late October and the announcement of the Local Government Provisional Settlement by Welsh Government. The Provisional Settlement was received on 14th December 2022. The Provisional Settlement is a critical factor in drafting the budget strategy and can significantly affect the overall position.

5. The Cabinet held an additional meeting on 22nd December 2022 to agree the proposed approach to Budget Consultation for 2023/24, with a view to the formal budget consultation commencing on the 23rd December 2022 and running until 29th January 2023. The results of this consultation process will inform Cabinet discussion and debate in preparing their final 2023/24 budget proposals.
6. The Council's five Scrutiny Committees routinely scrutinise budget proposals in February/March prior to Cabinet agreeing the final budget and consideration by Full Council in March. Scrutiny Committee's also regularly monitor the Council's financial performance throughout the year. Each year the analysis of the results of the annual budget consultation is presented to Members alongside the budget proposals to inform the internal challenge.
7. The Final Settlement for 2023/24 will be received the first week of March 2023.

Issues

8. The report attached at **Appendix A** provides:
 - an update on the Council's budget preparations for 2023/24, including the impact of the Provisional Settlement and;
 - details of the public consultation that will take place to inform Cabinet's preparation for the Council setting its 2023/24 budget, allowing Cabinet to lay before March Council, proposals, which if approved, would result in the adoption of a balanced budget for 2023/24. The public consultation proposed in this report will inform the preparation of Cabinet's final draft budget.
9. Cardiff Council will receive a +9% increase in Aggregate External Finance (AEF) in 2023/24, which equates to £48.165m in cash terms. Included within the settlement is an increase in Capital funding of £3.055million for 2023/24, with the

report drawing attention to significant cost pressures inherent in the existing capital programme.

10. With the announcement of the Provisional Settlement the Cabinet report updates the Council's budget modelling (*paragraphs 21-26*), It also states that, whilst the position for 2023/24 is more positive than previously reported, costs are estimated to increase by £74.998m for 2023/24 and at this point there is a budget gap between *resources available* (£795.247m) and *resources required* (£818.744m) of £23.497m. The gap will be addressed through service change proposals, consideration of schools' budgets (modelled on full growth requirement), efficiency proposals (modelled on a target of £8.5m), and the use of reserves (modelled on £1.5m). A Council Tax increase of 3% has been used for modelling purposes.

11. Members are specifically referred to the section of the report headlined **Consultation and Engagement** (*points 36 to 44*). The Budget Consultation runs from 23rd December 2022 to 29th January 2023. The report states that consultation on the 2023/24 budget commenced with the Ask Cardiff survey in autumn 2022, which revealed citizen budget priorities to be schools and youth services; supporting vulnerable children, supporting vulnerable adults, housing and homelessness services.

12. Important points to note included in the report are that:

- 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 rate.
- Links to the survey will also be shared with community groups, such as faith groups, community councils and the Cardiff Youth Council,

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.
- Trade unions have been consulted in advance on the budget projections for 2023/24 and the impact on employees, particularly where posts are at risk of redundancy.

13. At **Appendix 2** to **Appendix A** Members will find the proposed online budget consultation survey. The narrative outlines the Council's budget challenges for 2023/24 and how the Council proposes to close the gap.

14. The 13 questions that make up the consultation focus on Funding for Schools, Hubs and Libraries, St David's Hall – Alternative Operating Model, Cardiff International White Water – Alternative Operating Model, Museum of Cardiff, Recycling centres – Reduce Operating Hours, School Meals, Residential Parking Charges, Pay & Display Charges, Council Owned Sports Pitches and Facilities in Parks, Asset Transfer of Municipal Sports Pitches, and Bereavement – Fees & Charges.

Scope of the Scrutiny

15. Members will have an opportunity to ask questions and contribute to the 2023/24 budget consultation.

16. To facilitate the scrutiny in attendance will be Cabinet Member for Finance, Modernisation & Performance, Councillor Chris Weaver; Corporate Director Resources, Christopher Lee; and Head of Performance and Partnerships, Gareth Newell.

Legal Implications

17. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

18. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

19. The Committee is recommended to:

- i. Note the proposed approach to the 2023/24 budget consultation;
- ii. Consider whether it wishes to relay any comments or observations to inform the consultation findings.

DAVINA FIORE

Director, Governance & Legal Services

11 January 2023

CABINET: THURSDAY, 22 DECEMBER 2022 at 2.00 PM

A Cabinet Meeting will be held in CR 4, County Hall - Multi Location Meeting on at 2.00 pm

A G E N D A

Finance, Modernisation & Performance

- 1 2023/24 Budget Modelling Update and Proposals for Consultation (*Pages 3 - 32*)

PAUL ORDERS

Chief Executive

This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg

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**CARDIFF COUNCIL
CYNGOR CAERDYDD**



CABINET MEETING: 22 DECEMBER 2022

2023/24 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 2023/24, 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 2023/24.

Background

3. In July 2022, Cabinet received an Update Report on the 2023/24 Budget and the Medium Term Financial Plan which indicated an estimated 2023/24 budget gap of £29.080 million. The Report highlighted the volatility of the position and noted the absence of agreed pay awards, the energy crisis, and wider inflationary challenges as among factors requiring ongoing review.
4. In October 2022, a further Budget Update Report was presented to Cabinet that updated the indicative budget gap for 2023/24 to £53.159 million. The increase reflected changes in the interceding period including the receipt of pay offers, indicative energy pricing and unprecedented demand pressure in Children's Services. This report provides a further update on the budget gap for 2023/24 and incorporates the impact of Provisional Settlement, which was received on 14th December 2022.
5. Budget consultation commenced earlier in the year as part of the Ask Cardiff Survey. This requested citizens to prioritise areas in which they would like to see resources directed, both in the short and longer term. This report provides an update on Ask Cardiff findings and sets out the arrangements for a more detailed consultation in relation to 2023/24 Budget Proposals.

Issues

6. Cabinet is required, prior to the 11th March 2023 to place before the Council, proposals, which if approved, would result in the adoption of a balanced budget for 2023/24. The public consultation proposed by this report will inform the preparation of Cabinet's final draft budget for consideration by Council in early March 2023.

Timescales

7. Due to the timing of the UK Autumn Statement, which took place in late October, the Provisional Settlement was not received until the 14th December 2022. The Provisional Settlement is a critical factor in drafting the budget strategy and can significantly affect the overall position.
8. 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 2023/24 Budget will commence on 23rd December 2022 and run until 29th January 2023.

Provisional Local Government Settlement

9. On the 14th December 2022, the Minister for Finance and Local Government announced the Provisional Settlement for 2023/24. The Minister's statement and key data table is attached at **Appendix 1**.
10. The headlines of the settlement are that:
 - On average, Welsh Local Authorities will receive a 7.9% increase in general revenue funding next financial year.
 - Individual Authority Settlements range from +6.5% to +9.3%.
 - There will be no 'floor' protection in 2023/24.
11. Cardiff will receive a 9.0% increase in Aggregate External Finance (AEF) in 2023/24. In cash terms this equates to £48.165 million. The above average settlement for Cardiff is largely linked to data underpinning the settlement including, population changes and numbers of children in receipt of free school meals.
12. In addition to AEF, the Provisional Settlement provides some details on specific revenue grants at an All Wales level. At summary level specific grants appear to have increased by £63.466 million. However, after taking into account increases of £132.6 million for rate relief for Retail, Leisure and Hospitality Businesses and an already notified increase of £30 million related to Universal Primary Free School Meals, there is an underlying reduction of £99.134 million across other grant streams. The table below summarises key changes in revenue specific grants:

Change		Change £m
Ceasing	FSM Holiday Provision NQT Grant Reducing Infant Class Sizes Grant Summer of Fun Family Intervention Fund	(23.765) (3.813) (2.500) (5.500) (3.200)
Reducing	Childcare Offer (then ceasing 2024/25)	(55.750)
Increasing	ALN Transformation Eliminating Profit from LAC Whole school approach to emotional & mental well being Coastal Risk Management Programme	5.400 7.987 1.225 8.145
TBC	Sustainable Waste Management (£16.4m at 22/23 level) Homelessness – No one Left Out (£10m at 22/23 level) Discretionary Homelessness Prevention (£6m-22/23 level) <i>(WG budget announced on 13th December refers to an increase in support for Discretionary Homelessness Prevention which provides a level of assurance.)</i>	TBC TBC TBC

13. Cardiff's Capital Settlement at Provisional is a £3.055 million increase in General Capital Funding (GCF) for 2023/24. This is £135,000 more than the increase assumed when setting the 2023/24 capital programme, (0.75%) which was based on indicative allocations from Welsh Government in March of this year. This increase is also assumed for 2024/25, but for 2025/26 and beyond that, it is unclear whether this will be sustained in baseline GCF allocations.
14. There is little detail in terms of specific capital 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 also applies to the £20 million decarbonisation sum announced by Welsh Government in the Provisional Settlement at an All-Wales level.
15. Whilst the small additional GCF allocation is welcome, there are significant cost pressures inherent in the existing capital 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.
16. It should be noted that the funding position outlined above reflects the Provisional Settlement and that the Final Settlement for 2023/24 will not be received until the first week of March 2023. Whilst the Provisional Settlement stated that significant changes are not anticipated to be made at final settlement, there is one expected change. This relates to the transfer in of a grant linked to increased employer costs of Fire and Rescue Authority (FRA) pensions. The potential financial impact of this will depend on the amount of funding that is transferred into the settlement,

and how this compares with Cardiff's associated increase in levy to the South Wales Fire Service. This will be kept under review between now and Final Settlement.

Comparison to Planning Assumptions

17. As part of the 2022/23 Local Government Settlement, an indicative All Wales funding allocation of +3.5% was issued in respect of 2023/24. To date, this indicative allocation has been the basis of the Council's planning assumptions for 2023/24 funding. As noted at each budget update, there is always a risk that indicative allocations may change.
18. The difference between the indicative allocation of 3.5% and the Provisional Settlement of 9% equates to £29.100 million in cash terms, after taking account of tax base changes in the formula. The impact of this on budget modelling, along with other updates is set out in paragraphs 21-26.

Council Tax Base

19. On 15th December 2022, Cabinet approved the tax base for 2023/24. Future tax base increases are not reflected in financial planning assumptions until after receipt of Provisional Settlement. This is because they can have a negative distributional impact through the AEF funding formula. For 2023/24, for Cardiff, this impact was £0.9m, and its impact is reflected in the AEF figures outlined above.
20. Setting aside the impact on AEF, which has now been captured, the net increase in Council Tax linked to the new 2023/24 tax base is £1.436 million. This is the additional amount that will be generated before any increase in the rate of council tax. It is a net increase, which takes into account costs associated with Council Tax premia.

Budget Modelling Update

21. The Council's MTFP undergoes regular review to ensure it reflects the most up to date and robust information. Updates since the last budget update report in October include the impact of:
 - The Provisional Settlement, announced on 14th December 2022.
 - The Council Tax Base for 2023/24 approved by Cabinet on 15th December 2022.
 - Announcements and updates associated with the Autumn Statement, including updated inflation forecasts.
 - Review of pay award assumptions.
 - Most recent pricing information.
 - The need to address base pressures, evident through in year monitoring in some areas.

22. Taking account of the above updates, the current resource requirements modelled for 2023/24 are set out in the table below. They show an estimated cost increase of £74.998 million for 2023/24.

Resources Required	£000	Includes
Base Budget B/F	743,746	
Pay Award, NI & LGPS changes	29,677	<ul style="list-style-type: none"> • Shortfall in funding for 2022/23 pay award • Assumed pay award for 2023/24 • Reversal of NI increases & reduced LGPS rate following actuarial review
Price Inflation	27,967	<ul style="list-style-type: none"> • Energy and Fuel • Commissioned Care Costs (inc RLW impact) • Home to School Transport • Levy increase to South Wales Fire Service
Commitments & Realignments	10,653	<ul style="list-style-type: none"> • Risk based realignments linked to Month 6 • Total figure is £16.653m – offset by release of £10m former Covid 19 contingency budget
Demographic Pressures	6,701	<ul style="list-style-type: none"> • Adult Services • Pupil Numbers, Special Schools, LDP places
Resources Required	818,744	

23. At Provisional Settlement, resources available are set out below:

	£000	Reflects:
Aggregate External Finance	592,891	• Per Provisional Settlement
Council Tax	200,856	• 2023/24 tax base at 2022/23 prices
Earmarked Reserves	1,500	<ul style="list-style-type: none"> • Baseline assumption of £1.5m • Including specific use of £1m energy reserve
Resources Available	795,247	

24. The difference between resources available and resources required is £23.497 million. This is the updated budget gap for 2023/24 which must be addressed in finalising the draft budget for 2023/24. Current modelling is predicated on the following:

	£000	Reflects
Budget Gap	23,497	Resources required less resource available
Council Tax increase	(4,975)	Draft only - modelled at 3%
Efficiency Proposals	(8,500)	Current target
Shortfall still to be addressed	10,022	

25. The shortfall still to be addressed will need to be bridged through a combination of factors. Subject to consultation, these will include:
- Agreed service change proposals included post budget consultation
 - Finalisation of the position on schools' budgets for 2023/24 – outlined further at paragraph 33

- Further scope to extend efficiency proposals - including corporate measures, grant maximisation opportunities and expressions of interest in voluntary redundancy
 - Further consideration of the overall level of reserves to be used in support of the budget
26. The position outlined above is a draft position. All assumptions will be kept under close review in finalising the budget for 2023/24 and Cabinet will continue to carefully consider all aspects of the Budget Strategy in finalising their draft budget proposal for Council consideration. As part of this, careful regard will be given to the feedback from consultation.

Aspects of Financial Strategy for Ongoing Review

Use of Reserves

27. The draft budget modelling includes total reserve use of £1.5 million. This reflects £0.5 million use in support of the budget generally, and £1 million specific support from energy reserve. The latter is linked to an anticipated fall back in prices for 2024/25, which makes use of a temporary funding mechanism appropriate in this instance. Over-reliance on reserves as budget funding should be avoided because they are a finite resource. This means that using reserves to fund ongoing cost pressures immediately creates a gap in the finances of the following year. The sum included will continue to be reviewed as the Budget Strategy is developed with the ongoing aim to strike an appropriate balance between use of reserves and protection of front line services.

Council Tax

28. The Council will have due regard to the level of the increase in council tax in 2023/24 but must balance this against the need to fund key services. The increase currently modelled is 3%. This is below inflation, and is consistent with previous modelling assumptions. The final level of Council Tax will only be decided following the consultation process, as part of the final budget proposal.
29. A 3% increase would generate net additional income of £4.975 million after associated increases in the Council Tax Reduction Scheme (CTRS).
30. 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 £2.000 million for the Council, it also costs £0.350 million in additional CTRS requirements, thus reducing net additional income to £1.650 million. In other words, almost 18% of any Council Tax increase is required to support costs associated with the CTRS.

Budget Savings

31. The modelled position reflects an efficiency target of £8.500 million. 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.
32. In line with the Council's July 2022 Budget Strategy Report, in order to improve the deliverability of savings and maximise the chances of securing full year savings in 2023/24, efficiency proposals that do not require a policy decision will be implemented in the current year wherever possible.

Schools Budgets

33. In light of the better than anticipated settlement, at present, the draft position for consultation as outlined above, does not currently assume any efficiency contribution from schools. This is a change from previous years, and from MTFP planning assumptions. It effectively means that schools would receive their full growth requirement for 2023/24. At present, this is as set out below, and would result in schools receiving growth next year of £24.988 million (9.3%). In percentage terms this is slightly higher than the headline AEF increase for Cardiff of 9%.

	£000
Pay Award and NI changes	16,127
Price Inflation	6,900
Commitments	400
Contribution to Band B and Asset Renewal	(1,090)
Demographic Pressures	2,651
	24,988

Allocation of Resources

34. 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 Stronger, Fairer, Greener and the Council's Corporate Plan, which is being updated alongside the budget.

Medium Term Planning Implications

35. Whilst the funding position for 2023/24 is more positive than initially assumed, the overall position both next year and beyond is set in the context of ongoing uncertainty. In finalising the 2023/24 Budget proposal, it will therefore be important to conserve financial resilience wherever possible. Whilst the focus of this report is the annual budget proposals subject to consultation for 2023/24, 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 2023/24 Budget Report.

Consultation and Engagement

36. 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 2023/24 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 3,856 responses across the city. Findings from the budget questions that focussed on the short term are set out below. In terms of top priorities, 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. Housing and homelessness services
 5. Recycling and Waste Services including collections, disposal and Recycling Centres
 6. Neighbourhood Services such as street cleansing
 7. Highways and Transport
 8. Libraries and Community Hubs
 9. Parks and Sport
 10. Major projects including infrastructure to support businesses, local economy, city centre and local community centres
 11. Delivery of the One Planet Cardiff Strategy
 12. Culture, Venues and Events
37. Building on the findings from Ask Cardiff, consultation in respect of the 2023/24 Budget, subject to Cabinet approval will begin on the 23rd December 2022 and run until 29th January 2023. The results of the consultation will be a key consideration for Cabinet in preparing their final 2023/24 Budget Proposal for consideration by Council in March 2023.
38. The Budget consultation details are attached at **Appendix 2**, and the proposals being consulted upon will form part of the approach to addressing the residual budget gap outlined in paragraph 24. Key points to note in relation to 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 Public Service Board 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 share 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.
39. 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.
40. 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

41. Through the Council's Trade Union Partnership meeting, trade unions have been consulted in advance, on the budget projections for 2023/24. In addition, they have been consulted on the savings proposals that form part of public consultation, and their 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. In light of the budget gap outlined, it remains likely that there will be redundancies within the Council's workforce during the financial year commencing April 2023.
42. 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 provides employees with a period of twelve weeks to look for alternative employment.
43. Whilst the exact number of proposed redundancies is not known at this stage, some as indicated above are likely to occur. In light of this, and following on from the October Budget Update Report, a Section 188 Notice has been formally issued to the trade unions, related to the budget and potential redundancies.

44. 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

45. To issue the 2023/24 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 23rd December 2022 and run until the 29th January 2023.

Financial Implications

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

Legal Implications

47. Specific legal obligations relating to the setting of the budget and consultation are set out within the body of this report.
48. 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.
49. 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.
50. 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).
51. 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.
52. 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

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

Property Implications

54. There are no direct property implications arising from this report. Full implications will need to form part of any decisions taken following consultation.

RECOMMENDATIONS

Cabinet is recommended to

- (1) Note the updated Budget Position for 2023/24 at Provisional Settlement Stage.
- (2) Agree the proposed approach to Budget Consultation for 2023/24 and subject to that agreement note that the formal budget consultation will commence on the 23rd December 2022 and run until 29th January 2023. The results of the consultation process will then be considered by Cabinet in preparing their final 2023/24 budget proposal.

SENIOR RESPONSIBLE OFFICER	Chris Lee Corporate Director Resources
	16 December 2022

The following appendices are attached:

Appendix 1 – Provisional Local Government Financial Settlement 2023/24 Statement and Key Data Table

Appendix 2 – Budget Consultation 2023/24 Details

The following background papers have been taken into account

- Budget Update Report 2023/24 and the Medium Term
- Budget Update Report 2023/24 (October 2022)
- Equality Impact Assessments (EIAs) of Cardiff Councils 2023/24 Budget Savings Proposals
- WG Provisional Local Government Financial Settlement 2023/24

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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/3705/22

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

14 December 2022

Dear Colleagues

Today I am announcing details of the Provisional Local Government Revenue and Capital Settlements for 2023-24 (the Settlement) for county and county borough councils (authorities) in Wales through a Cabinet Written Statement. This is attached for your information.

As you know the funding announced in the Chancellor's autumn statement was not sufficient to protect public service budgets against the immense challenges caused by record inflation. While there was some additional funding for Wales in the Autumn Statement – £1.2bn over two years – almost half of this came from decisions made about non-domestic rates policy in England. This will not fill the big gaps in Wales' settlement over the three-year spending review period (2022-23 to 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 2023-24 at £5.5 billion. This means, after adjusting for transfers, overall core funding for local government in 2023-24 will increase by 7.9% on a like-for-like basis compared to the current year. No authority will receive less than a 6.5% increase.

The indicative Wales-level core revenue funding allocation for 2024-25 has also increased as the additional funding for the revenue support grant in 2023-24 is baselined, the impact of the multiplier freeze continues for the second year as does the transitional rates relief (although this is at a reduced rate in 2024-25). The AEF for 2024-25 is £5.69 billion equating to an uplift of £169 million. This figure is indicative and dependent on our current estimate of NDR income.

In making decisions about the level of funding for local government I have responded to the need to support key front-line services. In particular I have included funding to enable authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers.

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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.

As a result of spending decisions made in relation to education in England, Wales received a consequential of £117m a year in the Autumn Statement. This is being provided in full to local government through a combination of the Settlement and the Education MEG. The funding provided through this Settlement will therefore need to cover the costs arising from the 2023/24 pay deal which fall within the 2023-24 Settlement year. I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2023/24 teachers' pay deal. Authorities' budget planning must therefore accommodate these costs.

I know local government has been facing significant pressures and has sought to recognise the impact of inflation on the living standards of those who work in local government as well as the broader community. I hope that this increased Settlement enables you to continue to deliver the services your communities need as well as supporting national and local ambitions for the future.

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 2023-24 and are again providing £244 million for CTRS in the Settlement in recognition of this.

The current economic context, including high inflation, is placing significant pressure on businesses and other ratepayers in Wales. Those pressures are also being felt by the public services we all rely on, and which are themselves reliant on the revenue raised through local taxes. To support all ratepayers during this period I am providing a package of non-domestic rates support worth more than £460m over the next two financial years. I am maintaining the approach taken in previous years and freezing the non-domestic rates multiplier for 2023-24. This ensures there will again be no inflationary increase in the amount of rates businesses and other ratepayers are paying.

I am also introducing a £113m, fully funded, transitional relief for all ratepayers whose bills increase by more than £300 following the UK-wide revaluation exercise, which takes effect on 1 April 2023.

Finally, the NDR support package also provides over £140m of non-domestic rates relief for retail, leisure, and hospitality businesses in Wales. Eligible ratepayers will receive 75% non-domestic rates relief for the duration of 2023-24, capped at £110,000 per business across Wales. Our approach means that businesses in Wales will receive comparable support to that provided in other parts of the UK.

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

I set out the position on capital funding for the Welsh Government as part of my budget statement on Tuesday. The settlement we received from the UK Government was disappointing and is not sufficient to meet our ambitions to invest in Wales' future, with our overall capital budget 8.1% lower in real terms than the current year.

Following the review of our capital budgets, general capital funding for local government for 2023-24 will remain as indicated in the final 2022-23 budget at £180 million, an increase of £30m over the current year. This will continue for 2024-25.

Even as we meet the challenges posed by inflation, and respond to humanitarian needs arising from conflict, we must not lose sight of the need to maintain our focus on responding to the climate and nature emergency and contributing to the Net Zero Wales plan we have developed together. Separately I am providing £20 million capital in each year to enable authorities to respond to our joint priority of decarbonisation. I have not considered hypothecating revenue funding to support authorities' response to climate change recognising that all our decisions must consider how to reduce our ongoing emissions and to allow authorities maximum flexibility to do so and to manage their budgets.

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 2023-24 and 2024-25. This information will be further updated for the final settlement.

The publication of the Settlement in mid-December has enabled us to draw on the latest tax-base figures for 2023-24, 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. There is one change planned for final budget which I should draw to your attention and that is the intention to transfer funding for the increased employer costs related to Fire and Rescue Authority (FRA) pensions from a grant to the FRAs into the final local government settlement. Your officers will wish to ensure that they consider this with each appropriate FRA during the usual discussions on funding.

This Settlement 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 relatively good Settlement, building on improved allocations in recent years, I recognise that the rates of inflation we have experienced over the last few months and the forecasts from the OBR of continuing significant levels of inflation means that you will still need to make 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.

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

My announcement today launches a 7-week period of formal consultation on the Settlement for 2023-24. I would be grateful if you could ensure your response arrives no later than **Thursday, 2 February 2023**. All responses to this consultation should be sent to:

Tim Evans: 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 (£000)**

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

Unitary Authority	2022-23 Final Aggregate External Finance [Note 1]	2023-24 Provisional Aggregate External Finance	Percentage difference	Rank
Isle of Anglesey	114,490	123,555	7.9%	12
Gwynedd	213,017	227,843	7.0%	19
Conwy	184,915	198,413	7.3%	16
Denbighshire	173,596	187,871	8.2%	10
Flintshire	232,336	251,747	8.4%	8
Wrexham	207,279	224,621	8.4%	7
Powys	210,090	228,388	8.7%	5
Ceredigion	119,238	129,050	8.2%	9
Pembrokeshire	196,776	212,415	7.9%	11
Carmarthenshire	311,585	338,017	8.5%	6
Swansea	388,409	417,775	7.6%	14
Neath Port Talbot	258,174	276,397	7.1%	17
Bridgend	232,109	249,895	7.7%	13
The Vale of Glamorgan	185,931	202,535	8.9%	3
Rhondda Cynon Taf	441,596	470,847	6.6%	21
Merthyr Tydfil	110,704	118,497	7.0%	18
Caerphilly	317,789	339,610	6.9%	20
Blaenau Gwent	131,057	139,597	6.5%	22
Torfaen	160,218	172,223	7.5%	15
Monmouthshire	112,020	122,490	9.3%	1
Newport	265,502	289,211	8.9%	4
Cardiff	543,810	592,891	9.0%	2
Total unitary authorities	5,110,643	5,513,888	7.9%	

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Budget Consultation Survey (Text Version for Approval)

Budget Context

Introduction

We are striving to build a Stronger, Fairer and Greener Cardiff.

A stronger city, with an economy offering well-paid jobs, an education system that allows young people to reach their potential, and where good, affordable housing in safe communities is available to all.

A fairer city, where the opportunities of living in Cardiff can be enjoyed by everyone, whatever their background. Where those suffering the effects of poverty will be supported and where a fair day's work receives a fair day's pay.

A greener city, responding to the climate emergency, promoting biodiversity and ensuring high-quality open spaces are available to everyone. All this will be accessible by convenient, safe and affordable, sustainable transport options.

But, like Local Authorities across the UK, Cardiff is once again facing a series of extraordinary pressures, driven by the cost-of-living crisis, the energy crisis, and the lasting impact of Covid-19.

This means that everything we do, every service we offer, now costs more to deliver to our residents. Next year, 2023/24, we estimate that delivering the day-to-day services you received this year – including schools and social services, waste collection and parks – will cost us an extra £75m because of price increases, inflation and demand pressures.

Despite an increase in funding from Welsh Government, that still leaves us with £23.5m we must find through savings and efficiencies, charges for services or by reducing or cutting services. It remains a significant budget gap and we know that, during difficult times, many of the city's residents will turn to the Council for support. We will not let them down.

That is why the savings proposals we are putting forward prioritise support for the most vulnerable, protect frontline services and ensure fair funding for education and social services. In fact, as we continue to prioritise education in Cardiff we are proposing, as part of this consultation, a growth in schools funding of £25 million.

To allow us to do this we have had to deliver a significant level of savings through back-office efficiencies. This has included driving down cost by reducing the use of our buildings and making better use of technology.

However, this alone is not enough to close the £23.5m budget gap and so the Council is considering a number of changes to our frontline services in order to balance the budget in 2023/24.

We want to know what you think of these proposals. So please, get involved, and respond to the questions contained in this consultation by noon on Sunday 29 January 2023.

Councillor Huw Thomas, Leader, Cardiff Council

Why is the Council Facing a Budget Gap?

The cost of delivering services has increased by almost £75m, which means that the Council is facing a projected funding gap of over £23.5 million. This is the gap between the projected cost of delivering our services and the amount of resources available. Despite Welsh Government providing funding which has increased the Council's budget for next year, it is not enough to cover the cost of delivering services, leaving a budget gap that needs to be closed.

There are a number of reasons why the Council is projecting such a large budget gap.

- **Increasing Demand for our Services:** As the cost-of-living crisis deepens, more and more people are turning to the Council for support, which means that the demand for our services is increasing. We know, for example, that the number of people claiming Universal Credit is almost double the pre-pandemic level, with the number of people accessing our advice service also having doubled since April last year. The amount of social services casework has also increased significantly over the past two years whilst free-school-meal caseloads have increased substantially. With more people seeking to access Council services, the cost of delivery is going up.
- **Inflationary Pressures:** With inflation now over 11%, the costs of delivering public services and investing in our buildings and infrastructure are all going up.
 - **Energy:** Soaring energy prices means that the Council is looking at paying an extra £13m next year to heat our buildings and light our streets.
 - **Pay:** We believe public sector employees – who deliver vital services across the city – should be paid fairly. Higher pay awards than were initially budgeted for are being agreed, although they are still significantly below the rate of inflation for a number of Council staff, and below the private sector pay increases that are being seen.
 - **Food, Fuel and Transport:** The costs of buying food, fuel and transport – to deliver school meals and school transport – are all going up
- **Legacy of Covid:** The lasting impact of Covid is still being felt, with some services experiencing an ongoing loss of income whilst others are facing greater challenges and more complex issues as they support recovery.

Even though Cardiff Council is due to receive an increase in Welsh Government support of 9% for next year, it is not enough to meet the additional costs the Council is now facing.

How We Propose to Close the Gap

The budget gap will need to be closed through a combination of:

- **Efficiency Savings and Service Change Proposals:** The Council is committed to protecting frontline services and is therefore looking to generate as much savings as possible through back-office efficiencies. This means driving down the running cost of our buildings, reducing the amount of office space we need, and using new technology where it can save us money. The scale of the financial challenges also means that the Council has been looking at a managed reduction in the number of staff employed, using voluntary severance to generate savings, whilst keeping compulsory redundancies to a minimum.

Taken together, these efficiency savings will make the biggest contribution to closing the budget gap. Unfortunately, they will not be enough, and some changes to services may be necessary to balance the books. That is why we want to know what the people of Cardiff think about some of the potential changes that we could make to save money.

- **Council Tax:** Council Tax accounts for only 27% of the Council's budget, with the remainder coming from the Welsh Government. Each increase of 1% in Council tax generates around £1.6m, therefore closing the budget gap through tax increases alone is not realistic, especially in a cost-of-living crisis.
- **Use of Reserves:** The Council has to be very careful when using its financial reserves, there is only a limited amount available and once they're gone, they're gone. The majority of the Council's reserves are earmarked for specific purposes and are therefore already committed in support of delivering services, for example funding one-off community initiatives and supporting Homelessness Prevention Services. The Council does maintain a level of General Balance totalling £14.2M to cover unforeseen costs and this equates to less than 2% of the Council's overall net budget.

Budget Consultation 2023/24 Survey

There is a legal duty on all Councils in England and Wales to deliver a balanced budget to fund the running of our services.

Councils across the UK are facing huge financial pressures driven by the lasting impact of Covid-19 and the cost-of-living and energy crises. Cardiff Council is no exception and is facing cost increases of over £75m.

These cost increases and delivery pressures are as great as anything the Council has experienced over the past 15 years. This means that public services must continue to identify every possible opportunity to deliver efficiencies, drive down cost and, in some cases, even reduce the level of service being delivered.

When we consulted on your service delivery priorities earlier this year, you made clear that your top three priorities were:

- Schools and Education including Youth Services.
- Supporting vulnerable children and families.
- Supporting vulnerable adults and older people.

That is why the budget proposals will protect schools, education and social services. It does mean, however, that more savings will need to be found elsewhere in the Council's budget.

We are doing all we can to save money and reduce the impact on frontline services through working more efficiently and we have identified significant back-office efficiency savings for the year ahead. However, this is not enough to close the budget gap and so the Council is considering a number of options to balance the budget in 2023/24.

We want to know what you think of these.

The Use of Council Buildings and Assets

1. Funding for Schools

The Council anticipates that schools will face cost increases of £25m in 2023/24 and we propose to fund this amount in full, without asking schools to make any savings.

Do you agree with this approach?

- Yes
- No
 - If no, please tell us why you disagree?
- Not sure

2. Hubs and Libraries

There are 20 Hubs & Libraries in Cardiff which provide and host a variety of highly valued services across the city, including free wi-fi, public PCs and, of course, library provision. Some of the services on offer include essential advice and support to help people manage their finances and find work.

Hubs and Libraries are also a focal point for hosting community activities which are essential to well-being, particularly for vulnerable groups of people. These activities include providing warm spaces for people to spend time and have a coffee and engage in group sessions such as singing, walking or gentle exercise classes. Specialised provision is also available, such as dementia cafes, as well as book clubs for adults and story time for children.

The Council is considering changes to Hubs and Libraries to help save money. Over 60 volunteers already support our Hubs and Libraries and we are considering a number of different options to help reduce the costs of running the service. These options include using more volunteers to run the Hubs and Libraries; reducing opening hours or closing Hubs and Libraries for additional day/s each week.

Which of these options do you prefer?

- Option 1: Remove a small number of vacant posts at Hubs and Libraries, and recruit more volunteers to help run the service, saving £90,000
- Option 2: Reduce opening hours at Hubs and Libraries by closing on a Saturday afternoon, saving up to £80,000
- Option 3: Reduce the number of days Hubs and Libraries are open by an additional day each week, saving £262,000
- Option 4: Maintain current service levels, meaning savings will have to be found elsewhere

Do you agree that services should be protected in areas with the highest levels of financial deprivation?

- Yes
- No
- Don't know

3. St David's Hall – Alternative Operating Model

St David's Hall currently costs the Council £689K to run. Whilst £8.7m of the £9.4m operating cost is realised through income, any shortfall is subsidised by the Council. A reduction in attendance since the pandemic, as well as the rising cost-of-living pressures, means the income generated by the Hall is likely to fall in 2023. If the Council continues to support the Hall, that subsidy is predicted to increase by £110,000 to a total of around £799,000.

The Council also needs to consider the condition of the building, now and in the future, and the tens of millions of pounds of investment in the building required to keep the venue open.

The Council does not think that ongoing support of the Hall in this way is financially sustainable. The Council is therefore proposing to secure a long-term lease arrangement with a tenant who would be responsible for carrying out works to keep the premises safe and operational. Under the proposed lease the tenant would also be required to maintain a classical and community programme, and will have a general obligation to keep the venue open. The proposed tenant has also indicated a willingness to invest in and enhance the venue as part of their plans. The Council would however, still own the building and associated land.

Do you support this proposal?

- Yes
- No
- Not sure
- Do you have any other comments on this proposal?

4. Cardiff International White Water – Alternative Operating Model

To meet the running costs of Cardiff International White Water, the Council currently provides a subsidy. In 2022/23 this was £238,000.

The Council would like to consider an alternative operating model including an arms-length arrangement or an external operator, to allow the Council to save money and ensure the Centre can continue to operate.

Would you support the Cardiff International White Water Centre being operated in a different way?

- Yes
- No
- Not sure

5. Museum of Cardiff

The Museum of Cardiff is located in The Old Library in the Hayes (and should not be confused with the National Museum of Wales in the Civic Centre). It tells the story of the history and heritage of the city through interactive displays and collections of artefacts representing Cardiff's communities, past and present.

Have you ever visited the Museum of Cardiff?

- Yes
- No
- Not sure

The Council has been planning to relocate the Museum out of the Old Library to an alternative more suitable venue. However, this would require a significant capital investment in addition to the revenue subsidy it receives of £498,000 per year.

The Council could close the Museum to save money but does not feel that this is the right option and instead proposes to take the Museum of Cardiff out of the Old Library and make it a mobile attraction. The Museum's displays and activities would move around Cardiff, and a small key team would be retained to continue with community engagement and manage the ongoing care of the collection. This would give a total saving of £266,000 per year and would allow the Council to re-open the museum in a permanent home in the future, if a suitable location was found, and funding secured.

Which of these potential options would you support?

- Option 1: Take the Museum of Cardiff out of the Old Library and make it a mobile attraction, saving £266,000 per year
- Option 2: Keep the Museum open and find the savings elsewhere

Do you have any other suggestions as to how the Council could save money on the running of the Museum of Cardiff?

Waste, Recycling and Street Cleansing

6. Have you used any of the Council's Recycling Centres in the last 12 months? Tick all that apply:

- Bessemer Road
- Lamby Way
- Commercial Recycling Centre at Bessemer Close
- None of these

7. Recycling centres – Reduce Operating Hours

The Council runs two Household Waste and Recycling Centres, which are free for Cardiff residents to use, with any visits to the centres requiring advance booking. Recycling centres operate at around 60% capacity, which means that 40% of booking slots are left unfilled each week.

The centres currently open between 7.30am-6.30pm in the summer, and 9am-6pm in the winter, seven-days-a-week. The Council could reduce the opening hours of these centres during the least busy periods, either by reducing the opening hours to between 9am and 5pm each day, or by closing the centres on Mondays.

Even with a reduction in operating hours, there would still be enough booking spaces to meet demand and recycling performance should not be affected. Either of these changes would save £60,000 per year.

Would you support:

- Option 1: Reducing the operating hours each day to between 9:00-17:00 seven days a week, saving £60,000.
- Option 2: Closing Household Waste Recycling Centres on Mondays, saving £60,000.
- Option 3: Maintaining the existing service levels and finding the savings elsewhere

Do you have any comments about this proposal?

Cost Recovery and Income Generation

8. School Meals

Cardiff Council's School Meals Service provides meals to almost every primary and secondary school in the city.

Does your family use the school meals service?

- Yes, I pay for my children's school meals
- Yes, my child is entitled to free school meals
- No, I provide my child with a packed lunch
- Not applicable

The Welsh Government will be rolling out free school meals for all primary school pupils in Wales by 2024 and will fund the Council to provide this service. Until then, the Council is required to fund the provision of school meals for primary as well as secondary school pupils. Inflation is at its highest level for decades, with the cost of buying and preparing the meals much more expensive than it was a year ago. The Council is therefore having to pay more to provide school meals.

This means that, without an increase in the cost of meals, the Council would face significant additional costs to deliver this service. For this year, meeting the full cost of delivering school meals may mean the Council providing a 25% subsidy, which is close to £2 million. The Council is therefore considering increasing the cost of school meals to meet this rising cost but thinks that passing on the increased cost in full would be too great a rise. In order to limit price rises to the options set out below, the Council would provide a subsidy to meet any additional cost for delivering the service.

The children eligible for Free School Meals (FSM) will continue to receive school meals for free.

Which of these options would you support:

- Limiting any increase to around 5% - meaning that the cost of primary school meals would go up from £2.60 to £2.75, and secondary school meals go up from £3.15 to £3.30
- Increasing the cost by around 10% - meaning that the cost of primary school meals would go up from £2.60 to £2.90, and secondary school meals go up from £3.15 to £3.50
- Increasing the cost by around 15% - meaning that the cost of primary school meals would go up from £2.60 to £3.00, and secondary school meals go up from £3.15 to £3.65
- No increase in the cost of school meals, meaning savings will need to be found elsewhere
- Do you have any other comments on this proposal?

9. Residential Parking Charges

Do you currently have a residential parking permit?

- Yes
- No
- Not sure

The Council offers parking permits as a service to residents in specific areas across the city. This service includes administering the relevant type and number of permits to applicants, and monitoring vehicles parking in restricted areas to ensure these areas are only used by permit holders.

Residents parking permits have not increased in cost since 2013 and the income generated by the permit charges does not meet the cost of delivering this service. The cost of parking permits in Cardiff are well below the average amount charged by similar local authorities across the UK, who charge an average of £42 for a first permit and £74 for additional permits. As local comparisons, Bristol charges up to £84 for a first permit whilst Newport charge £35.

The Council could increase the cost of a first permit from £7.50 to £24, and a second permit from £30 to £54, with similar proportional increases for visitors permits, generating around £481,000 per year to help meet the cost of managing the permit schemes across the city.

Do you think that increasing the cost of a first permit to £24 is

- Too high
- Too low
- About right

Do you think that increasing the cost of a second permit to £54 is

- Too high
- Too low
- About right

10. Pay & Display Charges

The average cost of parking in Cardiff is below that charged in a number of other cities.

The Council could increase the cost of on-street pay and display by, on average, 50p an hour, and for car parks, an increase of £1.00 for those parking longer than 2 hours:

ON STREET			CAR PARKS		
	Current	New		Current	New
1 hour	£2.10	£2.60	2 hours	Free	Free
2 hours	£3.40	£3.60	3 hours	£1.00	£2.00
3 hours	£4.20	£4.60	All day	£2.00	£3.00
4 hours	£5.10	£5.60			
5 hours	£6.10	£6.60			

This will generate an additional £740,000 in income.

Would you support an increase in the cost of parking?

- Yes
- No
- Not sure
- [If no] Why don't you support this proposal?

11. Council Owned Sports Pitches and Facilities in Parks

The Council currently spends £235,000 subsidising the cost for adults hiring sports pitches and changing facilities across the city. Fees vary by sport and whether changing rooms are included.

The Council does not charge for the hire of its pitches by mini and junior clubs and is the only local authority in Wales to provide free use of pitches to these groups.

The Council is not proposing to fully recover the costs of providing sports pitches and facilities but could increase prices by 10%, just under inflation, which would mean there would still be a subsidy of over £200,000. This would be a price increase of around £5-£8 per booking.

Would you support this increase?

- Yes
- No
- Not sure
- [If no] Why don't you support this proposal?

12. Asset Transfer of Municipal Sports Pitches

The Council is currently responsible for running a number of pitches and facilities used for community sports across the city. The Council could transfer the ownership of these pitches and sports facilities to the community groups that use them across the city.

Would you support transferring the ownership of Council owned pitches and sports facilities to the community groups that use them?

- Yes
- No
- Not sure
- [If no] Why don't you support this proposal?

13. Bereavement – Fees & Charges

The Council's Bereavement Service is responsible for undertaking over 4,000 funerals per year, as well as the upkeep and maintenance of nine sites across the city, including Thornhill Cemetery and Crematorium, Western Cemetery and Cathays Cemetery.

Cardiff Council charges less than most other UK cities for its cremation and burial services, however inflationary pressures have increased the cost of running this service. If the Council was to raise the price of the service to meet the additional cost, the price of cremation would increase by £40 (5.13%) and burials by £60 (6.82%).

Would you support increasing the price of the burials and cremation service to meet the cost of running the service?

- Yes
- No
- Not sure
- [If no] Why don't you support this proposal?

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