

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

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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

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**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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