

DRAFT BUDGET PROPOSALS 2023/24

Purpose of Report

1. To provide Members with context for the scrutiny of the 2023/24 draft Budgetary Proposals and provide papers that set out the proposals.

Context

2. The Council is required to approve its annual budget for the year ahead at Full Council on 9 March 2023. The Constitution allows all Scrutiny Committees to consider the draft budget proposals relevant to their terms of reference, enabling non-executive Members to feed comments, observations or recommendations to the Cabinet before final budget decisions are taken. This year the Cabinet will consider the draft budget proposals on 2 March 2023, prior to their presentation to Full Council for approval the following week.
3. The Policy Review and Performance (PRAP) Scrutiny Committee's Terms of Reference afford Members responsibility for taking an overview of revenue and capital budget proposals from a corporate, strategic point of view; checking the alignment of the budget proposals to the Council's stated Corporate Plan priorities and well-being objectives, as well as the processes by which they have been developed.
4. In addition to PRAP's strategic overview the Council's four other Scrutiny Committees will also consider the budget proposals and elements of the draft Corporate Plan relevant to their own terms of reference. Following these

meetings, the Chair of each Committee will write a letter to the Cabinet, summing up the Committee's comments. Copies of these letters will be circulated prior to the PRAP Scrutiny Committee meeting to inform Members' lines of enquiry in considering the overall budget.

Structure of the Meeting

5. The agenda for this meeting focusses on the Committee's corporate responsibilities, as outlined above, and this item (4) will be structured in two parts:
 - Part 1 - an opportunity for questions on all corporate Revenue Budget proposals for 2023/24.
 - Part 2 - an opportunity for questions on the Council's Capital Investment Programme 2023/24 – 2027/28 and Capital Resourcing for the same period.

6. To consider the overall budget proposals (part 1) the Cabinet Member and officers listed below will be in attendance. Members will receive an overview from the Corporate Director Resources and the Head of Finance of the 2023/24 Budget Proposals. There will then be an opportunity for general questions on the Council-wide budget proposals:
 - Councillor Chris Weaver, Cabinet Member Finance, Modernisation and Performance;
 - Chris Lee, Corporate Director Resources;
 - Ian Allwood, Head of Finance;
 - Gareth Newell, Head of Performance and Partnerships (Budget Consultation report 2023-24.)

7. To consider the Capital Programme 2023/24 (part 2) Members will hear from:
 - Councillor Chris Weaver, Cabinet Member Finance, Modernisation and Performance;
 - Chris Lee, Corporate Director Resources;
 - Ian Allwood, Head of Finance;
 - Anil Hirani, Capital Account Manager.

Structure of the Papers

8. In addition to the information set out in this report, Members will find a range of Appendices as follows:

Appendix 1 – Budget support for the Corporate Plan and Future Generations

Appendix 2 – Council-wide Budget Proposals (for all Directorates)

Appendix 2a – Directorate Revenue Budgets

Appendix 2b – Financial Resilience Mechanism

Appendix 2c – Prices, Commitments and Realignments

Appendix 2d – Efficiency Savings Proposals

Appendix 2e – Service Change Proposals

Appendix 2f – Fees and Charges

Appendix 2g – Earmarked Reserves General Fund

Appendix 3 – Capital Funding Overview

Appendix 4 – Capital Investment Programme 2023/24 – 2027/28

Appendix 5 – Medium Term Financial Plan 2023/24 – 2026/27

Appendix 6 - Financial Resilience Snapshot

Appendix 7 – Budget Consultation Report

9. For Members information and to aid their understanding, below is an explanation of each Appendix:

Appendix 1 – Budget support for the Corporate Plan and Future Generations – sets out how the Revenue Budget and Capital Programme are consistent with the Council's priorities, invest in the future of the city and support the five ways of working at the heart of the Well-being of Future Generations (Wales) Act 2015.

Appendix 2 – a Council-wide Directorate Revenue Budget sheet, providing a complete picture of the revenue budget. This appendix is in the form of an Excel spreadsheet that allows Members to see how the budget for 2023/24 has been built. The front page provides an *Overview*, explaining that from the current budget base of £743,746 million the 2023/24 budget required to deliver Council services and meet Council priorities is £803,881. The £24.216million budget gap will be met by *Savings* and *Council Tax* increases, as highlighted by all the cells shaded grey.

Attached to the *Overview* are 7 further spreadsheets (2a-g) that provide Members with the detail summarised on the overview page. They are:

Appendix 2a - Directorate Revenue Budgets – The Council has 12 Directorate budgets. The budget for each one is found here, with an indication where a Directorate's base budget has benefitted from an FRM adjustment, realignment, pressure and growth bid, or savings have been applied. Members will find this sheet useful as it illustrates the differing scale of Directorate budgets.

Appendix 2b – Financial Resilience Mechanism (FRM) provides a summary of the allocations of money the Council has reserved for specific purposes by theme, Stronger, Fairer, Greener.

Appendix 2c – This spreadsheet is a straightforward list of *Price Inflation* in specific budget areas, *Commitments* that must be met, and *Realignments* necessary to set a budget that can deliver service priorities listed in the Corporate Plan.

Appendix 2d – Detailed Directorate *efficiency savings* are set out in this spreadsheet. The proposed savings within this year's budget total **£17.666million**. **£10.090 million** are from **Efficiency Savings**; **£2.776 million** are from **Service Change Savings**; **£3 million** are **Corporate Savings**; and **£1.800 million** are from a **reduction in the FRM**.

The spreadsheet sets out a number of details for each proposal: For each numbered proposal (line) Members will find (L-R):

- The Directorate against which the savings is proposed;
- A reference number for the proposal
- The saving proposed and a description of the proposal;
- A breakdown of the efficiency saving, for example will it be derived from 'employees', 'external spend', or 'income';
- The Net Employee Implications of the proposal (FTE)
- A risk analysis for each proposal in respect of an achievability rating (*Green, Amber-Green, Amber, Red-Amber, Red*) the residual risk, and an Equalities Impact Assessment (EIA) rating;

Appendix 2e – This spreadsheet sets out *Service Change* Proposals for each Directorate. For each numbered proposal (line) Members will find (L-R):

- The Directorate making the service change;
- A reference number for the service change proposal;
- The service change proposed and a description of the proposal;
- A breakdown of the service change saving; for example, will it be derived from ‘*employees*’, ‘*external spend*’, or ‘*income*’;
- The Net Employee Implications of the proposal (FTE)
- A risk analysis for each proposal in respect of an achievability rating (*Green, Amber-Green, Amber, Red-Amber, Red*) the residual risk, and an Equalities Impact Assessment (EIA) rating;
- An indication of whether the proposal has been the subject of public consultation.

Appendix 2f – Fees and Charges - provides a full list of *Fees and Charges* for 2023/24. These cover a broad range of income sources such as charges to rent Council buildings and venues; the use of Council caravan and camping facilities; parks facilities; community halls; sporting activities; parking; waste; libraries; bereavement services; and much more.

Appendix 2g – Earmarked Reserves General Fund - provides a summary, setting out allocations of money the Council has reserved for specific purposes. The General Fund *Earmarked Reserves* are monies put aside by services/functions/directorates for future use in clearly designated areas for specific purposes if required. The list is alphabetical. This year the proposal is to use £11.964 million of earmarked reserves, no council general reserves, and £4.183 million of Housing Revenue Account reserves.

Appendix 3 – Capital Funding Overview – This spreadsheet shows the Capital funds available for both the *General Fund*, and the *Public Housing Fund*. It includes funding levels for 2023/24 and indicative funding levels for the following 4 years. More information on the Capital Funding and the Capital Programme can be found at paragraphs 26-28 below.

Appendix 4 – Capital Investment Programme 2023/24 – 2027/28. Members can see the complete project list of the Councils Capital Investment Programme for the next 5 years in this appendix. Capital projects are funded via several different methods. The spreadsheet therefore categorises capital allocations as follows:

- Annual Sums Expenditure;
- Ongoing Schemes/Amendments to Ongoing Schemes;
- New Capital Schemes;
- Schemes funded by Grants;
- Additional borrowing by the Council to be repaid from revenue savings or invest to save business cases.

Appendix 5 – Medium Term Financial Plan 2023/24 – 2026/27 – the document that forecasts the Council’s financial position, aids preparations for the challenges of setting a balanced budget, informs understanding and protects the Council’s long term financial health.

Appendix 6 – Financial Resilience Snapshot – this appendix provides an *at-a-glance* view of the Council’s financial resilience, looking back over the last four years from 2018/19 and forward the next four years to 2027/28. It shows the Revenue and Capital budget positions at month 9 2022/23.

Appendix 7 – Budget Consultation Report. Each year following the announcement of the Provisional Settlement the Council enters into a formal public consultation period to test citizen appetite for budget proposals. Further information on the results of this year’s survey can be found at paragraphs 29-32 of this report.

Scope of Scrutiny

5. The scope of this pre-decision scrutiny is to consider the overall corporate budget proposals in terms of their relationship to the Corporate Plan 2023-26, to test whether they will support delivery of the priorities, objectives and steps set out in the Plan, and to test the processes and assessments used in their development.

6. Following the Scrutiny Committee meeting, the Chair will detail the Committee's comments or recommendations in correspondence to the Cabinet, for their consideration, prior to finalising their budget proposals. The Cabinet will consider draft budget proposals on 2 March 2023. At that meeting the Cabinet will formally agree their budget recommendations for consideration and adoption by Full Council, at its meeting on 9 March 2023.

Summary of Budgetary Position 2023/24

Local Government Financial Settlement

7. The Local Government Financial Settlement is a key factor underpinning the construction of the draft budget. Due to the timing of the UK Autumn Statement, which took place in November 2022, the Provisional Settlement was not received until the 14th December 2022. At an All-Wales level, the headlines of the 2023/24 Provisional Settlement were that Local Authorities will receive an average increase in general revenue funding of 7.9%, with individual settlements ranging from +6.5% to +9.3%.
8. 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 the number of children in receipt of free school meals.
9. Specific grant announcements show a £63 million increase overall (at an all-Wales level), although several grants will undergo notable changes. Grants totalling £41 million will cease in 2023/24 including FSM Holiday Provision (£23.8m), Summer of Fun (£5.5m), NQT Grant (£3.8m) and Family Intervention Fund (£3.2m), whilst £32 million of funding is yet to be confirmed. The most significant changes to the remaining grants include an additional £132 million to support non-Covid rate relief in the Retail, Leisure and Hospitality sector, and a reduction of £55.75 million (74%) in the Childcare Offer reflecting the fact that this will now be paid direct to private childcare providers. At an individual authority

level, Cardiff has received confirmation that its Housing Support Grant will remain at its 2022/23 level of £21.9 million in 2023/24, with indications that it will continue at that level until 31st March 2025.

10. The Final Local Government Settlement (Final Settlement) is not expected to be received until early March 2023 (after the publication date of the Budget Report). There is one expected change at Final Settlement, which relates to a grant transfer in relation to Fire and Rescue Authority (FRA) Pensions. In budgetary terms the net impact of this is expected to be negligible. Cardiff's AEF figure will increase by the grant transfer (expected to be £701,000), and this is matched (to within a few thousand pounds) by an associated increase in the levy payable by the Council to South Wales Fire and Rescue Service (SWFRS). The AEF figures included throughout this document pre-empt the anticipated grant transfer, to avoid the need for post publication amendments.

Revenue Budget 2023/24

11. A summary of the 2023/24 Revenue Budget is set out below.

Resources Required	£000
Base Budget B/F	743,746
Pay Award, NI & LGPS changes	31,094
Price Inflation	27,126
Commitments (including Capital Financing)	3,677
Realignments	6,870
Demographic Pressures	7,651
Sub Total - Cost Pressures 2023/24	76,418
Resources Required	820,164

Resources Available	£000
Aggregate External Finance (including anticipated grant transfer)	593,592
Council Tax (2023/24 Tax Base at 2022/23 Council Tax Rate)	200,856
Earmarked Reserves	1,500
Resources Available	795,948

12. The difference between resources required and resources available is £24.216 million.

The strategy to close this gap is set out below:

Strategy to address Budget Gap	£000
Efficiency Savings	(10,090)
Corporate Savings and Measures	(3,000)
Reduction in Financial Resilience Mechanism	(1,800)
Service Change Proposals	(2,776)
A 3.95% Council Tax Increase (net effect after impact on CTRS)	(6,550)
TOTAL	(24,216)

13. After taking into account the relevant aspects of Budget Strategy set out in the above table, the net cash limit for 2023/24 is £803.881 million as summarised below:

	£000
Base Budget Brought Forward	743,746
Pressures	76,418
Savings and Reduction in FRM	(17,666)
Impact on CTRS Budget of 3.95% council tax increase	1,383
Net Budgeted Expenditure 2023/24	803,881

Funded by:	£000
Aggregate External Finance (including anticipated grant transfer)	593,592
Council Tax (2023/24 Tax Base at 2023/24 Council Tax Rate)	208,789
Earmarked Reserves	1,500
Budget Funding 2023/24	803,881

Revenue Budget Savings

14. The 2023/24 Budget is predicated on the delivery of £10.090 million in directorate efficiency savings. Efficiency savings are defined as achieving the same output (or more) for less resource, with no significant impact on the resident / customer. The £10.090 million savings reflect savings in all directorates, except for Schools,

which have been protected for 2023/24, consistent with the findings of public consultation.

Nature of Saving	£000
Review of staffing arrangements	3,385
Reductions in premises costs	197
Reductions in external spend	2,813
Increase in Income and grant maximisation	3,695
Total	10,090

Corporate Savings and Measures

15. The strategy to balance the 2023/24 Budget includes £3.000 million of Corporate Savings and measures. These include:

- £1 million reduction to the Council’s General Contingency Budget (from £2 million to £1 million)
- £1 million reduction to the Adult Services specific contingency budget (from £3 million to £2 million)
- £1 million savings to corporate budgets including Council Tax Reduction Scheme and Insurance.

16. Reductions to contingency are considered further in the section of the report on financial resilience. The £1 million corporate savings are based on a review of historic trends, as well as current and anticipated demand. Based on this information, the savings are considered prudent given sums set aside in earmarked reserves, and the latest actuarial review of the insurance fund.

Service Change Proposals

17. The 2023/24 Budget includes £2.776 million in service change proposals. These are distinct from efficiency savings in that they have an impact on existing levels of service. **Appendix 2e** summarises the service change proposals included in the budget together with the nature of the consultation undertaken. For some proposals consultation involves a specific organisation or group of service users

who are specifically affected by a proposal. Other proposals have been the subject of city-wide consultation.

18. Cabinet have considered fully the outcomes of the consultation exercises undertaken and those service change proposals included in the Budget are consistent with consultation findings. Cabinet is proposing not to take all savings options forward at this time. Specifically:

- In respect of the Museum of Cardiff, proposals to reduce the offer and / or switch to a mobile based service have been removed. The Cabinet instead will now work with the trustees of the museum to secure a sustainable future, including consideration of options for delivering the service at an alternative location.
- In respect of Hubs and Libraries, proposals to reduce opening hours and / or close on weekends have not been taken forward and any changes are being limited to removing a small number of long-term vacant posts in the service.
- Finally in respect of school meals, Cabinet have reduced a proposed price increase to 5% (consultation was based on a 10% price increase) and will therefore continue to provide a significant subsidy of this service across schools.

Council Tax

19. The proposed Council Tax increase to support delivery of the 2023/24 Revenue Budget Strategy is 3.95%. The increase, which is below inflation, generates net additional income of £6.550 million. Combined with the savings and corporate measures totalling £17.666 million outlined above this will help to bridge the 2023/24 Budget Gap. Those eligible, will receive support through the Council Tax Reduction Scheme.

Employee Implications of the 2023/24 Revenue Budget

20. The posts deleted or created as part of the budget are set out in the table below. For deleted posts, the table identifies the anticipated method of release.

Employee Implications of Budget	FTE
Voluntary Redundancy	50.9
Vacant Posts	55.3
Potential Transfer of Posts	48.2
Retirement / Flexi Retirement	1.5
TBC / Redeployment	22.5
Total FTE posts deleted	178.4
Total FTE posts created	(5.5)
Net FTE Reduction	172.9

Financial Resilience Mechanism

21. The Council currently has a £3.8 million budget called the Financial Resilience Mechanism (FRM) that was set up to help the Council deal with funding uncertainty. It is used to invest in priority areas, but investment is one-off and determined each year. This means that the budget is used proactively, but could be reduced or deleted if required, without affecting day-to-day services. Given the significant budget gap that the Council is facing, it is proposed to reduce the FRM by £1.8 million in 2023/24. The reduction is specifically linked to minimising the impact of energy price increases that may prove to be temporary in nature. The FRM will be reinstated if prices subside in 2024/25 and beyond.

22. For 2023/24, the level of the remaining Financial Resilience Mechanism will be £2.0 million. The table below provides a high-level summary of how this will be directed in 2023/24 and further information is provided in an appendix.

FRM – One-off use for 2023/24	
Category	£000
Stronger	565
Fairer	715
Greener	720
Total	2,000

Financial Resilience

23. In order to ensure there is a resilience against areas that can be unpredictable or volatile, the 2023/24 budget proposals include specific contingencies. These reflect:

- The difficulty in modelling potential increases in the number and complexity of Looked After Children Placements (£2.100 million.)
- The difficulty in modelling demand in Adult Services (£2.000 million)
- Market volatility in respect of recycling materials (£0.350 million).

24. The Council will reduce its General Contingency of £2.0 million in 2023/24 by £1.0 million. In the past, this was specifically held to protect the Council against late or under-delivered savings. However, in recent years, as savings requirements have reduced the contingency has been retained to address the difficulties in predicting demand, and more recently due to the risks associated with the COVID-19 pandemic. In 2023/24, it is considered that the continued improvements in savings delivery and planning, higher level of reserves and specific contingencies for particular risks, will enable a lower level of general contingency.

25. The Council will release its £10 million Covid-19 Budget in 2023/24. This budget was created in 2022/23 in recognition of the risks associated with the fall out of the Covid-19 Hardship Fund, from which the Council received significant support the pandemic-related costs and income loss in the financial years 2020/21 and 2021/22. The budget has played an important part in managing pressures during 2022/23. However, a combination of further recovery during 2022/23, the realignments contained in the 2023/24 Budget and resilience set aside in earmarked reserve, make it appropriate to release this budget for 2023/24.

Draft Capital Programme 2023/24 to 2027/28

26. Cardiff's Provisional Capital Settlement from Welsh Government is a £3.055 million increase in General Capital Funding (GCF) for 2023/24. This reflects the anticipated share of an additional £30 million per annum across Wales for

2023/24 and 2024/25. After this point, the allocation is assumed to revert to 2022/23 levels. Whilst the short term 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.

27. 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 applies to the £20 million decarbonisation announced by Welsh Government in the Provisional Settlement at an All-Wales level, for which no assumptions are currently made in the programme.

28. The proposed 2023/24 Budget outlines capital expenditure proposals of £1.413 billion for the financial years 2023/24 to 2027/28, of which £314 million is earmarked for 2023/24.

Budget consultation & Engagement

Appendix 5

29. Consultation on the Council's budget proposals for 2023/24 was undertaken by the Cardiff Research Centre. The consultation ran from 23rd December 2022 to 29th January 2023, following the budget announcement from the Welsh Government on 14th December 2022.

30. The survey was available online and in hard copy, in English, Welsh, Arabic and Polish. The Cardiff Research Centre worked closely with partnership organisations to ensure as representative a response as possible. In a bid to ensure the survey was promoted as widely as possible, the survey was promoted via

- **Email** - Organisations known to work with less frequently heard groups; Cardiff's Citizen's Panel; Ward members in areas known to traditionally have a low response rate.

- **Internet/intranet** - hosted on the Council website, at www.cardiff.gov.uk/budget; and promoted to Council employees via DigiGov, Intranet and Staff Information. An accessible version of the survey (for use with screen readers) was made available alongside the main survey. The webpage received 9,287 views in total across both the English and Welsh versions, with 232 accessing the page from the scrolling bar on the homepage of the website.
- **Social media** - promoted on the Council's corporate Facebook, Twitter, Instagram and Linked In accounts by the Corporate Communications Team throughout the consultation period (to a combined audience of around 172,000 followers). Targeted promotion was facilitated via stakeholder's social media accounts and Facebook 'boosts' of paid advertising aimed at those less frequently heard i.e. under 25's, Minority Ethnic groups and those living in the 'Southern Arc' of the city. Seventy-six posts were published, which were viewed 178,988 times, with 2,509 clicks through to the Budget Consultation page.
- **Hard copies - Hard** copies of the survey were made available in Hubs, libraries and community buildings across the city from Monday 9th January; they were also provided to Members Services, for all councillors to distribute. Partner organisations were invited to request hard copies for distribution.
- **Youth Survey** - The Child Friendly Cardiff team created a modified version of the survey using less formal language and distributed this to members of the Council's Youth Panel for completion online between 24th January and 5th February 2023.
- **Face to face interviews** - An assessment of results received was made approximately halfway through the survey window to understand the profile of respondents. Officers went out to areas with the lowest levels of response to gather views of residents about the budget proposals, particularly those belonging to under-represented groups.
Areas identified were Adamsdown, Caerau, Cathays, Ely, Grangetown, Llanrumney, Rumney, Splott and St Mellons; interviews were also conducted in Central Library, capturing respondents for across the city.

31. Whilst respondents in some areas were very positive about being asked for their views and welcomed the opportunity to speak to a council officer about the issues raised, other areas saw poor engagement with little interest, which was hampered by poor weather affecting footfall.
32. After data cleansing to remove blank and duplicated responses, a total of **5,932 responses were received for the main survey, with a total of 115 responses to the Youth survey**. A total of 107 face-to-face interviews were undertaken. A copy of the consultation document is attached at **Appendix 5**.

Way Forward

33. Cabinet Members and officers will be attending the meeting as set out in the 'structure of the meeting' section above. Members are invited to question those in attendance, and during discussion at the Way Forward agree the comments, concerns and observations that should go forward for consideration by the Cabinet.

Legal Implications

34. 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

35. 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

The Committee is recommended to consider the information presented in these papers and received at this meeting, and to submit any recommendations or comments to the Cabinet prior to its consideration of the final budget proposals on 2 March 2023

Davina Fiore

Director of Governance and Legal Services

23 February 2023